LPA GROUP PLC

LPA Group plc ("LPA" or the "Group"), the high reliability LED lighting, electronic and electro-mechanical system designer and manufacturer, announces its Preliminary Results for the year ended 30 September 2020 and confirms the appointment of a new NED and Chairman elect.

Preliminary Results key points:

KEY POINTS

- Sales and earnings ahead of FY19 despite impact of Covid-19
- Sales increased 6.0% to £20.7m (2019: £19.5m)
- Order Book increased 5.4% to £22.5m (2019: £21.3m)
- Order Entry amounted to £21.9m (2019: £27.0m)
- Underlying Operating Profit increased 284% to £0.78m (2019: £0.20m)
- Exceptional costs amounted to £0.1m (2019: £0.4m)
- Profit before tax amounted to £0.55m (2019: loss £0.24m)
- Basic earnings per share amounted to 4.82p (2019: loss 0.43p)
- Final dividend nil, total for the year nil (2019: 1.10p)
- Gearing unchanged before adoption of IFRS 16 at 19.6% (2019: 19.6%)
- Continued investment in automation, productivity, and efficiencies

Peter Pollock – Chairman commented:

"In common with our customers and suppliers, we have been affected by Covid. However, we follow Government Guidelines closely, remain open for business, fully utilise the support available to maintain our business and have been more fortunate than many. Thus far our team has suffered few Covid cases and no fatalities and, led by our Executive, has done a great job in difficult circumstances. Cash has been closely controlled and gearing remains unchanged. However, under current circumstances we consider it prudent not to declare a dividend now, but to review the situation at the half year. Although we were fully prepared for Brexit, we are delighted that a deal has been done which will facilitate our continuing success in export markets in the EU and beyond. The order book has continued to grow, and very large contract award's including one which enhances our growth in power electronics and control, have been received during the first quarter. This together with our strong balance sheet and excellent Executive team gives us great confidence that with a fair wind we shall progress during the current year and in the longer term.

I am delighted to report that Robert Bodnar-Horvath, BSC, FCA, will be joining our board shortly as NED and Chairman elect, to succeed me when I retire later this year. He has had a long and distinguished career in engineering, manufacturing, and I am sure he will lead LPA to great success in the future."

25 January 2021

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014. The Directors of the Company take responsibility for this announcement.

Enquires:	www.lpa-group.com	Tel:
LPA Group Plc		
Peter Pollock	**Chairman**	01799 512844
Paul Curtis	**CEO**	01799 512858
Chris Buckenham	**CFO**	01799 512859
Cairn Financial Advisers	**(Nominated Adviser)**	020 7213 0880
James Caithie / Liam Murray		
Ludovico Lazzaretti		
finnCap	**(Broker)**	020 7220 0500
Ed Frisby / Tim Harper (Corporate Finance)		
Tim Redfern / Charlotte Sutcliffe (ECM)		

Caution regarding forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as ''believe'', ''could'', "should" ''envisage'', ''estimate'', ''intend'', ''may'', ''plan'', ''potentially'', "expect", ''will'' or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

Chairman's Statement

In my Interim Statement in June 2020, I reported that all three of our sites had remained operational despite the pandemic. I am pleased to report that, thus far, this remains the case and the incidence of Covid-19 infections among our staff has remained very low, with no fatalities. We are following Government guidelines closely and utilise sources of support as widely as possible, and we shall continue to do so.

Our customers and suppliers have suffered and continue to suffer disruption. However, we have a great team, well led by the Executive and they have responded well to the challenges and delivered a result in line with expectations and a significant recovery from last year.

Despite customer delays caused by Covid-19, Sales for the year increased 6.0% to £20.7m (2019: £19.5m). Underlying operating profit increased 284% to £0.78m (2019: £0.20m). Profit before tax amounted to £0.55m (2019: loss £0.24m). Basic earnings per share amounted to 4.82p (2019: loss per share 0.43p). Gearing remained unchanged at 19.6%, increased to 21.1% after adoption of IFRS 16.

Orders entered during the year, like sales, were depressed by the effects of Covid-19, but amounted to £21.9m (2019: £27.0m), however the positive book to bill ratio delivered a 5.4% increase in the closing Order Book to £22.5m (2019: £21.3m). A number of major contracts were delayed and have been awarded to us during the first quarter of the current year, strengthening the ongoing Orders Pipeline (contracts we have been awarded without sufficient delivery information to enable inclusion in the Order Book, or, which remain subject to contract) and the Order book itself.

Though we were fully prepared for a no deal Brexit, we are delighted that a deal has been done, which will facilitate our continuing success in export markets within the EU and beyond.

Dividends

Given the uncertainty due to Covid-19, the Board considered it prudent to cancel the Final Dividend for the year ended 30 September 2019 and not to declare an Interim Dividend in respect of the year ended 30 September 2020 (2019: 1.10p). Circumstances remain extremely uncertain with a further lockdown now in operation. It must be hoped that the Vaccination programme will succeed. However, in such circumstances conserving cash resources to secure the business and to maintain investment in new products and plant and equipment is paramount. The Board believes in a progressive dividend policy and will review this again at the 2021 half year.

Corporate Governance

The Group adopted the Quoted Companies Alliance Corporate Governance Code in 2018 and, unless otherwise stated, adheres to it. This provides that the Chairman is responsible for oversight, adoption, and communication of the Group's Corporate Governance Model.

The Group's Annual Report is considered to be a document of record and together with the Group's Website www.lpa-group.com, suitable for recording the Group's statements on compliance with the Code. Compliance is reviewed every six months and updated as necessary and appears both in the Annual Report and on the website www.lpa-group.com.

Section 172

Major shareholders have been represented on the Board for many years. Thus, the conduct of the board has reflected the long term goals of delivering shareholder value while maintaining and enhancing the reputation of the Group. Involved as the Group is, in long term contracts and exports, good customer relationships have to be long term, and the maintenance of good relations is dependent upon the good conduct of the Group's employees.

The Board also considers it helpful to have a statement on the Group's North Star or Guiding Light. This forms part of our Corporate Governance, which is available together with other information on the Group's website www.lpa-group.com. The Guiding Light, together with our mantra 'Long Life reliability does not cost the earth' has somewhat pre-empted the new focus on Environment, Social Responsibility and Governance. These are factors which have been important to our Corporate Culture for many years.

During the year, the Group has continued to foster a culture which is consistent with the Group's objectives, strategy, and business model, and which recognises the principal risks and uncertainties facing the Group. The Board has long recognised that it is in the Company's shareholders' and employees' best interest that the defined benefit pension scheme should be appropriately funded, thus a voluntary contribution of £100k per year has been made to the scheme to maintain and grow the surplus and the Board has agreed to continue the payment for a further three years. The Board have considered this a prudent approach over the past decade to mitigate levy and associated costs and risks, whilst striving to achieve solvency after full provision and fully satisfy the schemes commitments to cessation.

We continue to be committed to a long term capital investment programme with enhanced capabilities and investment in the skills of our workforce. The quality of our facilities, our technology and the skills of our people we believe to be recognised by our customers to be exceptional in the UK.

Shareholders and investors

The Board ensures it is always available to its key stakeholders and works closely with its Brokers to ensure regular and open dialogue.

Board and Management

Board members' curriculum vitae and relevant experience are set out on page 32 of the Annual Report and are published on the Group's website www.lpa-group.com.

Michael Rusch retired from the board in June 2020 after more than fifty years' service to the Group.

Following the 2020 AGM, Paul Curtis was appointed Chief Executive Officer (CEO) with effect from 1 April 2020, having successfully completed a period as Chief Operating Officer (COO) from October 2018.

Chris Buckenham remains Chief Financial Officer (CFO) and Company Secretary.

Len Porter remains Senior Non-Executive director and Chair of the Audit and Remuneration Committees. He will remain a member of the Audit Committee from 1 April 2021 but will relinquish the Chair, remaining Chair of the Remuneration Committee.

Gordon Wakeford was appointed Non-Executive Director with effect from 1 April 2020 and will assume the Chair of the Audit Committee with effect from 1 April 2021. He is a member of the Remuneration Committee.

On the appointment of Paul Curtis as CEO, I relinquished my main executive responsibilities, although I remain chair of the of LPA Industries Limited Defined Benefit Pension Scheme, an Executive role.

We confirm the appointment of Robert Bodnar-Horvath, as an independent Non-Executive Director and Chair elect to succeed me on my retirement later this year (2021).

Our trading activities continue to be managed independently through local Executive Teams. John Hesketh remains Managing Director of LPA Lighting Systems. In March 2020 Jonathan Rowe was appointed Managing Director of LPA Connection Systems.

Employees

We believe people are the most important asset of any business. During the year we experienced significant challenges through project delays and temporary downturns and the impact of Covid-19, both on business and on the general health and wellbeing of our employees personally. We invested in external support to assess the impacts on our employees mental health while working at home, which we keep under review. We continue to upskill our workforce as we seek to maintain and increase their competitiveness in world markets. We do maintain flexibility through use of agency and temporary contracts, but we have no zero-hour contracts. Covid-19 forced us to closely re-examine again our cost base and organisation and as a consequence a number of positions were made redundant. I should like to thank all our employees, past and present, for their hard work and diligence during this most challenging of years.

Outlook

It would be an understatement to say that the past year has been challenging and it is clear that the immediate future is likely to be similar. However, we are in the fortunate position of having a strong order book, a strong balance sheet, tightly managed cash flow and an executive team which has come of age in the most difficult of circumstances, and delivered. The Company has come through this difficult period and a massive transition of Board and Management remarkably unscathed thus far.

Settling Brexit with a trade deal is very good news. We can continue to do what we do best, satisfying customer requirements at home and in export markets. Covid-19 has changed the transport markets we serve, at least temporarily and perhaps permanently. Happily, we have recognised this, and we are planning for an uncertain future.

Our essential assets are our people, technology and facilities, strong balance sheet and, strong medium term order book which gives us time to adjust to the changed circumstance and the opportunity to benefit from it. I am optimistic about the future for the Group.

Peter Pollock
Chairman
25 January 2021

Chief Executive Officer’s Review

Trading Results

Despite the worldwide Covid-19 impact to our customer base, and subsequent delays to projects, sales in the year increased 6.0% to £20.7m (2019: £19.5m) with an underlying operating profit of £0.78m (2019: £0.20m) and operating profit of £0.62m (2019: loss £0.20m). Order entry slowed in the second half, as customers adjusted to the Covid-19 challenge, finishing at £21.9m, (2019: £27.0m which was a record year), resulting in an order book of £22.5m (2019: £21.3m).

2020 Summary

- Order book increased 5.4% at £22.5m (2019: £21.3m);
- Satisfactory order entry at £21.9m (2019: £27.0m);
- Sales up 6.0% at £20.7m (2019: £19.5m);
- Underlying Operating Profit Increased 284% to £0.78m (2019: £0.20m).

Added Value (a Group KPI) for the year was broadly in line with expectations at 48.6% (2019: 49.3%). Our drive to automate and gain efficiencies across all areas of the business continued throughout the year and was supported by further capital equipment investments and, at year end, a reduction in our workforce of c11%, partially addressing project delays from the market but also reflecting new levels of efficiencies within operations.

Markets

Aviation (aircraft) experienced a significant slowdown in the year as customers looked to delay or cancel their orders. This slowed supply chain requirements significantly and it is envisaged that build rates of our main customers will continue at current levels for the majority of this year, and that any recovery will not impact output until next year.

Aviation (infrastructure) has also seen some Covid-19 related slowdown. However, with many airports taking the opportunity to catch up on maintenance, combined with increased efforts to improve our worldwide presence, distribution network and product offering, the impact has not been as severe as expected and this remains a key target area for development over the coming years.

Rail continues to be the Group’s main segment representing 77% of sales for the financial year (2019: 69%); aerospace and defence 12% (2019: 16%); other 11% (2019: 15%). Although Covid-19 has affected project timescales, it is envisaged that worldwide investment in this sector will remain, with Rail seen as an essential form of public transport in the new environmentally aware world that has developed. As such, we continue the drive to expand our worldwide presence and product offerings in this segment.

Design and Development

The 2020 year saw the launch of our new range of Plane Power connectors, aimed at the aircraft ground power supply market, with initial feedback being favourable. Increased efforts are being focussed in developing this range and associated products with a view to developing both market share and the number of products offered to the sector.

Across the Group we continue the development of our existing product offerings, but are also committed to investigating new technologies, with the aim of strengthening our position in existing markets, as well as creating opportunities in new. The Group has expertise in both electronics and electro-mechanical engineering. New product developments have and are creating expertise in both software and power electronics, and the opportunity to combine and leverage these capabilities in new areas is a focus the Group will be considering as we move forward.

Efforts in shortening product design cycles are ongoing with a view to increasing the quantity of releases brought to market in any given year, a key focus through FY2020. Awareness of how technology is being used by our customer base and how this can be integrated into our products is also a major focus and will ensure our product offering stays current and fit for purpose as market demands change around the world.

Operations

The agility of the Group saw its stiffest test to date with re-schedules and delays imposed almost overnight from many of our customers. Flexing resources, to ensure we maintain the highest levels of service, whilst meeting these fluctuating demands is a challenge, but one we are pleased to have come through to date.

The period also saw several changes in key staff with the addition of a new MD at LPA Connection Systems and the retirement of the GM at LPA Channel Electric. The addition of a new senior sales director, as a combined role between LPA Channel Electric and LPA Connection Systems, plus several other sales and engineering positions in the period, means we enter the new year with arguably the strongest team for quite some time.

Through the year there were several areas identified where vertical integration could enhance Group Added Value. A programme is now underway to implement the necessary actions for this and it is envisaged that benefits will start to filter through in late 2021 and continue thereafter.

Outlook

As we look to move forward, we have a strong orderbook, enhanced resources and capabilities, improved efficiency, and a drive to develop the Group further. There is no doubt that Covid-19 will continue to have an impact throughout the coming year, however, we are confident that medical advances will start to filter through and, as such, opportunities for our customers and ourselves will continue.

Paul Curtis
Chief Executive Officer
25 January 2021

Financial Review

Trading Performance

Revenue in the current year increased by £1.2m (6.0%) to £20.7m (2019: £19.5m) despite continuing delays to rail project activity, heightened by the impacts of Covid-19. Aviation (aircraft) activity slowed dramatically through H2 as a direct consequence of Covid-19, which resulted in order intake for our distribution business falling and sales reducing. This following a strong start to the year. Electro-mechanical had a stronger year and continued to work through its order book, H2 experienced delays driven by customer Covid-19 lock down closures from April 2020, but subsequently customers reopened in the UK and worldwide. Aviation (infrastructure) activity continued through H2 with some maintenance projects accelerated, a result of reduced flights. Lighting Systems had another strong year of project wins and product and market development, which continued into the first quarter of the 2021 financial year. Lighting Systems continues to build for the future, whilst current results lag through project delays as previously announced, combined with a continued shortfall in routine rail refurbishment activity.

Gross margins increased to 22.7% (2019: 22.3%), despite a 0.7% reduction in Added Value reflecting the mix of work towards skilled labour intensive rail projects, offset through cost down activities and labour efficiencies including automation, specifically at our Electro-mechanical site.

In the first half of the year sales increased by 6.8% to £10.8m (2019: £10.1m), delivering an underlying operating profit of £0.2m (2019: £0.2m), up 28.2% on the corresponding period in 2019. The second half delivered sales of £9.9m (2019: £9.4m), up 5.2% on the corresponding period in 2019, down 7.9% on H1 2020 (2019: down 6.4% H2 vs H1) resulting in an underlying operating profit for the year of £0.78m (2019: £0.20m).

Gross profit amounted to £4.7m (2019: £4.4m). Added Value of 48.6% was achieved (2019: 49.3%), a Group KPI. Other operating expenses reduced by 5.3% to £4.4m (2019: £4.7m) – represented by decreased sales and distribution costs of £0.1m, increased administration and overheads net of exceptional costs of £0.1m and exceptional costs of £0.1m (2019: £0.4m inclusive of GMP equalisation recognition). Other operating income of £0.3m (2019: £0.1m) includes Covid Job Retention Scheme ("CJRS") grants, which are not offset against the underlying wage costs during the furlough leave which they supported through H2. Where furlough leave was utilised in the year, staff salaries were paid at the higher of CJRS grants; 80% of salary or statutory rates, whilst employer pension contributions and benefits in kind were maintained by the Group at their full rate. The underlying cost base was reduced following a reorganisation concluded towards year end. The associated £0.1m costs of reorganisation (2019: £0.1m) are detailed within exceptional costs.

Key administration costs and changes comprised pension administration, governance, and defined benefit scheme funding unchanged at £0.2m (2019: £0.2m); loss on disposal of assets £61,000 (2019: £2,000 profit); gain on foreign exchange recognised £50,000 (2019: loss £13,000) and employment costs unchanged at £1.5m (2019: £1.5m) inclusive of £36,000 share based payment costs (2019: £3,000). No executive bonuses were awarded in the year (2019: £8,000). Other operating income increased to £0.3m (2019: £0.1m), comprising predominantly CJRS grants.

An operating profit of £0.62m (2019: loss £0.20m) was achieved, an improvement of £0.82m year on year. After net finance costs of £0.07m (2019: £0.04m) a profit before tax of £0.55m was recorded (2019: loss £0.24m).

Exceptional costs and Non-Underlying Items

Exceptional costs in the period totalled £0.13m (2019: £0.40m). Key items comprised:

(i) reorganisation costs of £0.12m (2019: £0.07m) - associated with ongoing cost base reductions across the Group and realignment to address the effects of Covid-19 into 2021;

(ii) £0.01m dual running directors costs associated with the ongoing Board transition (2019: Nil).

(iii) 2019: £0.33m (2020: Nil) Guaranteed Minimum Pensions (GMP) equalisation recognition in line with the High Court ruling in October 2018, requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under GMP. This is a historical cost which has been recognised in the current financial year as a change in basis, whilst going forward all movements will be recognised through the Consolidated Statement of Comprehensive Income alongside all other movements in the Defined Benefit Pension Scheme. Further changes to assumptions relating to GMP, which are not anticipated to be material, including any that are derived from the more recent High Court ruling in November 2020 will be recognised in line with other actuarial movements within the Statement of Consolidated Comprehensive Income.

Finance Costs and Income

Within finance costs, the interest on borrowings increased by 6.9% to £0.11m (2019: £0.10m), £6,000 which was attributable to the adoption of IFRS 16. The weighted average interest rate (excluding lease liabilities) reduced from 2.91% to 2.85%, the key driver being the reduction in UK base rate with an overall reduction in term borrowing rates of 0.45% on average.

Finance income, which comprises the net interest income on the pension asset, was £41,000, a reduction of 35.9% (2019: £64,000).

Profit/(Loss) before Tax, Taxation and Earnings Per Share

Profit before tax was £0.55m (2019 Loss: £0.24m) resulting in a tax recovery of £0.04m (2019 recovery: £0.19m). The effective tax rate in the year was 8.0% (2019: -78.0%), with the UK corporation tax rate of 19.0% (2019: 19.0%). The effective tax rate is largely the consequence of tax loss utilisation of 2.0% (2019: 4.6%); qualifying R&D expenditure of 14.2% (2019: 32.9%); prior year R&D expenditure claim increases of 8.9% (2019: 20.7%); exercised share option recognition nil (2019: 8.2%); and defined benefit pension contributions 3.5% (2019: 8.0%). The effective tax rate on the underlying profit was 5.6% (2019: -90.6%). Deferred tax rates provided increased from 17.5% (2019) to 19.0% following cancellation of the anticipated reduction in UK Corporation Tax rates to 17.0%, announced in the March 2020 UK budget.

The profit for the year, after tax, was £0.59m (2019 loss: £0.05m) resulting in basic earnings per share of 4.82p (2019: loss of 0.43p).

Balance Sheet

Shareholders' funds increased by £0.23m (1.9%) in the year to £12.55m (2019: £12.32m) giving a net asset value per ordinary share of 99.2p (2019: 97.4p). Net asset value per share (calculated excluding goodwill and the pension asset net of deferred tax) was 77.5p (2019: 73.6p). Net debt increased £0.04m to £2.46m (2019: £2.42m), like for like, with gearing (net debt as a % of total equity) remaining at 19.6% (2019: 19.6%). Inclusive of IFRS 16 leases, net debt increases in total by 9.3%, to £2.65m and gearing 1.5% to 21.1% as the new measure.

Shareholders' funds include Investment in Own Shares (Treasury Shares) at £0.32m including share premium (2019: £0.32m), representing ordinary shares held in the Company by the LPA Group Plc Employee Benefit Trust (EBT).

Intangible assets, which comprise goodwill, capitalised development costs and software purchases, were £1.39m (2019: £1.36m). Goodwill relates to the Group's investment in Excil Electronics and after assessment was unchanged at £1.15m. Capitalised development costs, associated with the development of a new range of ground power connectors for the aviation (infrastructure) sector, Plane Power, and electronic and lighting product developments were £0.10m (2019: £0.12m), including purchased and own labour costs capitalised. £0.29m of previously capitalised and fully amortised developments costs were written off following a review of future revenue opportunities against these technologies, resulting in no effect on the year's results.

Property, plant and equipment as at 30 September 2020, including Right of Use assets, which are now separately reported following adoption of IFRS 16, were £7.0m (2019: £7.0m), of which property made up £4.2m (2019: £4.2m) and plant and equipment £2.8m (2019: £2.8m). Additions in the year were £0.5m (2019: £0.5m) on a comparable basis to 2019 inclusive of assets held on finance leases, including assets capitalised under operating leases following adoption of IFRS 16, £0.6m. Disposals in the year totalled £0.6m with a net book value of £0.07m (2019: £0.04m with a net book value of £1k), including a £0.06m loss taken on disposal of a laser cutting machine. This asset was replaced to achieve significantly enhanced productivity and capabilities to deliver a key work stream for the electro-mechanical site. The depreciation charge increased 6.3% at £0.7m (2019: £0.7m).

The IAS19 actuarial surplus recognised at 30 September 2020 on the Group's closed defined benefit pension arrangement was £1.96m (2019: £2.25m). Changes over the course of the year comprised an income statement credit of £0.04m related to interest (2019: £0.06m). Voluntary employer contributions received from the Company of £0.10m (2019: £0.10m) plus an actuarial loss of £0.43m (2019: gain £0.01m) recognised in the statement of comprehensive income, benefits paid from the scheme totalled £0.51m (2019: £0.51m).

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were 17.2% higher at £5.3m (2019: £4.5m), predominantly because of increased activity.

Cash Flow

Net cash inflow from operating activities was £0.8m (2019: £0.7m) made up of a trading cash inflow of £1.5m (2019: £0.9m) an increase in working capital of £0.8m (2019 decrease: £0.1m), 2020 including VAT deferral under the UK Government's Covid assistance program of £0.14m; tax refunds of £0.13m (2019: payments £0.21m) and defined benefit pension contributions of £0.1m (2019: £0.1m).

Capital expenditure on property, plant and equipment reduced to £0.2m (2019: £0.4m), net of finance lease funding with two key assets acquired in the year:

- a laser cutter at the Electro-mechanical business (£0.35m), replacing an older machine which was disposed of at a loss of £0.06m; and
- a 3D quality scanner at LPA Lighting Systems, with the initial cost reduced through a 10% local authority grant receipt (£0.06m), netted against the asset cost.

Capitalised development expenditure amounted to £0.1m (2019: £0.1m), including expenditure at LPA Connection Systems to develop a new range of aircraft ground power support products and at LPA Lighting Systems, further product developments focussed on Smart Lighting and electronic technologies.

Capital loan repayments of £0.08m were made (2019: £2.2m) which in 2019 included the repayment of term loan and refinance thereof. Repayments in 2020 were reduced with two quarters rescheduled within the existing term of the loan as a precautionary measure, a facility offered by the Group's bank, following the initial Covid-19 lockdown in the UK. Finance lease repayments were £0.3m (2019: £0.2m). Interest payments on borrowings amounted to £0.1m (2019: £0.1m), with a further £0.006m attributable to right of use obligations. Dividend payments were £nil (2019: £0.36m) whilst the Group's dividend policy was paused, a further measure to secure cash reserves through the Covid-19 challenges.

During 2019, £0.08m (2020: Nil) was loaned to the Group's Employee Benefit Trust to facilitate the acquisition of LPA Group plc shares. The transactions associated with the Employee Benefit Trust are consolidated within these accounts. No share options were exercised in 2020. In 2019 £0.11m was received from the exercise of share options. Overall, there was a net decrease in the Group's cash position of £0.04m (2019: decrease of £0.07m).

Treasury

The Group's treasury policy remained unchanged in the year.

Net Debt

The Group's main bank finance, a bank loan drawn down in 2019 at £2.63m, is repayable over 5 years, including a bullet repayment in March 2024 (quarterly repayments calculated on 15 year repayment terms). As at September 2020 the amount outstanding was £2.5m (2019: £2.6m). During the year, two quarterly repayments were rescheduled, by agreement, as a precautionary measure, following the initial UK Covid-19 lockdown. Interest continued to be paid. The capital repayments have been rescheduled across the loan's original term with 14 quarterly repayments now due of £0.06m from October 2020, with the residual balance of £1.82m repayable in March 2024. Interest is payable at base rate plus 2.25%.

All bank covenants are deemed to have been achieved during the year. In 2019, the debt to service covenant was deemed to have been breached, despite acceptance confirmed by the bank and subsequent issue of a formal covenant waiver, following measurement of the covenant on filing of the 2019 annual reports. This was deemed to be non-adjusting under IAS 10, and the bank loan was presented as all falling due within one year at 30 September 2019.

In the year £0.36m of new finance lease liabilities were drawn down to fund plant and equipment additions (2019: £0.17m) with interest charged on finance lease obligations of £0.36m (2019: £0.03m) at an average interest rate of 3.9% (2019: 4.0%). In the year additional lease liabilities, previously designated as operating leases, were recognised of £0.16m, with interest applied of £0.06m at an average rate of 3.3%. Interest on the £1.5m (cap) overdraft facility is payable at base rate plus 2.0%. The facility was unutilised as at 30 September 2020 and 2019. The composite interest rate across both borrowings and lease liabilities, as defined following adoption of IFRS 16, was 2.9% (2019: borrowings including finance leases 2.9%).

Covid-19

As a result of the Coronavirus pandemic outbreak (Covid-19), the Group conducted an early assessment on the potential financial and operational risks. The pandemic impacted from the 29 January 2020 leading to the WHO declaring a global health emergency on 30 January 2020. However, whilst little impacted the UK until 28 February 2020, the Board was monitoring the growing risk when the stock markets recorded their worst week since the 2008 financial crisis, following the UK's first confirmed case of Covid-19. The Group postponed its investor event, due to be held on the 18 March 2020 following its 2020 AGM which was held as scheduled. Following the AGM, a Board meeting took place where Pandemic scenarios were considered, and strategy defined.

The Group's Executive met on the 19 March 2020, as scheduled, where an operational plan was actioned, following which the Board issued a Group Pandemic Policy, introducing a range of measures designed to safeguard the employees of the Group, maintain employment, and ensure safe working could be deployed at all sites. Actions introduced, included new flexible working with the use of furlough leave and associated measures, ensuring awareness of advice, ensuring the Group remained compliant to UK Government guidelines and in contact with the relevant Government bodies, including BEISS and the DfT.

Communication protocols were put in place with cross site application, driven by the Board, deployed through the Site's Executive structure. On the 20 March 2020 UK schools closed and lockdown commenced and following the UK Governments message for workers to stay at home, several customers and suppliers closed for a period. Weekly pandemic calls were put in place with the Group Executive, arranged by the Board Executive through to July 2020 to manage and discuss issues arising and ensure the Group adapted to rapidly changing circumstances and requirements. While the Pandemic Policy remains in place, working practices have become the norm and regular review was no longer required, however, the Board continue to monitor actions and impacts and the three sites report these as a key risk to the Group, regular discussion continuing, including further assessment as Lockdowns continue and the risk increased.

The Group has seen delays to projects, because of the UK and worldwide lock downs however to date has been able to adapt to the changes, utilising the UK Governments CJRS grants, supporting furlough leave for staff, keeping operations open throughout and achieving both profitable trading and cash generation in H2 2020. Consequently, whilst project delays have pushed revenues back and that remains a feature with Lockdown 3.0 now in place, the Group has not seen any significant impact from the pandemic outside of a downturn in the aerospace sector which has a higher impact on our distribution business. The Group continues to monitor the potential impact on the supply chain as the pandemic remains and the unavailability of staff within the Group, its customers or suppliers remains a key threat. Following enforced changes in working practices, accelerated automation through the introduction of new software, systems and working practices and addressing the short term delays and aerospace downturn, a cost down programme was driven by the Board across all sites which was concluded by 30 September 2020. This reduced the cost base further with a reduction of 21 permanent positions, the cost of which is reflected through exceptional costs in the year. Additionally, several positions have been redefined to ensure the skills and focus remain relevant to our markets and demands.

The Group has a duty of care towards all employees, and we anticipate some absences as our staff are required to self-isolate or recover where the illness is contracted. Slowdown has been evident in quarter 1 of the 2021 financial year, with knock on effects from earlier in the year a feature and the new aggressive variant of the virus taking hold ahead of the vaccination programme taking effect. We thank all our employees for their commitment and support in these unprecedented times.

BREXIT

The Board continued to consider and assess the impacts of Brexit throughout the year and because the Group is an established importer and exporter both inside and outside of the EU, determined that the impact would be negligible, aside from initial transit delays for goods around 1 January 2021. Ongoing delays and additional management of imported and exported goods are anticipated alongside forex fluctuations, providing opportunities and challenges. The Group anticipated disruption and some additional costs associated, in particular, logistics, tariffs, and forex rates. However, the Group views Brexit as an opportunity as on-shoring has become a focus, also driven by supply issues caused by Covid-19, and UK content now a clear focus for UK Government and OEM's. The Group was delighted that a deal was agreed before 1 January 2021 to confirm trading certainty, mitigate tariffs and minimise disruption.

Chris Buckenham
Chief Financial Officer
25 January 2021

Consolidated Income Statement

For the year ended 30 September 2020

	2020 £000	2019 £000
Continuing operations		
Revenue	20,711	19,533
Cost of Sales	(16,017)	(15,174)
Gross Profit	4,694	4,359
Distribution Costs	(1,514)	(1,588)
Administrative Expenses	(2,897)	(3,070)
Other Operating Income	333	97
Underlying Operating Profit	783	204
Share Based Payments	(36)	(3)
Exceptional Costs	(131)	(403)
Operating Profit/(Loss)	616	(202)
Finance Income	41	64
Finance Costs	(106)	(99)
Profit/(Loss) Before Tax	551	(237)
Taxation	44	185
Profit/Loss) for the Year	595	(52)
Attributable to:		
- Equity Holders of the Parent	595	(52)
Earnings/(Loss) per Share		
Basic	4.82p	(0.43p)
Diluted	4.65p	(0.43p)

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2020

	2020 £000	2019 £000
Profit/(Loss) for the Year	595	(52)
Other Comprehensive Income/(Expense)		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on pension scheme	(427)	10
Deferred tax on actuarial (loss)/gain	28	(7)
Other Comprehensive Income Net of Tax	(399)	3
Total Comprehensive Income for the Year	196	(49)
Attributable to:		
- Equity Holders of the Parent	196	(49)

Consolidated Balance Sheet

At 30 September 2020

	2020	2019
	£000	£000
Non-Current Assets		
Intangible Assets	1,386	1,359
Tangible Assets	5,546	7,006
Right of Use Assets	1,438	-
Retirement Benefits	1,964	2,250
	10,334	10,615
Current Assets		
Inventories	3,968	3,824
Trade and Other Receivables	5,447	4,437
Current Tax Receivable	30	59
Cash and Cash Equivalents	845	889
	10,290	9,209
Total Assets	20,624	19,824
Current Liabilities		
Bank Loan	(188)	(2,585)
Lease Liabilities	(406)	(220)
Trade and Other Payables	(4,193)	(3,839)
	(4,787)	(6,644)
Non-Current Liabilities		
Bank Loan	(2,313)	-
Lease Liabilities	(584)	(504)
Deferred Tax Liabilities	(389)	(352)
	(3,286)	(856)
Total Liabilities	(8,073)	(7,500)
Net Assets	12,551	12,324
Equity		
Share Capital	1,266	1,266
Investment in Own Shares	(324)	(324)
Share Premium Account	708	708
Share Based Payment Reserve	118	82
Merger Reserve	230	230
Retained Earnings	10,553	10,362
Equity Attributable to Shareholders of The Parent	12,551	12,324

Consolidated Statement of Changes in Equity

For the year ended 30 September 2020

2020	**Share Capital £000**	**Investment in Own Shares £000**	**Share Premium Account £000**	**Share Based Payment Reserve £000**	**Merger Reserve £000**	**Retained Earnings £000**	**Total £000**
At 1 October 2019	1,266	(324)	708	82	230	10,362	12,324
Profit for the Year	-	-	-	-	-	595	595
Actuarial (Loss) on Pension Scheme (net of tax)	-	-	-	-	-	(399)	(399)
Total Comprehensive Income	-	-	-	-	-	196	196
Share Based Payments	-	-	-	36	-	-	36
Tax benefit on Share-Based Payments	-	-	-	-	-	(5)	(5)
Transactions with Owners	-	-	-	36	-	(5)	31
At 30 September 2020	1,266	(324)	708	118	230	10,553	12,551

2019	**Share Capital £000**	**Investment in Own Shares £000**	**Share Premium Account £000**	**Share Based Payment Reserve £000**	**Merger Reserve £000**	**Retained Earnings £000**	**Total £000**
At 1 October 2018	1,238	(214)	628	122	230	10,707	12,711
Loss for the Year	-	-	-	-	-	(52)	(52)
Actuarial gain on Pension Scheme (net of tax)	-	-	-	-	-	3	3
Total Comprehensive Income	-	-	-	-	-	(49)	(49)
Dividends	-	-	-	-	-	(357)	(357)
Proceeds from Issue of Shares	28	-	80	-	-	-	108
Cost of Investment in Own Shares	-	(110)	-	-	-	-	(110)
Share Based Payments	-	-	-	3	-	-	3
Transfer on exercise of Share Options	-	-	-	(36)	-	36	-
Tax benefit on Share-Based Payments	-	-	-	(7)	-	25	18
Transactions with Owners	28	(110)	80	(40)	-	(296)	(338)
At 30 September 2019	1,266	(324)	708	82	230	10,362	12,324

Consolidated Cash Flow Statement

For the year ended 30 September 2020

	2020 £000	2019 £000
Profit/(Loss) Before Tax	551	(237)
Finance Costs	106	99
Finance Income	(41)	(64)
Operating Profit/(Loss)	616	(202)
Adjustments for:		
Amortisation of Intangible Assets	95	48
Depreciation of Tangible Assets	494	693
Depreciation of Right of Use Assets	241	-
Loss/(Profit) on Sale of Property, Plant and Equipment	61	(2)
Past service cost Liability Recognition (GMP)	-	333
Equity Settled Share Based Payments	36	-
Operating cash flow before movements in working capital	1,543	870
Movements in Working Capital:		
(Increase)/Decrease in Inventories	(144)	57
(Increase)/Decrease in Trade and Other Receivables	(902)	1,102
Increase/(Decrease) in Trade and Other Payables	245	(1,059)
Cash generated from operations	742	970
Income Taxes Received/(Paid)	131	(210)
Defined Benefit Pension Contributions	(100)	(100)
Net cash inflow from operating activities	773	660
Purchase of Property, Plant & Equipment and Software	(172)	(399)
Proceeds from Sale of Property, Plant and Equipment	6	3
Expenditure on Capitalised Development Costs	(100)	(124)
Purchase of Own Shares	-	(110)
Net cash outflow from investing activities	(266)	(630)
Drawdown of Bank Loans	-	2,626
Repayment of Bank Loans	(84)	(2,242)
Principal elements of Finance Leases	(367)	(201)
Interest Paid	(100)	(31)
Proceeds from Issue of Share Capital	-	108
Dividends Paid	-	(357)
Net cash outflow from financing activities	(551)	(97)
Net (decrease) in Cash and Cash Equivalents	(44)	(67)
Cash and Cash Equivalents at Start of the Year	889	956
Cash and Cash Equivalents at End of The Year	845	889
Reconciliation of cash and cash equivalents		
Cash and Cash Equivalents in Current Assets	845	889
Cash and Cash Equivalents at End of the Year	845	889

Consolidated Cash Flow Statement

For the year ended 30 September 2020

Net Debt

An analysis of the change in net debt is shown below:

	Bank Loans	Lease Liabilities	Cash and Cash Equivalents	Net Debt
	£000	£000	£000	£000
At 1 October 2019	2,585	724	(889)	2,420
Adoption of IFRS 16 October 2019	-	157	-	157
New Lease Obligations	-	470	-	470
Interest Costs	68	38	-	106
Repayment of Borrowings / Lease Liabilities	(152)	(399)	551	-
Other Cash (Generated)	-	-	(507)	(507)
At 30 September 2020	2,501	990	(845)	2,646

	Bank Loans	Lease Liabilities	Cash and Cash Equivalents	Net Debt
	£000	£000	£000	£000
At 1 October 2018	2,170	757	(956)	1,971
New Finance Lease Obligations	-	131	-	131
Drawdown of Bank Loan	2,626	-	(2,626)	-
Interest Costs	69	30	-	99
Repayment of Borrowings / Lease Liabilities	(2,280)	(194)	2,474	-
Other Cash Absorbed	-	-	219	219
At 30 September 2019	2,585	724	(889)	2,420

Notes

1 – Information

In accordance with Section 435 of the Companies Act 2006, the Group confirms that the financial information for the years ended 30 September 2020 and 2019 are derived from the Group's audited financial statements and that these are not statutory accounts and, as such, do not contain all information required to be disclosed in the financial statements prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The statutory accounts for the year ended 30 September 2019 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2020 have been audited and approved but have not yet been filed. The Group's audited financial statements for the year ended 30 September 2020 received an unqualified audit opinion and the auditor's report contained no statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information contained within this full year results statement was approved and authorised for issue by the Board on 25 January 2021.

The 2020 accounts are expected to be posted to shareholders on 17 February 2021 and will be available from the Company Secretary, LPA Group Plc, Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ and on LPA's website (www.lpa- group.com), shortly thereafter.

2 Operating Segments

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom. For management purposes the Group comprises three product groups (in accordance with IFRS 8) - electro-mechanical, lighting and distribution (which collectively design, manufacture and market industrial electrical and electronic products) - less centre costs, which operate across three market segments – Rail; Aerospace & Defence and Other. It is on this basis that the board of directors assess Group performance. The split is as follows:

	2020 £000	2019 £000
Electro-mechanical	9,195	7,516
Lighting & Electronics	7,087	6,921
Distribution	4,429	5,096
Operational Revenue	20,711	19,533

3 – Exceptional Costs

	2020 £000	2019 £000
GMP Pension equalisation recognition	-	333
Reorganisation Costs	122	70
Dual running Director costs	9	-
	131	403

Reorganisation costs of £0.12m (2019: £0.07m) relate to a continued Group wide cost base review. Dual running costs of £9,000 (2019: Nil) relate to a crossover period between the appointment and retirement of NED's as part of the ongoing board rejuvenation process to conclude in the 2021 financial year. Dual running and reorganisation costs are included within note 3, Employee information.

The Guaranteed Minimum Pensions (GMP) equalisation recognition of £0.33m in 2019 (2020: Nil) is a one off cost recognised through the Consolidated Income Statement, in line with the High Court ruling in October 2018, requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under GMP. This is a historical cost which has been recognised in the previous financial year as a change in basis having been quantified following the High Court ruling.

Notes

4 - Taxation

A. Recognised in The Income Statement	2020 £000	2019 £000
Current Tax Expense		
UK Corporation Tax	(37)	(57)
Adjustment in Respect of Prior Years	(78)	(68)
Deferred Taxation		
Net Origination and Reversal of Temporary Differences	71	(60)
Total Corporation Tax (Credit)	(44)	(185)

B. Reconciliation of Effective Tax Rate	2020 £000	2019 £000
Profit/(Loss) Before Tax	551	(237)
Tax at The UK Corporation Tax Rate of 19.0% (2019: 19.0%)	105	(45)
Effects of:		
- Retirement Benefits (Defined Benefit scheme)	(27)	(31)
- Deduction in Respect of Share Option Exercises	-	(31)
- Enhanced Deduction for Qualifying R&D Expenditure	(76)	(49)
- Prior Periods Deduction for Qualifying R&D Expenditure	(83)	(49)
- Other Prior Periods Adjustments	5	(19)
- Disallowed Expenditure	6	26
- Other Differences	26	13
Total Income Tax (Credit)	(44)	(185)

C. Deferred Tax Recognised in Other Comprehensive Income	2020 £000	2019 £000
Deferred Tax on Actuarial (Loss)/ Gain on Pension Scheme	(28)	7

D. Current and Deferred Tax Recognised Directly in Equity	2020 £000	2019 £000
Tax Charge/(Benefit) Arising on Share Options	5	(18)

Notes

5 – Earnings Per Share

The calculation of earnings per share is based upon the profit for the year of £0.60m (2019: loss £0.05m) and the weighted average number of ordinary shares in issue during the year, less investment in own shares, of 12.358m (2019: 12.238m).

	2020 Earnings	2020 Weighted Average No of Shares	2020 Earnings Per Share	2019 Earnings	2019 Weighted Average No of Shares	2019 (Loss) Per Share
	£000	Million	Pence	£000	Million	Pence
Basic Earnings Per Share	595	**12.358**	4.82	(52)	**12.238**	(0.43)
Effect of Share Options	-	**0.442**	(0.17)	-	**-**	-
Diluted Earnings Per Share	595	**12.800**	4.65	(52)	**12.238**	(0.43)

Diluted Earnings Per Share

Basic and diluted earnings per share were equal for the year ended to 30 September 2019, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation.

As at 30 September 2020 there were 1,350,000 outstanding share options (2019: 975,000), of which 825,000 were exercisable (2019: 825,000).

6 – Accounting Policies

The Group has adopted IFRS 16 "Leases" in the year using the modified retrospective approach where the initial right of use asset recognised of £0.16m at the date of transition (1 October 2019) was equal to the present value of the future operating lease payments with no adjustment to comparatives or reserves.

Due to the adoption of IFRS 16, operating profits for the year have increased by £4,000 and interest costs have increased by £6,000. This standard is mandatory for financial periods beginning on or after 1 January 2019 and, therefore, relevant to the Group for the first time for the financial year ended 30 September 2020.

Notes

7 – Annual General Meeting

The Annual General Meeting ("AGM") is to be held at 12 noon on Wednesday 17 March 2021 at the offices of LPA Connection Systems, Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ.

Important Information: Impact of Covid-19 on the 2021 AGM

The AGM is an important event in the Company's corporate calendar and the Board of Directors (the "Board") appreciates that it is one of the key ways we communicate with you, our shareholders. It is an important opportunity for you to express your views by raising questions and voting, and ordinarily, attending.

As a Company, the health and wellbeing of our shareholders, employees and stakeholders remains extremely important to us and we are closely monitoring the Covid-19 situation. It is currently the intention of the Company to hold the AGM as planned. However, the Board notes the UK Government's measures to restrict travel and public gatherings currently in force. If these measures remain in place on the date of the AGM, physical attendance in person by shareholders of the Company will not be possible.

If the Board believes that it becomes necessary or appropriate to make alternative arrangements for the holding of the AGM due to Covid-19, the Company will issue an announcement via a Regulatory News Service by 9am on 16 March 2021 at the latest setting out any such arrangements. Given the current guidance and the general uncertainty on what additional and/or alternative measures may be put in place, shareholders are strongly encouraged not to attend the AGM and instead appoint a proxy and provide voting instructions in advance of the AGM, in accordance with the instructions set out in the notes to the Notice of AGM, which appear later on in this document. If you are intending to attend the AGM in person, the Company requires shareholders to provide prior notice using the email address below as numbers will be restricted and so appropriate arrangements can be made to maintain social distancing.

Further updates may be issued by the Company via a Regulatory News Service and on the Company's website prior to the AGM - www.lpa-group.com E: investors@lpa-group.com

The Digital Future - shareholder communications and electronic dividends
Shareholders are encouraged to familiarise themselves with this announcement which came into effect from the 2020 AGM. Copies are available at https://www.lpa-group.com/investor-information.

Shareholders requiring a hard copy Form of Proxy should contact the Company's registrar, Link Group: shareholderenquiries@linkgroup.co.uk / Tel: 0371 664 0300.