LPA Group Plc

("LPA", the "Company" or the "Group")

Interim Unaudited Group Results for the six months ended 31 March 2024

LPA Group plc ("LPA" or the "Group"), the innovation-led engineering specialist in electronic and electro-mechanical components and systems, announces its results for the six months to 31 March 2024.

KEY POINTS

	6 months to 31 March 2024 Unaudited	**6 months to 31 March 2023** Unaudited	**Year to 30 Sept 2023** Audited
Order Entry	£8.0m	£16.2m	£25.5m
Order Book	£28.0m	£34.9m	£31.6m
Revenue	£11.6m	£9.1m	£21.7m
Underlying Operating Loss*	£(0.3)m	£(0.6)m	£(0.1)m
Share Based Payments, Negative Goodwill and Exceptional Items	£(0.1)m	£0.0m	£0.8m
(Loss) / Profit Before Tax	£(0.4)m	£(0.6)m	£0.8m
Basic (Loss) / Earnings Per Share	(2.27)p	(3.38)p	6.52p
Proposed Dividend	Nil	Nil	1p
Gearing **	8.6%	7.2%	7.7%

* Operating Profit before Share Based Payments, Negative Goodwill and Exceptional Items
** Net Debt as a % of Total Equity

Robert Horvath, Chairman, commented:

"I'm pleased to report that revenue is up by over 26% in the last six months compared to the equivalent period last year, notwithstanding challenging conditions.

We continue to make progress in strategically repositioning the Group and its customer base, with aviation now representing 26% of our business. Whilst the outlook for the second half of the year is challenging, given the delays on certain rail contracts as previously announced, we are confident in our long-term growth and delivering for our shareholders. We expect to deliver results for the full year in line with current market expectations."

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About LPA

LPA Group plc (AIM: LPA) is an innovation-led engineering specialist in electronic and electro-mechanical components and systems.

Focused on transport (rail and aviation), defence, infrastructure and industrial markets and supplying into hostile and challenging environments, LPA is known for engineering solutions to improve product reliability, reducing maintenance and life cycle costs.

The Group has three sites across the UK, selling to customers in the UK and overseas. Two of these are design and manufacturing sites: LPA Connection Systems - electro-mechanical systems for rail, aviation and industrial, and LPA Lighting Systems - LED lighting and electronic systems for rail and infrastructure. The third site is LPA Channel Electric - a value added distributer of engineered components for rail, aerospace and defence.

With over 160 years of UK design and manufacture, and with origins in the first ever light installed in 'Electric Avenue', Brixton; innovation is core to LPA and to the products and services supplied to our customers worldwide.

For more information visit www.lpa-group.com

CHAIRMAN'S STATEMENT

The first half of this year saw a positive impact on revenue growth (revenue 26% higher than this time last year) coming through, which has continued into the second half of the current year. The gross margin improved slightly but will increase further as the volume levels increase and fixed overhead is absorbed. We invested in sales and distribution costs particularly in our aviation business and this resulted in an operating loss in the first half which again should be absorbed with top line growth.

The order book has a number of secured large contracts for our rail business but the programmes have been highly disrupted with announcements suggesting projects such as Adessia and HS2 are being delayed and now targeted into 2027 delivery. Our strategy is to rebalance from high value new build project work and set our sights on more product sales and the after-care opportunity. This must be right, as a plan reliant on major new build train projects, when infrastructure spend is under constant scrutiny and Government policy is uncertain, would be ill judged. Our recent announcement of slippage on three of our call off programmes is proof enough.

The activity levels in our Channel distribution business have picked up markedly, revenue and profit are ahead of budget. Traditionally the business has thrived on good design work in the rail sector particularly rolling stock – there are several targeted upgrades indicating significant workflow opportunity through this year and next. There are some big prizes to be won particularly in next generation flight (eVTOL – electrical Vertical take-off and lift programmes) and Channel are working hard to be part of these programmes and to be certified into the new designs.

The Lighting business, which is our principal business that has the longer-term contracts, continued to frustrate with more slippage in delivery schedules on Central line, OBB and the DTUP (deep tube programme). These latter two programmes are now expected to deliver right through to 2027. The second half of the year has begun moderately well but our Lighting business will struggle with full year profitability this year and into next without higher revenues to absorb their overhead.

Sales and EBIT were ahead at the half year in our Connection Systems business and the team have been very busy re-engineering and upgrading products, integrating the new Red Box acquisition and rebalancing its customer base away from a high dependency on rail. In parallel the business is improving its gross margins and will benefit from the aftercare rail market. Aviation is growing well, is ahead of budget in the last six months and there has been good progress in refining and adding distributors across the world. We learned that our Niphan product range forming part of our industrial segment (which is ahead of budget) has been re-certified for London Underground and HS2 and we have won some substantial orders for delivery over the next 18 months

In March 2024 we announced that we had paired back our assumptions and now built in considerable delay in call off orders for our 'Intercar jumper' product line connector business for the Electrostar rail fleet. Originally designed and recommended to be supplied in five phases that overlapped we have pushed back our budget assumptions over £6m of those sales into 2027 and now beyond as it is clear that the customer is reassessing its preventative maintenance programmes in this product area. This clearly spreads the revenue income for Connection systems over a substantially longer period.

The Group is growing its revenue in line with the articulated strategy and 5-year plan and we are expecting organic growth in revenues to be 50% larger in 2027 than they were in the last annual report. Importantly, we plan to continue to supplement this journey with new opportunities to acquire more product lines or businesses, but always with resilient IPR embedded into them on which we can leverage our technical engineering skills to best effect and across complimentary sectors such as industrial and aviation.

The investment in our sales and distribution teams, the foundations being laid at the exhibitions we have been attending, and the enthusiasm of our new distributors (around the world) for promoting our products are laying the foundations for growth in revenue. We are investing in enterprise resource planning in our two principal factories, which will improve our agility to respond to and price enquiries for subcontract work. We have been able to pass on some price rises for our longer-term contracts and there is a conscious effort to address and improve the margins we need to be successful.

We remain cautious with cash, remaining flexible to be able to move quickly. Our facilities have been renewed and our net debt is £1.4m (30 September 2023 £1.2m) leaving good headroom in our Bank facilities (total facilities of £4.5m, of which £1.5m was undrawn at period end) to continue our strategy of acquiring and developing further product lines. We are continuously assessing new business opportunities and acquisitions.

We continue to look hard at our Environment, Social responsibility, and Governance ("ESG") policies. Our 'Guiding Light Principle', published on our website and in our Annual Report sets out our commitment as does our adoption of the QCA Corporate Governance Code. We continue to strive for continuous improvement in all areas and including enhanced certification at Connection systems to supply the defence industry.

Macroeconomic factors (notably the pressure on wages and inflation generally) are challenging but beginning to be more moderate. Interest rates are still an inhibitor for investment and stifle confidence, but our order book remains good. We believe we have competitive advantage in our local manufacturing facilities and can deliver quality product both in the UK and across Europe. We have put in place hedging strategies to safeguard our profitability vis a vis Euro denominated order book activity most notably in our Lighting business. We have over the last three years made substantial changes to our management teams at Connections Systems and Channel and the impact, which is considerable, is delivering growth. Our people are integral to our success and we must continue to invest in them and their ability to deliver the strategy. We are in the process of recruiting a new Chief Executive Officer for LPA and early indications are positive that we will find a new leader to take LPA forward. I am grateful to my colleague Gordon Wakeford for his time, in addition to my own, in stepping in to support the senior leadership team.

Robert B Horvath
Chairman
19 June 2024

CONSOLIDATED INCOME STATEMENT

	Note	6 months to 31 Mar 24 Unaudited £000	6 months to 31 Mar 23 Unaudited £000	Year to 30 Sept 23 Audited £000
Revenue	5	**11,557**	**9,131**	**21,712**
Cost of Sales		(9,249)	(7,373)	(16,646)
Cost of Sales – Exceptional Items		-	-	(152)
Gross Profit		**2,308**	**1,758**	**4,914**
Distribution Costs		(1,109)	(932)	(1,910)
Administrative Expenses		(1,548)	(1,451)	(3,238)
Administrative Expenses – Exceptional Items		(78)	-	-
Negative Goodwill		-	-	941
Underlying Operating Loss		**(349)**	**(614)**	**(69)**
Share Based Payments		-	(11)	(13)
Negative Goodwill		-	-	941
Exceptional Items	6	(78)	-	(152)
Operating (Loss)/Profit		**(427)**	**(625)**	**707**
Finance Income		113	100	201
Finance Costs		(86)	(68)	(149)
(Loss)/Profit Before Tax		**(400)**	**(593)**	**759**
Taxation		100	148	100
(Loss)/Profit for the Period		**(300)**	**(445)**	**859**
Attributable to:				
- Equity Holders of the Parent		(300)	(445)	859
(Loss)/Earnings per Share	7			
- Basic		(2.27)p	(3.38)p	6.52p
- Diluted		(2.27)p	(3.38)p	6.51p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 31 Mar 24 Unaudited £000	6 months to 31 Mar 23 Unaudited £000	Year to 30 Sept 23 Audited £000
(Loss)/Profit for the Period	**(300)**	**(445)**	**859**
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Actuarial Gain on Pension Scheme	435	184	198
Decrease / (Increase) of Restriction of Pension Asset	283	(99)	(113)
Other Comprehensive Income	718	85	85
Total Comprehensive Income for the Period	**418**	**(360)**	**944**

CONSOLIDATED BALANCE SHEET

	As at 31 Mar 24 Unaudited £000	As at 31 Mar 23 Unaudited £000	As at 30 Sept 23 Audited £000
Non-Current Assets			
Intangible Assets	3,743	1,955	3,156
Tangible Assets	5,290	4,784	5,083
Right of Use Assets	497	1,131	672
Retirement Benefits	3,484	2,656	2,683
Deferred Tax Assets	-	377	-
	13,014	10,903	11,594
Current Assets			
Inventories	4,894	4,748	4,303
Trade and Other Receivables	5,550	4,380	5,898
Current Tax Receivable	131	41	30
Cash and Cash Equivalents	1,456	1,520	1,202
	12,031	10,689	11,433
Total Assets	**25,045**	**21,592**	**23,027**
Current Liabilities			
Bank Loan	(500)	(2,032)	(1,949)
Lease Liabilities	(173)	(293)	(214)
Deferred Consideration	(550)	-	(250)
Trade and Other Payables	(4,896)	(4,624)	(4,493)
	(6,119)	(6,949)	(6,906)
Non-Current Liabilities			
Bank Loan	(2,000)	-	-
Deferred Consideration	(275)	-	-
Deferred Tax Liabilities	(332)	-	(165)
Lease Liabilities	(169)	(236)	(243)
	(2,776)	(236)	(408)
Total Liabilities	**(8,895)**	**(7,185)**	**(7,314)**
Net Assets	**16,150**	**14,407**	**15,713**
Equity			
Share Capital	1,351	1,348	1,348
Investment in Own Shares	(324)	(324)	(324)
Share Premium Account	959	943	943
Share Based Payment Reserve	58	60	62
Merger Reserve	230	230	230
Retained Earnings	13,876	12,150	13,454
Equity Attributable to Shareholders of the Parent	**16,150**	**14,407**	**15,713**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2024 - 6 months (Unaudited)	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 2023	1,348	(324)	943	62	230	13,454	15,713
Loss for the Period	-	-	-	-	-	(300)	(300)
Other Comprehensive Income	-	-	-	-	-	718	718
Total Comprehensive Income	-	-	-	-	-	418	418
Proceeds from Issue of Shares	3	-	16	-	-	-	19
Transfer on Exercise of Share Options	-	-	-	(4)	-	4	-
Transactions with Owners	3	-	16	(4)	-	4	19
At 31 March 2024	**1,351**	**(324)**	**959**	**58**	**230**	**13,876**	**16,150**

2023 - 6 months (Unaudited)	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 2022	1,348	(324)	943	49	230	12,510	14,756
Loss for the Period	-	-	-	-	-	(445)	(445)
Other Comprehensive Income	-	-	-	-	-	85	85
Total Comprehensive Income	-	-	-	-	-	(360)	(360)
Share Based Payments	-	-	-	11	-	-	11
Transactions with Owners	-	-	-	11	-	-	11
At 31 March 2023	**1,348**	**(324)**	**943**	**60**	**230**	**12,150**	**14,407**

2023 -Year Audited	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 2022	1,348	(324)	943	49	230	12,510	14,756
Loss for the Period	-	-	-	-	-	859	859
Other Comprehensive Income	-	-	-	-	-	85	85
Total Comprehensive Income	-	-	-	-	-	944	944
Share Based Payments	-	-	-	13	-	-	13
Transactions with Owners	-	-	-	13	-	-	13
At 30 September 2023	**1,348**	**(324)**	**943**	**62**	**230**	**13,454**	**15,713**

CONSOLIDATED CASH FLOW STATEMENT

	6 months to 31 Mar 24 Unaudited £000	6 months to 31 Mar 23 Unaudited £000	Year to 30 Sept 23 Audited £000
(Loss)/Profit Before Tax	(400)	(593)	759
Finance Costs	86	68	149
Finance Income	(113)	(100)	(201)
Operating (Loss)/Profit	(427)	(625)	707
Adjustments for:			
Amortisation of Intangible Assets	132	65	192
Depreciation of Tangible Assets	269	219	404
Depreciation of Right of Use Assets	79	120	285
Loss on disposal of Tangible Assets	-	-	4
Negative Goodwill	-	-	(941)
Equity settled Share Based Payments	-	11	13
Operating cash flow before movements in working capital	53	(210)	664
Movements in Working Capital:			
(Increase)/Decrease in Inventories	(37)	(181)	264
Decrease/(Increase) in Trade and Other Receivables	405	715	(775)
Increase/(Decrease) in Trade and Other Payables	249	(458)	87
Cash inflow/(outflow) generated from operations	670	(134)	240
Income Taxes Received	-	-	45
Net cash inflow/(outflow) from operating activities	670	(134)	285
Purchase of Businesses	(525)	-	(250)
Purchase of Property, Plant & Equipment	(223)	(141)	(196)
Expenditure on Capitalised Development Costs	(52)	(71)	(120)
Net cash outflow in investing activities	(800)	(212)	(566)
New Bank Loan	2,500	-	-
Repayment of Bank Loan	(1,949)	(92)	(175)
Principal elements of Lease Liabilities	(115)	(182)	(392)
Interest Paid	(71)	(59)	(149)
Proceeds from Issue of Share Capital	19	-	-
Net cash inflow/(outflow) in financing activities	384	(333)	(716)
Net Increase/(Decrease) in Cash and Cash Equivalents	254	(679)	(997)
Cash and Cash Equivalents at start of the period	1,202	2,199	2,199
Cash and Cash Equivalents at end of the Period	**1,456**	**1,520**	**1,202**

NET DEBT

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

	Bank Loan	Lease Liabilities	Cash and Cash Equivalents	Net Debt
	£000	**£000**	**£000**	**£000**
At 1 October 2023	1,949	457	(1,202)	1,204
Interest Costs	62	9	-	71
New Bank Loan	2,500			2,500
Repayment of Borrowings/Lease Liabilities	(2,011)	(124)	-	(2,135)
Other Cash Generated	-	-	(254)	(254)
At 31 March 2024	**2,500**	**342**	**(1,456)**	**1,386**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION

These interim financial statements are for the six months ended 31 March 2024. They do not include all 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 2023.

These interim financial statements have been prepared in accordance with the requirements of UK-adopted International Accounting Standards. These financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value.

These 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 2023. 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 ending 30 September 2024.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of judgements and estimates

In preparing these interim financial statements management is required to make judgements on the application of the Group's accounting policies and make estimates about the future. Actual results may differ from these assumptions. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the consolidated financial statements for the year ended 30 September 2023.

New standards and interpretation adopted by the Group

There has been no impact of new standards and interpretations adopted in the period.

NOTE 3 ACQUISTION OF BUSINESS

As announced on 4 January 2024, LPA acquired Red Box International Holdings Ltd, a UK manufacturer of aviation ground power equipment for £1,100,000. A fair value exercise has been carried out and intangible asset deemed intellectual property created worth £667,000 with £167,000 of deferred tax which will be amortised over 10 years, with no residual goodwill. The consideration of £1,100,000 will be split into four payments of £275,000, one paid on completion, one in H2 FY2024, one in 1H FY2025 and the final payment in 1H FY2026.

NOTE 4 GOING CONCERN

The Group's business activities and the factors likely to affect its future performance together with the Group's treasury policy, its approach to the management of financial risk, and its exposure to liquidity and credit risks are outlined fully in the Annual Report & Accounts 2023 which details trading, new financing and to a lesser extent supply chain shortages and inflationary pressures.

Significant rail project delays have been announced recently that could not have been foreseen and there remain inflationary pressures and some supply issues re ongoing conflicts. The Directors have assessed these and sensitised forecasts accordingly.

In assessing going concern the Directors note that the Group: (i) is expected to return to profitability through the second half of its 2024 financial year and continue to trade profitably in the near term; (ii) has in place adequate working capital facilities for its forecast needs; (iii) has a strong current order book with significant further opportunities in its market place; and (iv) has proven adaptable in past periods of adversity over many years. Therefore, the Directors believe that it is well placed to manage its business risks successfully.

The directors continue to develop its strong working relationship with its bank that provides for the funding and working capital facilities. Should there be additional delays in our project-based work then there are actions available to management to mitigate any cash need. We expect if required the bank would remain supportive and a suitable agreement would be reached to provide the Group with sufficient financing. The current loan facility was refinanced in January 2024 for a further 5 years.

Having assessed all aspects of the business and the likely effectiveness of mitigating actions that the Directors would consider undertaking or have undertaken, the going concern basis has been adopted in preparing these interim financial statements.

In reaching this conclusion, the Directors, after making enquiries, inclusive but not limited to updated forecasts and expectations, liabilities and risks and ongoing support from the Group's bank, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

NOTE 5 OPERATING SEGMENTS

All 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) – LPA Connection Systems (electro-mechanical), LPA Lighting Systems (lighting & electronics) systems and LPA Channel Electric (engineered component distribution), which collectively design, manufacture and market industrial electrical and electronic products. They 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:

	6 months to 31 Mar 24 Unaudited	6 months to 31 Mar 23 Unaudited	Year to 30 Sept 23 Audited
LPA Connection Systems	4,532	3,204	8,393
LPA Lighting Systems	4,280	4,272	9,249
LPA Channel Electric	2,745	1,655	4,070
Operational Revenue	11,557	9,131	21,712

All revenue originates in the UK. An analysis by market segments and geographical markets is given below:

	6 months to 31 Mar 24 Unaudited	6 months to 31 Mar 23 Unaudited	Year to 30 Sept 23 Audited
Rail	69%	73%	75%
Aerospace & Defence	26%	21%	20%
Industrial & Other	5%	6%	5%
	100%	100%	100%
United Kingdom	61%	55%	61%
Rest of Europe	26%	29%	26%
Rest of the World	13%	16%	13%
	100%	100%	100%

NOTE 6 EXCEPTIONAL ITEMS

The exceptional item of £78,000 relates to non-recurring cost relating to the acquisition of Red Box International. The exceptional item in the year to 30 September 2023 related to the write-off of obsolete inventory which was no longer able to be sold as relating to a discontinued product line.

NOTE 7 (LOSS) / EARNINGS PER SHARE

The calculations of (loss)/ earnings per share are based upon the (loss)/profit after tax attributable to ordinary equity shareholders and the weighted average number of ordinary shares in issue during the period, less investment in own shares.

Details are as follows:

	6 months to 31 Mar 24 Unaudited	6 months to 31 Mar 23 Unaudited	Year to 30 Sept 23 Audited
(Loss)/Profit for the period - £000	(300)	(445)	859
Weighted average number of ordinary shares in issue during the period (million)	13.192	13.183	13,183
Dilutive effect of share options (million)	-	-	21
Number of shares for diluted earnings per share (million)	13,192	13.183	13,204
Basic (loss)/earnings per share	(2.27)p	(3.38)p	6.52p
Diluted (loss)/earnings per share	(2.27)p	(3.38)p	6.51p

Basic and diluted earnings per share are based on the weighted average number of ordinary shares and share options in issue during the period. For the period ended 31 March 2023 and 31 March 2024, the basic and diluted loss per share are equal 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.

NOTE 8 INFORMATION

LPA Group Plc is the Group's ultimate parent company. It is incorporated in England and Wales and domiciled in the UK, Company Number 686429. The address of LPA Group Plc's registered office, which is also its principal place of business, is Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK. LPA Group Plc's shares are quoted on the AIM market of the London Stock Exchange.

LPA Group Plc's consolidated interim financial statements are presented in Pounds Sterling (£000), which is also the functional currency of the parent company. These interim financial statements have been approved for issue by the Board of Directors on 19 June 2024. The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 September 2023 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unmodified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Copies of this Interim Report are being sent to shareholders who have requested to receive a hard copy. Shareholders are encouraged to access copies which are available on the Company’s website (www.lpa-group.com). Interim Reports will no longer be published as the Company continues to focus on the reduction of waste and carbon footprint. A printout of the Interim Report will also be available by request from the Company’s Registrar, or the Company’s registered office, address as above or by email: investors@lpa-group.com .

Shareholders are encouraged to visit our website where useful links and assistance have been provided including our Registrars to assist utilisation of digital channels and receipt of future dividends and our Brokers who provide equity research.