Long Life Reliability
does not cost the earth

LPA Group Plc

Interim Unaudited Group Results for the period ended 4 April 2015

www.lpa-group.com

CHAIRMAN'S STATEMENT

In my remarks to the Annual General Meeting on 26th March I confirmed earlier reports that the year had started very quietly and these are reflected in the results for the first half, which show sales revenues of £7.93m (2014: £7.97m) generating a very modest profit before tax of £19,000 (2014: £186,000) and diluted earnings per share of 0.13p (2014: 1.32p).

Order entry in the first half increased 12.3% to £10.51m (2014: £9.36m) and the order book at the end of the period was £10.77m, 31.7% higher than the £8.18m at September 2014. I have previously commented that we had been selected by Bombardier Transportation to supply electro mechanical equipment for rail vehicles to be used on Crossrail and am pleased to report that an initial order for £4m was subsequently received in May. Including this item the order entry to the end of May was £17m (with a further £8m of Crossrail and Intercity Express Programme still to be booked) under-pinning our expectation of future growth.

The closure of the Clacton facility and the integration of that reduced capacity into Light and Power House has proved more challenging than expected. However, as previously reported, the Group is committed to reinforcing itself to take advantage of the major opportunities available and to securing the long term benefits of focussing all of its electro-mechanical activities on one site.

The Group is successfully managing the challenges of simultaneously starting up four large long term rail projects. There is a significant amount of engineering work associated with the design of these projects and a large number of new purchase contracts to place. In addition suppliers have to be brought up to speed to meet customers' initial delivery requirements, which will be variable until they settle into a regular pattern. As a consequence the factory load has been inconsistent, particularly in lighting. The significant initial start-up costs will be recovered as the projects mature and profits begin to flow more consistently.

While routine connector orders have been relatively buoyant the hiatus in the re-franchising process has continued to affect the award of larger refurbishment contracts which have been delayed beyond this year. Orders for lighting have been affected by a reduction in demand from the oil and gas hazardous area market and lower seasonal demand from local authorities for LED replacements for fluorescent lighting. There has been a slower than anticipated take up of our high end quality LED products, an issue that is being addressed by better market segmentation and focus. Some success in export markets has been enjoyed.

In parallel with the major rail project start-ups there has been a significant increase in tendering activity particularly for retro-fitting of Ethernet Backbones to existing rolling stock. This is being driven now by the Government's commitment to install Wi-Fi for rail passengers and, in the longer term, by the implementation of the train borne European Train Control System. We expect our Transport+ installation capability to become increasingly involved in these activities. Our engineered product distribution activity continues to progress well, with a number of innovative new products being launched.

In addition to the positive outlook in the UK market, with further major opportunities currently being pursued, the export market also looks very positive with opportunities in Europe, Asia and Australasia, which we are actively following. We have made a quick start in the Gulf Area with our first order for standard LED lighting product.

Cash flow has been impacted by the closure costs of the Clacton facility, the investment in working capital caused by the project start-ups and the absence of significant profit in the first half. The pace of capital investment will be restricted until routine positive cash flow is restored. The interim dividend is being maintained at 0.70p which will be paid on 18 September 2015 to shareholders registered at the close of business on 28 August 2015.

We expect to make modest progress during the remainder of the year, which progress should rapidly accelerate as the major projects mature through 2016-19. The Group is well positioned to win further orders for rail vehicle equipment on established platforms in both the UK and export markets.

The factory load for the remainder of the year and particularly in the longer term up to 2019 is very encouraging.

Michael Rusch
Chairman
25 June 2015

CONSOLIDATED INCOME STATEMENT

	Period to 4 April 2015 Unaudited £000's	6 months to 31 March 2014 Unaudited £000's	Year to 30 Sept 2014 Audited £000's
Revenue	7,928	7,970	16,835
Operating profit before exceptional items	45	195	636
Reorganisation costs	(6)	-	(319)
Operating profit	39	195	317
Finance costs	(35)	(31)	(68)
Finance income	15	22	46
Profit before tax	19	186	295
Taxation	(2)	(19)	-
Profit for the period	17	167	295
Attributable to:			
- Equity holders of the parent	17	167	295
Earnings per share (see note 2)			
- Basic	0.14p	1.42p	2.50p
- Diluted	0.13p	1.32p	2.31p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period to 4 April 2015 Unaudited £000's	6 months to 31 March 2014 Unaudited £000's	Year to 30 Sept 2014 Audited £000's
Profit for the period	17	167	295
Other comprehensive (expense) / income			
Items that will not be reclassified to profit or loss			
Actuarial loss on pension scheme	(114)	(6)	(362)
Tax on actuarial loss	13	(8)	52
Other comprehensive expense net of tax	(101)	(14)	(310)
Total comprehensive (expense) / income for the period	(84)	153	(15)
Attributable to:			
- Equity holders of the parent	(84)	153	(15)

CONSOLIDATED BALANCE SHEET

	As at 4 April 2015 Unaudited £000's	As at 31 March 2014 Unaudited £000's	As at 30 Sept 2014 Audited £000's
Non-current assets			
Intangible assets	1,237	1,245	1,235
Property, plant and equipment	4,810	3,040	4,909
Retirement benefits	695	1,026	744
	6,742	5,311	6,888
Current assets			
Inventories	2,396	2,303	2,145
Trade and other receivables	3,291	5,139	3,473
Cash and cash equivalents	5	751	525
	5,692	8,193	6,143
Total assets	12,434	13,504	13,031
Current liabilities			
Bank overdraft	(65)	-	-
Bank loans and other borrowings	(236)	(233)	(235)
Provisions	(341)	(244)	(567)
Trade and other payables	(3,046)	(3,242)	(3,179)
	(3,688)	(3,719)	(3,981)
Non-current liabilities			
Bank loans and other borrowings	(1,666)	(1,902)	(1,784)
Provisions	-	(303)	-
Deferred tax liabilities	(149)	(236)	(160)
Other payables	(21)	(22)	(21)
	(1,836)	(2,463)	(1,965)
Total liabilities	(5,524)	(6,182)	(5,946)
Net assets	6,910	7,322	7,085
Equity			
Share capital	1,185	1,183	1,184
Share premium account	464	457	461
Un-issued shares reserve	197	185	192
Merger reserve	230	230	230
Retained earnings	4,834	5,267	5,018
Equity attributable to shareholders of the parent	6,910	7,322	7,085

CONSOLIDATED CASH FLOW STATEMENT

	Period to 4 April 2015 Unaudited £000's	6 months to 31 March 2014 Unaudited £000's	Year to 30 Sept 2014 Audited £000's
Profit for the period	17	167	295
Finance costs	35	31	68
Finance income	(15)	(22)	(46)
Income tax expense	2	19	-
Operating profit	39	195	317
Adjustments for:			
Depreciation	209	147	309
Amortisation of intangible assets	17	2	23
(Gain) / loss on sale of property, plant and equipment	(30)	(1)	11
Non-cash charge for equity-settled share-based payments	6	11	19
	241	354	679
Movements in working capital:			
Change in inventories	(251)	(131)	27
Change in trade and other receivables	182	(44)	322
Change in trade and other payables	(133)	(183)	(325)
Change in provisions	(226)	(121)	(101)
Cash generated from operations	(187)	(125)	602
Income tax received	-	40	43
Retirement benefits	(50)	(50)	(100)
Net cash from operating activities	(237)	(135)	545
Purchase of property, plant and equipment	(145)	(527)	(2,489)
Proceeds from sale of property, plant and equipment	65	10	1,307
Capitalised development expenditure	(19)	(11)	(22)
Net cash from investing activities	(99)	(528)	(1,204)
Drawdown of bank loans	-	600	600
Repayment of bank loans	(100)	-	(100)
Repayment of obligations under finance leases	(17)	(17)	(33)
Interest paid	(35)	(31)	(68)
Proceeds from issue of share capital	4	11	16
Dividends paid	(101)	(89)	(171)
Net cash from financing activities	(249)	474	244
Net decrease in cash and cash equivalents	(585)	(189)	(415)
Cash and cash equivalents at start of the period	525	940	940
Cash and cash equivalents at end of the period	(60)	751	525

	As at 4 April 2015 Unaudited £000's	As at 31 March 2014 Unaudited £000's	As at 30 Sept 2014 Audited £000's
Reconciliation of cash and cash equivalents			
Cash and cash equivalents in current assets	5	751	525
Bank overdraft in current liabilities	(65)	-	-
Cash and cash equivalents at end of the period	60	751	525

NOTE 1 – BASIS OF PREPARATION

These interim consolidated financial statements are for the period ended 4 April 2015. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2014.

They have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and applicable law (IFRS) and in accordance with the provisions of the Companies Act 2006 applicable to companies applying IFRS. These financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value.

These consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 September 2014. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements and are expected to be followed throughout the year ended 30 September 2015.

NOTE 2 – EARNINGS PER SHARE

The calculations of earnings per share are based upon the profit for the period attributable to ordinary equity shareholders of £17,000 (March 2014: £167,000 - September 2014: £295,000) and the weighted average number of ordinary shares in issue during the period of 11.844m (March 2014: 11.802m - September 2014: 11.818m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 12.666m (March 2014: 12.607m - September 2014: 12.783m).

Long Life Reliability
does not cost the earth

LPA Group Plc
Light & Power House
Shire Hill, Saffron Walden
Essex CB11 3AQ
T +44 (0)1799 512800
F +44 (0)1799 526793