Long Life Reliability
does not cost the earth

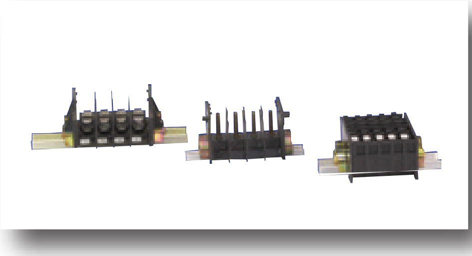
LPA Group Plc

Annual Report & Accounts 2013

www.lpa-group.com

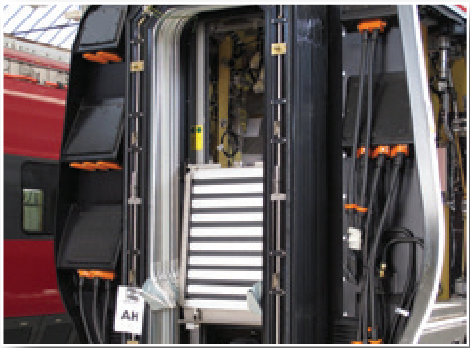
Distribution

The Group distributes a range of high performance connectors, relays, contactors, circuit breakers, fans and motors for rail, aerospace and defence applications.



Electro-mechanical

LPA supplies a range of robust electrical connectors and jumpers which serve rail, aircraft ground power supply (Crocodiles) and industrial applications.



Development activity has focussed on higher speed derivatives of its Cat5 data transmission rail connector, which has been extended to include Ethernet 10GBASE-T capabilities, for use in both retrofit and new build markets.

LPA connectors have been selected by Hitachi for the Intercity Express Programme.

Transport+®

Transport+® is LPA's service business which provides after sales support for trains in the UK. It offers turnkey design, manufacture and installation capabilities.

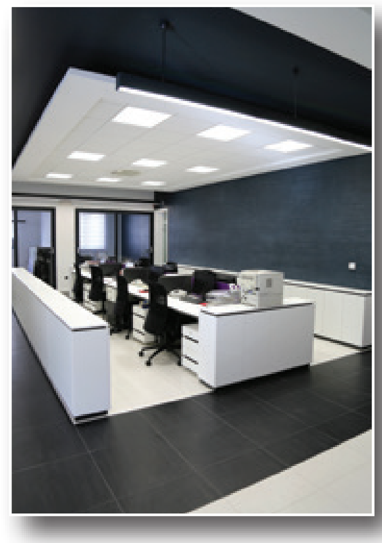
Selected by customers worldwide

reliability · long-life · ultimately environmentally sound

www.lpa-group.com

LED Lighting

LPA has many years of experience in providing reliable and energy efficient LED lighting solutions. Its LumiSeries™ range offers reductions in energy consumption, extended life, weight and space savings. The principal products are:



- LumiTile® - for office suspended ceiling applications
- LumiStrip® - a replacement for fluorescent tubes within a luminaire
- LumiSpot® - a replacement for conventional halogen downlights
- LumiMatrix™ - a light engine, based on either power or chip LED technology, whose modular assembly allows it to be configured into a wide number of shapes
- LumiTray™ - a retrofit gear tray to replace fluorescent solutions within a luminaire, typically applied in tunnel and underpass applications
- LumiBatten™ - an IP65 batten fitting for a wide variety of applications including low bay and car parks

Recently LPA has developed a High Bay luminaire for transport depot and warehouse applications.

As in the case of its connectors, LPA lighting has been selected for the Intercity Express Programme.

Selected by customers worldwide

reliability · long-life · ultimately environmentally sound

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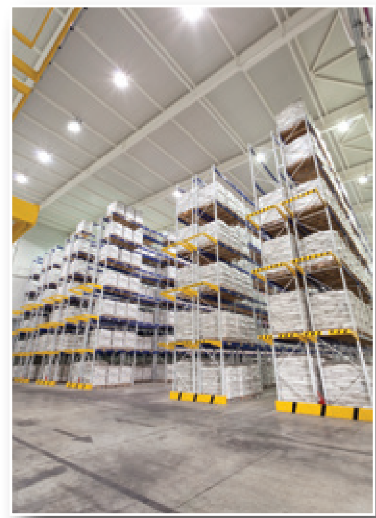

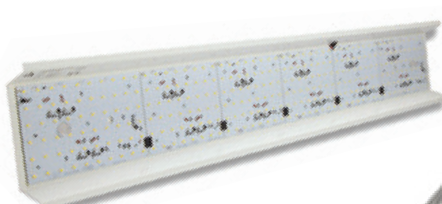

FINANCIAL HIGHLIGHTS

For the year ended 30 September 2013

	2013 £'000	2012 £'000
REVENUE	17,630	18,352
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	609	921
EXCEPTIONAL GAIN ON PROPERTY DISPOSAL	2,062	–
EXCEPTIONAL REORGANISATION COSTS	(809)	–
PROFIT BEFORE TAX	1,787	877
BASIC EARNINGS PER SHARE	15.47p	6.37p
DIVIDENDS PER SHARE	1.35p	1.10p
GEARING	8.5%	41.9%

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COMPANY INFORMATION

Directors

Michael Rusch (Non-Executive Chairman), 68, joined the Company in 1966, five years after its inception. He has been on the Board since 1967. He relinquished his executive duties in 2000.

Peter G Pollock (Chief Executive), 67, is a chartered accountant, with over forty years industrial experience. He joined LPA Group in April 1997. He is a member of Council of the Railway Industry Association and non-executive chairman of Ferrabyrne Ltd. Previous positions include Chairman of Lionheart plc, non-executive director of Mentmore Abbey plc and Menvier Swain plc, Chairman of Valetmatic Ltd, Chief Executive of ML Holdings plc, Finance Director UK of Fisher Controls International Inc. and Financial Director of Hawker Siddeley Power Transformers Ltd.

Stephen K Brett (Finance Director), 57, qualified as a chartered accountant in 1982 with Ernst & Whinney in London. Before joining LPA Group in December 2000 he held a number of financial appointments in the manufacturing sector most recently as Vice President Finance for the Environmental Control Division of Invensys plc.

Per F Staehr (Non-Executive Director), 70, is a Danish national with a distinguished international career in the rail, shipping and energy sectors who joined the Board in December 2007. He is currently Chairman of Euroferries Limited, a cross Channel transport project company and a director of EIVA A/S a Danish equipment and software supplier to the subsea survey and maintenance industry. Previously he was Chairman of Bombardier Transportation UK Ltd, Arrow Light Rail Ltd, the Nottingham Tram System concessionaire, Chairman of A2SEA A/S, the leading European offshore wind farm installation contractor, Chairman of the Rail Media Group, Chairman of the Railway Industry Association, a director of Riegens Lighting Ltd, a director of Trico Marine Services Inc, a US quoted subsea services provider and operator of offshore service vessels, Chairman of the Daniamant Group a Danish/UK manufacturer of marine survivor lights and President of Maersk Contractors, a global offshore drilling and contracting company.

Secretary	Stephen K Brett
Registered office	Tudor Works Debden Road Saffron Walden Essex CB11 4AN
Registered number	686429
Nominated adviser	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX
Auditors	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Broker	XCAP Securities plc 24 Cornhill London EC3V 3ND
Bankers	Lloyds Banking Group plc Ground Floor 1 Legg Street Chelmsford CM1 1JS
Solicitors	Eversheds LLP 115 Colmore Row Birmingham B3 3AL

LPA'S BUSINESS

LPA is a market leading designer, manufacturer and supplier of LED based lighting and electro-mechanical systems; it is also a distributor of added value components. Based in the UK, it is AIM listed and has 160 employees.

It is focussed on the Transport Sector in which rail, aerospace & defence, marine and airport infrastructure markets are served, although sales are also made into commercial and general industrial markets. Of these rail, which accounts for more than 50% of turnover, is the most significant.

Revenues are derived from both higher value contracts and lower value routine business. Routes to market vary but a combination of direct and indirect is usual for most products. Agents and distributors are used, particularly in overseas markets, although larger contracts continue to require direct contact.

The Group serves a wide range of customers including: Agusta Westland, Airbus, Alstom Transportation, BAA, BAE Systems, Bombardier Transportation, Downer EDI, Eurostar, First Group, Hitachi, ITW, Kinki Sharyo, London Underground, Railpart, Siemens, SNCF, Stagecoach, Unipart Rail and Wabtec. Principal customers are leading players in the markets they serve and so the Group is well positioned to capitalise on growth opportunities available.

With sales to over 50 countries exports are a significant part of our business, representing a third of turnover in the last five years.

The Group has a reputation for innovation, finding cost effective solutions to customers' problems, in both benign and hostile environments, which aim to improve reliability and reduce maintenance and life cycle costs. It looks to maintain and develop its technology and to build upon the investment in product development over recent years.

The Group's strategy for growth is to:

- further develop lighting opportunities, in addition to traditional rail vehicles, into infrastructure, hazardous areas and commercial markets in the UK, Europe and Worldwide;
- continue to focus electro-mechanical opportunities on rail passenger vehicles, airports and marine markets in UK, Europe, Asia and Australasia and to further develop its Transport+ offering in the UK in response to growing demand;
- continue to develop its added value distribution activities in the UK;
- strengthen its engineering, commercial and marketing teams to further penetrate existing and new markets; and
- reduce its dependency on low added value subcontracting.

The factors which have affected the Group's business activities in the current year and which are likely to affect its future performance are detailed in the Chairman's Statement, Chief Executive's Review and the Financial Review.

The principal risks and uncertainties confronting the Group and the key performance indicators used in assessing the progression of the business are set out in the Directors' Report.

CHAIRMAN'S STATEMENT

Results

The Group has enjoyed another exceptional year to 30 September 2013 with significant milestones achieved including the sale of Tudor Works for redevelopment for housing and progress made in our plans to rationalise our electro-mechanical activities. As expected trading was quieter than in 2012, mainly due to the hiatus caused by the rail refranchising process, which caused UK rail activity to fall significantly. This was almost eclipsed by a surge in export sales which rose 31% to a record £8.49m.

In summary sales fell by £0.72m to £17.63m (2012: £18.35m) with a corresponding £312,000 fall in operating profit before exceptional items to £609,000 (2012: £921,000). Profit before tax (which included a surplus on the sale of Tudor Works of £2,062,000, reorganisation costs of £809,000 and goodwill impairment of £85,000) amounted to £1,787,000 (2012: £877,000) giving a basic earnings per share of 15.47p (2012: 6.37p). Gearing, following the receipt of half the proceeds from the sale of Tudor Works (the balance is due when we deliver vacant possession later this year) was 8.5% (2012: 41.9%). The order book at the end of the year amounted to £6.5m (2012: £10.4m), but this does not include the Intercity Express Programme and at least three other major long term projects for which we have been selected, but for which values are as yet undefined, and which have therefore not been included in the order book.

Dividends

The interim dividend was increased 20% to 0.60p (2012: 0.50p) and given both the progress during the year and prospects in the current year your Board considers it appropriate to increase the final dividend by a further 25% to 0.75p (2012: 0.60p), giving a total for the year of 1.35p (2012: 1.10p). Subject to approval by shareholders at the annual general meeting, to be held at 12.00 noon on 6 March 2014 at the offices of College Group, 65 Gresham Street, London, EC2V 7NQ the final dividend will be paid on 21 March 2014, to shareholders registered at the close of business on 28 February 2014.

Board and management

The Board and the Executive Team, which consists of the Group Chief Executive, the Group Finance Director, and the Managing Directors of the four operating entities, has remained unchanged throughout the year.

Property

After extensive negotiation the Group sold its Tudor Works site in Saffron Walden during the year and having evaluated several tenders has subsequently let a contract for the substantial refurbishment of its Shire Hill premises, also in Saffron Walden, which is expected to complete in late Spring. We expect to relocate our Tudor Works activities to Shire Hill during the summer which will allow delivery of vacant possession and which in turn will trigger payment of the £1.3m balance of the Tudor Works consideration.

Employees

Our employees continue to demonstrate their value in developing the business and our remarkably low staff turnover indicates a high degree of loyalty. I would like to thank them for their continued dedication.

Outlook

The current financial year has started quietly but routine orders have been building up. The £2.5m order entry achieved in December is the highest monthly total since June 2011 and is mainly UK Rail, heralding perhaps the end of the hiatus caused by the rail refranchising process. As a result the order book stood at £7.8m at the end of December. In addition there are several other significant orders in the offing for delivery this year, two of which have been received in January.

Our policy remains to develop business relationships with train builders supplying the UK, both domestically and from overseas, and to develop export markets in Asia and Australasia as well as Europe. We are suppliers to Alstom, Bombardier, Siemens and Hitachi. LPA Transport+ continues to support our position as a provider of upgrade and renovation solutions to Train Operating Companies and maintainers in the UK. We aggressively pursue major LED based lighting opportunities, both train borne and in infrastructure, which we expect to contribute to the continuing rapid growth of the business. Our electro-mechanical and distribution businesses continue to develop in infrastructure, aerospace and defence, helping to broaden the Group's markets beyond its traditional focus on rail.

We are confident of further progress this year.

Michael Rusch
Chairman
23 January 2014

CHIEF EXECUTIVE'S REVIEW

Trading results

The year to 30 September 2013 was variously satisfying, challenging and frustrating. We were pleased to achieve the excellent export success in our main manufacturing activities and the sale of Tudor Works after protracted negotiations. We rode the challenge of lower UK activity and remained frustrated by the continuing hiatus caused by the rail re-franchising delays.

During the year sales fell 3.9%, operating profit before exceptional items fell, in line with expectations, to £609,000 (2012: £921,000), profit before taxation after exceptional items amounted to £1,787,000 (2012: £877,000), basic earnings per share amounted to 15.47p (2012: 6.37p), dividends increased 22.7% and gearing fell to 8.5% (2012: 41.9%).

The order book fell during the financial year but, as previously reported, it does not include several projects won or for which we have been selected to supply product over extended periods into the future where the values, although large, are as yet undefined. These include Intercity Express Programme together with product for two major civil aircraft programmes. Routine orders picked up during the year and taken together with a number of orders received either side of Christmas and the multitude of opportunities in the offing, give us confidence for the year as a whole. In the longer term the large projects mentioned above will underpin our performance.

LED based lighting again achieved significant growth with sales up 24% during the year to £4.81m (2012: £3.87m) with exports making the major contribution. Efforts to penetrate the infrastructure market are beginning to bear fruit with initial orders for lighting underground pedestrian walkways, vehicle underpasses, station concourses and tunnels.

Electro-mechanical has been mixed with good demand for robust electrical connectors, inter rail car jumpers and aircraft ground power supply (crocodiles) although LPA Transport+ had a very quiet year largely due to the rail franchising hiatus and delays on a major underground project.

Distribution also suffered a quiet year in terms of short term orders and output but has begun to build a very strong long term order book and contributed significantly to the excellent order entry in December.

Details of the financial performance are contained in the Chairman's Statement and the Financial Review.

Markets

The global rail transport market continues to expand rapidly as has global manufacturing capacity to satisfy it. There are indications of rationalisation beginning to occur among some mature manufacturers.

We are delighted to have been selected by Hitachi to supply both LED lighting and power jumpers for the Intercity Express Programme: orders for equipment for the test trains have been received. To a greater or lesser extent we have succeeded in building relationships with all train builders supplying the UK market and have established ourselves as suppliers on their new trains.

We compete in a global market and find ourselves challenged by low cost country sourcing. Our commitment to quality long life and reliability, which results in lower whole life cost, is often a deciding factor in our favour. Our current success in exporting is evidence of that. The relatively small size of the UK market and its volatile demand has necessitated that we develop export markets in Europe, Asia and Australasia. We are now beginning to look at high added value markets elsewhere.

Once the re-franchising hiatus is over we are confident that LPA Transport+ will help to secure our position in the after sales support of trains in UK. European Train Control System (ETCS), the train borne part of European Rail Traffic Management System (ERTMS), presents both a challenge and an opportunity as it will require the modification of all but the most recent trains supplied to the UK.

The world-wide aircraft ground power supply connector market and the UK defence and aerospace markets offer us significant opportunities for growth, which we are pursuing.

Design and development

Our design and development effort concentrated on new LED lighting products, new high speed data connectors and large infrastructure and rail projects.

CHIEF EXECUTIVE'S REVIEW

We continued to add variants of LumiMatrix to our LumiSeries range of energy saving LED-based lighting products. LumiMatrix, which is a light engine, can be configured in almost any shape based on modules, using power LEDs for industrial applications, and chip LEDs for commercial or domestic applications. We have launched two new derivatives of LumiMatrix for High Bay and Low Bay illumination, where they can replace conventional area lighting products and provide low maintenance, long life, low energy, high output lighting and Lumitray which can be retrofitted to existing lighting fixtures.

Electro-mechanical design and development activity included higher speed derivatives of our Cat5 data transmission connector which is exciting great interest in both retrofit and new build markets.

Structure and costs

The Shire Hill factory acquired last year is now undergoing major renovation and updating to modern standards. This work and the subsequent relocation of our electro-mechanical business from Tudor Works is expected to be completed during this summer. Once complete we plan to embark upon the construction of a 50% extension to our Normanton LED lighting manufacturing facility, which will facilitate the retirement of a life expired temporary building and the co-location of activities currently spread across the site.

We are continuing to increase sales and marketing expenditure to support our efforts to grow our business in existing and new markets.

In addition to the Tudor Works business move, noted above, the Group's rationalisation of its electro-mechanical operation will also entail the transfer of activity from its other electro-mechanical site into the Shire Hill facility, in order to benefit from single site operation and to avoid surplus property costs. Rationalisation costs of £809,000 have been recognised in this year.

Strategy

Despite delays in the execution of the various announcements in relation to franchising, Network Rail and the (Rail) Industry Strategic Plan made during the year, they do at least demonstrate Government commitment to Rail for the foreseeable future. Further analysis of these announcements appears to confirm that, in addition to the opportunities offered in rail infrastructure by Crossrail and Electrification, there will be a requirement for life extension of 1,300 to 2,000 rail vehicles during the five years from 2014 and procurement of up to an additional 4,150 new rail vehicles including those required for ThamesLink, Intercity Express Programme and Crossrail. Our position as a supplier to both the new rail vehicle and the after-market in the UK would appear to be beneficial and bodes well for all our businesses. In addition the requirement for adoption of the European Train Control System (ETCS) presents a major opportunity for us.

Network Rail and the Rail Regulator are close to agreement on almost £34bn of expenditure on infrastructure during the five year period from 2014. We have focussed more sales resource on infrastructure generally, particularly for LED lighting.

Thousands of new, larger and fuel efficient aircraft are due for delivery in the near term. We continue to focus on the aerospace (and defence) industry and on aircraft ground support.

We are further reducing our exposure to the volatile and low added value sub-contract market.

We will continue to serve and to develop our export markets in Europe, Asia, Australasia and elsewhere.

Outlook

The year has started quietly but December 2013 and January 2014 may represent the watershed in terms of order entry for delivery commencing this year and the beginning of the end of the rail refranchising hiatus. We have many UK bids awaiting evaluation or funding, where we are well placed. Like last year this year is likely to be back end loaded but, as a whole, is expected to be in line with our expected growth plan and current expectations. We now have a good base load and many near term opportunities in prospect, in all our activities.

We remain committed to delivering shareholder value over the medium term and we look forward to the future with increasing confidence.

Peter Pollock
Chief Executive
23 January 2014

FINANCIAL REVIEW

Trading performance

Revenue in the current year fell by £0.72m (3.9%) to £17.63m (2012: £18.35m) producing an operating profit before exceptional items of £609,000 (2012: £921,000), down £312,000.

UK sales (in particular rail and non-rail lighting) were down on prior year although this was partially offset by increased export rail project revenues. Gross margins fell by 1.1% to 27.2% (2012: 28.3%), reflecting the higher project content, and a gross profit of £4.79m (2012: £5.20m) resulted. Other operating expenses were £0.10m below last year at £4.18m (2012: £4.28m), with the benefit of lower property transaction related costs of £81,000 (2012: £158,000) and bonuses of £104,000 (2012: £271,000) offset by higher sales costs.

In the first half of the year sales of £8.64m (2012: £8.92m) produced an operating profit before exceptional items of £203,000 (2012: £316,000) with sales and profits down on the corresponding period last year by £0.28m and £113,000 respectively. The second half result, sales of £8.99m and an operating profit before exceptional items of £406,000 represented an improvement over the first half but again profitability remained behind the corresponding period last year (2012: sales of £9.43m, profit of £605,000).

Exceptional items

Property gain on disposal of Tudor Works

The Group disposed of its Tudor Works factory in August 2013 for £2.60m which less its carrying value of £0.47m and after costs of £0.07m resulted in a gain of £2.06m. The Group took a lease back on the property, for up to twelve months, during which time it plans to refurbish its Shire Hill premises prior to relocating the factory operations. Initial consideration of £1.30m was received on completion with the balance, secured by a charge on Tudor Works, due at the end of the lease period. The sale contract provides for additional payments to be made in the event that site development revenues exceed a certain level: given the difficulty in predicting such revenues the directors have assessed the fair value of this contingent consideration as Nil at the year end.

Reorganisation costs

As part of the Group's reorganisation of its electro-mechanical activities it has recognised costs of £809,000 in the current year. These comprise onerous property related costs of £663,000 together with a plant and equipment impairment of £146,000. It is expected that all liabilities will crystallise and that the reorganisation will be completed within the next 2 years.

Goodwill impairment

As a result of the annual goodwill impairment review an impairment charge of £85,000 was made in the year. The carrying amounts of goodwill and assumptions used in their calculation are disclosed in note 9.

Finance costs and income

Within finance costs the interest on borrowings rose to £103,000 (2012: £56,000), reflecting both higher average borrowings and term loan interest rates, and the interest cost on pension scheme liabilities fell to £471,000 (2012: £522,000), with the impact of higher liabilities being more than compensated for by a lower discount rate. Finance income, which comprises the return on pension scheme assets, rose to £584,000 (2012: £534,000) with higher asset levels making up for the lower asset return.

Profit before tax, taxation and earnings per share

Notwithstanding the high profit before tax of £1,787,000 (2012: £877,000) the benefit of tax losses, property reliefs and enhanced development expenditure resulted in a tax credit in the year of £37,000 (2012: charge of £140,000). The profit for the year was £1,824,000 (2012: £737,000) representing basic earnings per share of 15.47p (2012: 6.37p).

Balance sheet

Shareholders' funds rose by £1.60m in the year to £7.24m (2012: £5.64m) giving a net asset value per ordinary share of 61.3p (2012: 48.1p). The tangible net asset value per share (calculated excluding intangibles and pension asset, net of deferred tax, from the calculation) was 44.4p (2012: 30.6p).

FINANCIAL REVIEW

Property, plant and equipment at 30 September was £2.67m (2012: £3.04m) of which property made up £1.49m (2012: £1.93m) and plant and equipment £1.18m (2012: £1.11m). Disposals in the year were £469,000 (2012: £43,000), being the net book value of the disposed of Tudor Works site in Saffron Walden, and additions were £530,000 (2012: £1,676,000 of which £1.15m related to the acquisition of the Shire Hill factory). The depreciation charge was £289,000 (2012: £248,000) and an impairment loss of £146,000 was recognised in the year.

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were higher by £0.92m at £3.86m (2012: £2.94m) although £0.78m of this increase is explained by items associated with the Tudor Works sale (£1.30m of deferred consideration less £0.52m of sales taxes).

Provisions at September 2013, which recognise onerous lease costs, were £0.67m (2012: £0.01m).

Net debt was reduced by £1.76m over the year to £0.61m with gearing (net debt as a % of total equity) falling to 8.5% (2012: 41.9%).

Intangible assets, which comprise goodwill and capitalised development costs, were £1.24m (2012: £1.32m). Goodwill fell from £1.23m to £1.15m following the impairment of the Group's investment in Haswell Engineers. Capitalised development costs (which relate to the development of LED lighting products) were essentially unchanged at £0.09m.

The IAS19 actuarial surplus recognised as at 30 September 2013 amounted to £960,000 (2012: £952,000). Movements over the course of the year comprised an income statement credit of £113,000 (2012: £12,000), contributions received of £100,000 (2012: £100,000), less an actuarial loss of £205,000 (2012: gain of £840,000) recognised in the statement of comprehensive income. The actuarial loss of £205,000 resulted from changes in the financial assumptions adopted of £395,000 plus an experience loss on liabilities of £44,000 less a better than expected asset return of £234,000.

Cash flow

Although the Group's trading performance was weaker in the year, the property sale resulted in a higher cash generated from operations of £1,483,000 (2012: £625,000). With tax payments of £71,000 (2012: receipts of £18,000) and pension contributions of £100,000 (2012: £100,000) net cash generated from operating activities was £1,312,000 (2012: £543,000).

Capital expenditure was much reduced at £355,000 (2012: £1,676,000), asset disposal proceeds were significant at £1,253,000 (2012: £25,000) and development expenditure capitalised amounted to £58,000 (2012: £19,000).

With only the final tranche of the old loan facility being paid in the year (nothing being due in respect of the new loan facility) term loan repayments were down at £73,000 (2012: £291,000): there was no term loan draw down (2012: £1,400,000). Finance leases repayments were likewise down at £43,000 (2012: £116,000). Interest payments on borrowings rose to £103,000 (2012: £56,000). In the year £22,000 (2012: £97,000) was received from the exercise of share options and dividend payments were higher at £142,000 (2012: £116,000).

Overall there was a net increase in the cash position of £1,813,000 (2012: decrease of £209,000).

FINANCIAL REVIEW (CONTINUED)

Net debt

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

	Bank loans	Finance lease obliga-tions	Cash & cash equiva-lents	Net debt
	£'000	£'000	£'000	£'000
At 1 October 2012	1,473	20	873	2,366
Cash generated	-	-	(1,929)	(1,929)
Repayment of borrowings	(73)	(43)	116	-
New finance lease obligations	-	175	-	175
At 30 September 2013	1,400	152	(940)	612

The bank loan is repayable over ten years (in 40 quarterly instalments of £35,000 commencing in April 2014) and the finance lease obligations are repayable over five years. At the year-end the Group was holding cash of £0.94m (2012: overdraft of £0.88m) and had £1.50m (2102: £1.12m) of un-drawn overdraft facilities available.

The £3.0m term loan facility was initially negotiated in July 2012, was available to be drawn down over three years, required that £1.0m out of the Tudor Works proceeds be used to pay down the facility and was to be repayable over ten years commencing in October 2013. With the sale of Tudor Works being later than anticipated it has been agreed that the facility be reduced to £2.0m (but with the requirement to repay £1.0m out of the Tudor Works sale proceeds removed), and delay the commencement of repayments until April 2014. Interest remains payable at 2.75% over LIBOR and a charge of 1.375% is payable on the unutilised part of the facility. An initial £1.4m was drawn down in July 2012, to facilitate the purchase of Shire Hill, and the remaining £0.6m of the facility was drawn down in January 2014.

Subsequent to the year end the Group has re-negotiated unchanged working capital facilities through to the end of January 2015. These total £2.6m and provide for an overdraft limit of £1.5m, a guarantee facility of £1.0m and a forward exchange contract facility of £0.1m. Interest payable on the overdraft facility is unchanged at 2.5% over the prevailing base rate.

Treasury

The Group's treasury policy operates within approved Board guidelines and has not changed since 2012. It seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, liquidity and credit risks. Further details on the Group's borrowings, financial instruments, and its approach to financial risk management are given in notes 14 and 15.

Stephen Brett
Finance Director
23 January 2014

The Strategic Report on pages 4 to 10 was approved by the Board on 23 January 2014 and signed on its behalf by:

Stephen Brett
Secretary

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 30 September 2013.

Results and dividends

The profit for the year amounted to £1,824,000 (2012: £737,000). The directors recommend the payment of a final ordinary dividend of 0.75p (2012: 0.60p), which together with the interim dividend of 0.60p (2012: 0.50p) makes a total for the year of 1.35p per share (2012: 1.10p).

Business review

The principal activity of the Group continues to be the design, manufacture and marketing of industrial electrical and electronic accessories. Descriptions of the Group's development and performance during the year, position at the year end and likely future prospects are reviewed in the Strategic Report which comprises information about LPA's business, the Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 4 to 10. The information in all of these sections are incorporated by reference and form part of this business review.

The business review and other content of this annual report have been prepared solely for the shareholders of the Company as a body. To the extent permitted by law the Company, its directors, officers and employees disclaim liability to any other persons in respect of the information contained in this annual report. Sections may include statements containing risks and uncertainties facing the Group, and other forward-looking statements, which by their nature involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The Company undertakes no obligation to update any forward-looking statements.

Key performance indicators

The Group uses the below key performance indicators to assess the progression in its business: factors affecting them are discussed in the Chief Executive's Review and the Financial Review on pages 6 to 10.

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth fell to 0.78 in the current year (2012: 0.86, 2011: 0.86);
- Sales growth (the increase in year-on-year sales as a percentage of prior year sales) as a measure of current growth showed a reduction of 3.9% for the current year (2012: 5.9%, 2011: 17.7%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 27.2% in the current year (2012: 28.3%, 2011: 23.4%); and
- Net cash flow (net increase in cash before the repayment of borrowings and issue of equity) as a measure of cash generation being an inflow of £1,907,000 for the current year (2012: outflow of £1,299,000, 2011: inflow of £720,000).

Principal risks and uncertainties

The Group's approach to risk management is detailed within the Corporate Governance Report. The principal risks confronting the Group, where adverse changes could impact results, are summarised below:

- The Group's sales dependence upon the rail sector in general, and UK rail in particular. The Group: monitors the rail market for advance warning of negative developments; has expanded into selected export markets; derives revenues from both new-build and the aftermarket; and benefits from the diverse nature of its non-rail products, customers and markets served, which help mitigate the impact of this dependence.
- Certain activities benefit from long standing commercial relationships with key customers and suppliers. The Group devotes resource to ensure that good customer relationships are maintained while continuing to build relationships with new customers across different business sectors and geographies. The Group monitors supply-chain risks and endeavors to develop contingency plans to mitigate the impact of supplier failure.

DIRECTORS' REPORT (CONTINUED)

Principal risks and uncertainties (continued)

- Group activities variously operate in competitive markets which are subject to product innovation, technical advances and intensive price competition. The Group invests in research and development to develop new technologies and products in order to sustain or improve its competitive position. The Group keeps its structure under review and takes appropriate action to ensure that its cost base remains competitive.
- The Group is exposed to a number of financial market risks including liquidity and credit risk, and through movements in foreign exchange and interest rates. A description of these risks and the Group's approach to managing them is described in note 15 to the financial statements.
- Poor investment returns and longer life expectancy may result in an increased cost of funding the Group's defined benefit pension arrangement. The Group and the trustees of the scheme review these risks with actuarial and investment advice as appropriate and take action to mitigate the risks where possible. The scheme was closed to future accrual in September 2009.

Going concern

A statement regarding the going concern of the business is set out in accounting policies on page 27.

Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2013 representing 3 per cent or more of the issued share capital were:

	No. of shares	%
Hargreave Hale Limited	1,170,000	9.92%
Mr Michael Rusch (director)	808,000	6.85%
Mrs Ellen Rusch	804,044	6.82%
Mr Peter Pollock (director)	725,000	6.15%
Rights & Issues Investment Trust Plc	650,000	5.51%
Mrs Marilyn Porter	531,053	4.50%
Mrs Susan Thynne	426,674	3.62%

Research and development

The Group is committed to research and development activities to ensure its position as a market leader in the manufacture of electronic and electrical components in its market sectors.

Employment policies

The importance of promoting and maintaining good communications with the Group's employees is recognised and its policy is to keep employees regularly informed on matters relating to their employment through circulars and team briefings.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Health, safety and the environment

It is Group policy to maintain healthy and safe working conditions and to operate in a responsible manner with regard to the environment.

Directors and their interests

The current directors of the Company and brief biographical details are given on page 3. All directors served throughout the year. A statement of their remuneration and interests in the ordinary shares of the Company and share options are set out in the Remuneration Report. No director had any material interest in any contract with the Group. In accordance with the articles of association Michael Rusch retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards / IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (CONTINUED)

Annual general meeting

The annual general meeting is to be held at 12 noon on Thursday 6 March 2014 at the offices of College Group, 65 Gresham Street, London, EC2V 7NQ: please note that this is a changed venue. The Notice of Meeting is set out on pages 69 and 70. Other business includes three resolutions which relate to share capital:

- The first is an ordinary resolution to renew the authority of the directors to allot shares generally;
- The second is a special resolution to give power to the directors to allot equity securities for cash without first offering them to existing shareholders; and
- The third is a special resolution to permit the Company to make market purchases of its own shares.

These authorities, which are the same as those sought and approved at last year's annual general meeting, are part of the portfolio of powers commonly granted to directors to ensure flexibility, should appropriate circumstances arise, to either allot shares, or make purchases of the Company's own shares in the best interests of shareholders. Each authority will run through until the next annual general meeting. The directors have no present intention of using such authorities.

Auditors

Grant Thornton UK LLP are willing to continue in office and a resolution to reappoint them as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Stephen Brett
Secretary
23 January 2014

LPA Group plc is registered in England No 686429

CORPORATE GOVERNANCE REPORT

We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Company and best practice.

Board composition and responsibility

The Board comprises two non-executive directors, including the Chairman, and two executive directors.

There is a clear division of responsibility between the non-executive Chairman and the Chief Executive.

Of the non-executive directors only Per Staehr is regarded as independent; Michael Rusch was an executive director before he became non-executive Chairman in June 2000. The non-executive directors are from varied backgrounds and bring with them a range of skills and experience in commerce and industry.

The Board meets at least six times during the year, with additional meetings being convened as necessary. The principal responsibilities of the Board are to agree overall strategy and investment policy, to approve the annual budget, to monitor the performance of the senior management, and to ensure that there are proper internal financial controls in place. There is a formal schedule of matters reserved for Board approval. The nature and size of the Group ensures that the Board considers all major decisions.

Directors are subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.

All directors have access to the advice and services of the company secretary, who is also responsible for ensuring that Board procedures are followed. There is also a procedure in place for any director to take independent professional advice if necessary, at the Company's expense.

Board committees

The Board has two standing committees, the Audit Committee and the Remuneration Committee. These comprise the Board's non-executive directors, Per Staehr (who is Chairman of both) and Michael Rusch.

The Audit Committee has written terms of reference and meets at least twice a year. It is responsible for reviewing a range of financial matters including the interim and final accounts, monitoring the controls which ensure the integrity of the financial information reported to the shareholders, making recommendations to the Board in relation to the appointment of the external auditor, and approving the remuneration and terms of reference for the external auditor. It also meets with the external auditor who attends its meetings when required.

The Remuneration Committee meets at least twice a year and its principal function is to determine executive remuneration policy on behalf of the Board. In addition the committee is responsible for supervising the various share option schemes and for the granting of options under them.

Internal control

The Board has overall responsibility for the Group's system of internal control, which is designed to provide reasonable but not absolute assurance against material misstatement or loss. The Board confirms that the system of internal control accords with the Turnbull Committee Guidance.

The Board has considered the establishment of procedures to implement the Turnbull Committee Guidance on internal control and in response assigned day-to-day responsibility for the continuous review of risk management to the executive directors. The Board received a report on risk issues and reviewed the effectiveness of the Group's systems of internal controls in relation to financial, operational and compliance controls and risk management. Risk management is discussed formally at each Board meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Internal control (continued)

In addition the Board reviewed the requirement for an internal audit function and having regard to the size of the Group, the costs of such a function versus the likely benefit, sufficient assurance as to the functioning of the system of internal control, and that the circumstances confronting the Group remain unchanged, considered there was no such requirement at this time.

In relation to business risk a continuous process of risk assessment and reporting has been adopted. Executive directors report regularly to the Board on major business risks faced by individual operating units and by the Group and how it is proposed that those risks be managed. Through this, business risks are assessed according to their nature and urgency and the Board considers what would be an appropriate response.

The Board has defined a formal schedule of matters specifically reserved for decision by it and the delegated authorities of its committees and the executive directors.

The Group has a clear organisation structure and reporting framework. Whilst the management of operating units exercise autonomy in the day-to-day running of their businesses, given the size of the Group, the executive directors remain close to the decisions made at each operating unit.

The Group has a system of budgeting, forecasting and reporting which enables the Board to set objectives and monitor performance. Each operating unit prepares a budget annually, which includes projections for the next two years. These budgets are reviewed in detail by the executive directors and consolidated for review by the Board. Forecasts are updated twice annually. The Group's performance against budget and forecast is continuously monitored by the executive directors, reviewed formally by the executive directors who regularly attend local management meetings, and by the Board at least quarterly.

The Group operates an investment approval process. Board approval is required for all acquisitions and divestments.

Through the procedures outlined above, the Board has considered all significant aspects of internal control for the year to September 2013 and up to the date of this annual report.

Shareholder relationships

The Board regards the annual general meeting as an important opportunity to meet and communicate with shareholders in general and private investors in particular. Directors make themselves available to shareholders both before and after the annual general meeting and on an ad hoc basis during the year subject to normal disclosure rules. In addition to the annual report, the Company also issues an interim report to shareholders and has its own website at 'www.lpa-group.com'.

By order of the Board
Stephen Brett
Secretary
23 January 2014

REMUNERATION REPORT

This report has not been prepared in accordance with the Companies Act 2006 because as an AIM listed company LPA Group plc does not fall within the scope of the Regulations.

Unaudited information

Remuneration policy

The Company's policy is to design executive remuneration packages to attract, motivate and retain directors of a high calibre and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Remuneration Committee (the composition of which is described in the corporate governance report on page 15).

There are four main elements of the remuneration packages of the executive directors: basic annual salary and benefits; annual bonus payments; share option incentives; and pension arrangements.

The Company's policy is that a proportion of the remuneration of the executive directors should be performance related. Executive directors may earn annual incentive payments, based on achievement of projections for the financial year, together with the benefits of participation in share option schemes. The Company does not operate any long-term incentive schemes other than the share option schemes noted.

Executive directors are entitled to accept appointments outside the Company providing that the Chairman's permission is sought.

Executive directors' remuneration and terms of appointment

Executive directors' basic salaries are reviewed by the Remuneration Committee annually, usually in December for implementation in January, and are set to reflect the directors' responsibilities, experience and marketability. Regard is also given to the level of rewards made in the year to staff. The objectives that must be met for the financial year if a bonus is to be paid are confirmed at the same time.

Peter Pollock has a service contract dated 19 January 2007 (amended in 2011), with a rolling notice period of one year and with an entitlement to twelve months compensation in the event of early termination by the Company (reducing to six months from September 2014), and which provides that employment under the agreement will automatically terminate on his 70th birthday. As at 1 January 2014 Peter Pollock's annual salary was £173,800 (January 2013: £173,800) and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme.

Stephen Brett has a service contract dated 19 January 2007, with a rolling notice period of one year, with an entitlement to twelve months compensation in the event of early termination by the Company, and which provides that employment under the agreement will automatically terminate on his 60th birthday. As at 1 January 2014 his annual salary was £131,000 (January 2013: £126,000) and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme. The Company makes a contribution of 12% of salary to his personal pension arrangement.

REMUNERATION REPORT (CONTINUED)

Non-executive directors' remuneration and terms of appointment

The remuneration of the non-executive directors is determined by the Board as a whole and the policy is to pay an appropriate level of remuneration for their work on the Board and its committees. Non-executive directors are normally appointed for an initial period of three years. Appointments are made under a letter of appointment subject to retirement by rotation or removal under the Company's articles of association. Non-executive directors do not participate in the Group's share option arrangements.

Michael Rusch (non-executive chairman) has a three-year term of office, as set out in his letter of re-appointment dated 21 January 2013, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2016. As at 1 January 2014 he receives fees of £26,520 per annum (January 2013: £26,000) and he is entitled to the provision of a car or allowance and private health insurance.

Per Staehr (non-executive director) has a term of office, as set out in his letter of re-appointment dated 21 January 2014, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2017. As at 1 January 2014 he receives fees of £22,980 per annum (January 2013: £22,530).

Information subject to audit

Directors' remuneration

Directors' remuneration for the year was as follows:

	Salaries and fees £'000	Bonus £'000	Benefits £'000	Money purchase pension contribution £'000	Total 2013 £'000	Total 2012 £'000
Peter G Pollock	170	-	26	-	196	258
Stephen K Brett	124	-	14	15	153	176
	294	-	40	15	349	434
Michael Rusch	26	-	22	-	48	45
Per F Staehr	22	-	-	-	22	21
	342	-	62	15	419	500

REMUNERATION REPORT (CONTINUED)

Directors' pension arrangements

During the year ending 30 September 2013 one director's deferred pension was revalued in line with the benefits provided by the LPA Industries Limited Pension Scheme ("the scheme"). The scheme is a defined benefit fund registered with HMRC under the Finance Act 2004. The additional value earned by the director during the financial year due to participation in the scheme counts towards the single total figure of remuneration for each director. As revaluation of deferred benefits in the scheme is linked to CPI the additional value earned during the financial year is nil. The figures below only relate to the scheme.

	Normal retirement date	Contributions paid by the director for the year	Accrued pension entitlement at 30 September		Value of remuneration for the year
		2013	2013	2012	2013
		£'000	£'000	£'000	£'000
Stephen K Brett	13 April 2016	Nil	40	39	Nil

The value of remuneration is calculated using a modified version of HMRC tax rules for pension savings. The calculation methodology is laid out in the regulations.

Normal retirement date means an age specified in the pension scheme rules (or otherwise determined) as the earliest age at which, while the individual continues to accrue benefits under the pension scheme, entitlement to a benefit arises (a) without consent (whether of an employer, the trustees or managers of the scheme or otherwise), and (b) without an actuarial reduction, but disregarding any special provision as to early repayment on grounds of ill health, redundancy or dismissal.

The normal retirement date for the director is at age 60, as this is the earliest age from which he can retire without a reduction applying to his benefits on retirement.

Disclosure of benefits has been made in accordance with the Large and Medium-sized companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 for directors' pension disclosures.

Directors' shareholdings

Shareholdings of those serving at the year end were:

	Number of ordinary shares		
	1 October 2012	30 September 2013	31 December 2013
Michael Rusch	808,000	808,000	808,000
Peter G Pollock	725,000	725,000	725,000
Stephen K Brett	172,500	172,500	172,500
Per F Staehr	155,500	170,500	170,500
	1,861,000	1,876,000	1,876,000

In the period Per Staehr purchased 15,000 shares at an average price of 68.7p.

REMUNERATION REPORT (CONTINUED)

Directors' interests in share options

	At 1 October 2012	At 30 September 2013	Option price	Earliest exercise date	Latest exercise date
Peter G Pollock					
1997 Unapproved Share Option Scheme	35,000	35,000	39p	8 Mar 2010	7 Mar 2017
2007 Employee Share Option Scheme	540,000	540,000	36p	31 Jul 2010	30 Jul 2017
2007 Employee Share Option Scheme	100,000	100,000	32p	1 Apr 2014	31 Mar 2021
2007 Employee Share Option Scheme	150,000	150,000	49p	8 Feb 2015	7 Feb 2022
	825,000	825,000			
Stephen K Brett					
1997 Unapproved Share Option Scheme	15,000	15,000	39p	8 Mar 2010	7 Mar 2017
2007 Employee Share Option Scheme	235,000	235,000	36p	31 Jul 2010	30 Jul 2017
2007 Employee Share Option Scheme	100,000	100,000	32p	1 Apr 2014	31 Mar 2021
2007 Employee Share Option Scheme	75,000	75,000	49p	8 Feb 2015	7 Feb 2022
	425,000	425,000			

Details of the share option schemes in operation during the year are given in note 19.

Per Staehr
Director
23 January 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LPA GROUP PLC

We have audited the financial statements of LPA Group Plc for the year ended 30 September 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
23 January 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2013

	Note	2013 £'000	2012 £'000
Revenue	2	17,630	18,352
Cost of sales		(12,840)	(13,153)
Gross profit		4,790	5,199
Distribution costs		(1,705)	(1,508)
Administrative expenses		(2,476)	(2,770)
Operating profit before exceptional items		609	921
Gain on property disposal	6	2,062	-
Reorganisation costs	6	(809)	-
Goodwill impairment	6	(85)	-
Operating profit		1,777	921
Finance costs	4	(574)	(578)
Finance income	5	584	534
Profit before tax attributable to equity holders of the parent	6	1,787	877
Taxation	7	37	(140)
Profit for the year		1,824	737
Attributable to:			
- Equity holders of the parent		1,824	737
Earnings per share	8		
Basic		15.47p	6.37p
Diluted		14.57p	6.13p

All activities are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2013

	Note	2013 £'000	2012 £'000
Profit for the year		1,824	737
Other comprehensive (expense) / income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges - losses taken to equity		-	(16)
Cash flow hedges transferred to profit for the year - cost of sales		14	7
Tax on cash flow hedges		(3)	2
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on pension scheme	20	(205)	840
Tax on actuarial (loss) / gain	17	60	(216)
Other comprehensive (expense) / income net of tax		(134)	617
Total comprehensive income for the year		1,690	1,354
Attributable to:			
-Equity holders of the parent		1,690	1,354

CONSOLIDATED BALANCE SHEET

At 30 September 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Intangible assets	9	1,236	1,317
Property, plant and equipment	10	2,669	3,043
Retirement benefits	20	960	952
		4,865	5,312
Current assets			
Inventories	11	2,172	2,445
Trade and other receivables	12	5,095	3,818
Current tax receivable		43	-
Cash and cash equivalents		940	7
		8,250	6,270
Total assets		13,115	11,582
Current liabilities			
Bank overdraft	14	-	(880)
Bank loans and other borrowings	14	(103)	(93)
Provisions	16	(243)	-
Current tax payable		-	(93)
Trade and other payables	13	(3,425)	(3,203)
		(3,771)	(4,269)
Non-current liabilities			
Bank loans and other borrowings	14	(1,449)	(1,400)
Provisions	16	(425)	(5)
Deferred tax liabilities	17	(212)	(241)
Other payables	13	(22)	(23)
		(2,108)	(1,669)
Total liabilities		(5,879)	(5,938)
Net assets		7,236	5,644
Equity	18		
Share capital		1,180	1,174
Share premium account		449	433
Un-issued shares reserve		178	163
Revaluation reserve		-	306
Merger reserve		230	230
Retained earnings		5,199	3,338
Equity attributable to shareholders of the parent		7,236	5,644

The financial statements were approved by the Board on 23 January 2014 and signed on its behalf by:

S K BRETT
Director

P G POLLOCK
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2013

2013	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2012	1,174	433	163	306	230	3,338	5,644
Profit for the year	-	-	-	-	-	1,824	1,824
Cash flow hedges	-	-	-	-	-	11	11
Actuarial loss on pension scheme	-	-	-	-	-	(145)	(145)
Total comprehensive income attributable to equity holders of the parent	-	-	-	-	-	1,690	1,690
Dividends	-	-	-	-	-	(142)	(142)
Proceeds from issue of shares	6	16	-	-	-	-	22
Share-based payments	-	-	22	-	-	-	22
Transfer	-	-	(7)	(306)	-	313	-
Transactions with owners	6	16	15	(306)	-	171	(98)
At 30 September 2013	1,180	449	178	-	230	5,199	7,236

2012	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2011	1,145	365	195	307	230	2,050	4,292
Profit for the year	-	-	-	-	-	737	737
Cash flow hedges	-	-	-	-	-	(7)	(7)
Actuarial gain on pension scheme	-	-	-	-	-	624	624
Total comprehensive income attributable to equity holders of the parent	-	-	-	-	-	1,354	1,354
Dividends	-	-	-	-	-	(116)	(116)
Proceeds from issue of shares	29	68	-	-	-	-	97
Share-based payments	-	-	17	-	-	-	17
Transfer	-	-	(49)	(1)	-	50	-
Transactions with owners	29	68	(32)	(1)	-	(66)	(2)
At 30 September 2012	1,174	433	163	306	230	3,338	5,644

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2013

	2013 £'000	2012 £'000
Profit for the year	1,824	737
Finance costs	574	578
Finance income	(584)	(534)
Income tax	(37)	140
Operating profit	1,777	921
Adjustments for:		
Depreciation	289	248
Impairment of property, plant and equipment	146	-
Amortisation of intangible assets	54	25
Impairment of goodwill	85	-
(Gain) / loss on sale of property, plant and equipment	(2,065)	18
Non-cash charge for equity-settled share-based payments	22	17
	308	1,229
Movements in working capital and provisions:		
Change in inventories	273	(288)
Change in trade and other receivables	23	(769)
Change in trade and other payables	216	453
Change in provisions	663	-
Cash generated from operations	1,483	625
Income tax (paid) / received	(71)	18
Retirement benefits (pension contributions)	(100)	(100)
Net cash from operating activities	1,312	543
Purchase of property, plant and equipment	(355)	(1,676)
Proceeds from sale of property, plant and equipment	1,253	25
Capitalised development expenditure	(58)	(19)
Net cash from investing activities	840	(1,670)
Drawdown of bank loans	-	1,400
Repayment of bank loans	(73)	(291)
Repayment of obligations under finance leases	(43)	(116)
Interest paid	(103)	(56)
Proceeds from issue of share capital	22	97
Dividends paid	(142)	(116)
Net cash from financing activities	(339)	918
Net increase / (decrease) in cash and cash equivalents	1,813	(209)
Cash and cash equivalents at start of the year	(873)	(664)
Cash and cash equivalents at end of the year	940	(873)

Reconciliation of cash and cash equivalents	**2013 £'000**	**2012 £'000**
Cash and cash equivalents in current assets	940	7
Bank overdraft in current liabilities	-	(880)
Cash and cash equivalents at end of the year	940	(873)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A. Basis of preparation

The consolidated financial statements 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. The financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value, as disclosed in the accounting policies below. The measurement bases and principal accounting policies of the Group are set out below.

B. Going concern

The Group's business activities and the factors likely to affect its future performance are set out in the Strategic Report (which comprises information about LPA's business, the Chairman's Statement, the Chief Executive's Review and the Financial Review) on pages 4 to 10 and in the Directors' Report on pages 11 to 14. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are included in the Financial Review. In addition the Group's treasury policy, its approach to the management of financial risk, and its exposure to liquidity and credit risks are outlined in note 15.

In assessing going concern the directors note that whilst current economic conditions create uncertainty as the Group has: (i) significantly improved its balance sheet in the current year; (ii) recently renewed its working capital facilities until the end of January 2015; (iii) significant opportunities within its market place; and (iv) proven adaptable in past periods of adversity, the directors believe that it is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

C. Changes in accounting policies

Accounting policies adopted by the Group are unchanged in the current financial year. The amendment to IAS1 Presentation of Items of *Other Comprehensive Income* which affects the grouping of items presented in other comprehensive income, distinguishing between items that could be reclassified to profit or loss at a future point in time from items that will never be reclassified, has been adopted in the current period. This and other amendments and interpretations that became effective for the first time in the current period have had no impact on the results or financial position of the Group.

D. New standards and interpretations not applied

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year to September 2013 and have not been adopted early:

- IFRS9 - Financial Instruments (no mandatory effective date)
- IFRS10 - Consolidated Financial Statements (effective 1 January 2014)
- IFRS11 - Joint Arrangements (effective 1 January 2014)
- IFRS12 - Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS13 - Fair Value Measurement (effective 1 January 2013)
- IAS19 - Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS27 (Revised) - Separate Financial Statements (effective 1 January 2014)
- IAS28 (Revised) - Investments in Associates and Joint Ventures (effective 1 January 2013)
- Amendments to IFRS7 Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- Amendments to IFRS10, IFRS11 and IFR12 - Transition Guidance (effective 1 January 2012)
- Amendments to IAS19 - Defined Benefit Plans: Employee Contributions (effective 1 July 2014)
- Amendments to IAS32 - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- Amendments to IAS36 - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

D. New standards and interpretations not applied (continued)

- Amendments to IAS39 - Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014)
- IFRIC Interpretation 21 - Levies (effective 1 January 2014)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013))

The amendment to IAS19 may impact profit / loss. A change to the calculation of net interest cost will no longer include expected return on assets, instead a single discount rate is applied to the surplus to derive net interest. This is likely to alter the interest going forward. The adoption of the other standards and interpretations above will not have a significant impact on the financial statements.

E. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together the "Group"). Subsidiaries are those entities over which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. The Company obtains and exercises control through voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Intragroup balances and transactions, and any unrealised gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition costs are written off as incurred.

F. Intangible assets

Goodwill

Goodwill representing the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Goodwill on acquisitions prior to 1 January 1998 was deducted from reserves in the year of acquisition. Such goodwill continues as a deduction from reserves and is not recognised in the income statement in the event of disposal.

Research and development

Research expenditure is expensed in the income statement as incurred.

Development expenditure on a project is written off as incurred unless it can be demonstrated that the following conditions for capitalisation, in accordance with IAS38 Intangible Assets, are met:

- the intention is to complete the development of the intangible asset and use or sell it;
- the development costs are separately identifiable and can be measured reliably;
- management are satisfied as to the ultimate technical and commercial viability of the project; so that it will be available for use or sale;
- management are satisfied with the availability of technical, financial and other resources to complete the development and use or sell the intangible asset; and
- it is probable that the asset will generate future economic benefit.

1. Accounting Policies (continued)

F. Intangible assets (continued)

Any subsequent development costs are capitalised and are amortised, within cost of sales, from the date the product or process is available for use, on a straight line basis over its estimated useful life. The useful life for the development costs capitalised at the current year-end is 5 years.

G. Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

On first adoption of IFRS the carrying value of freehold land and buildings that had previously been revalued is shown as deemed cost, and not subsequently revalued. The revaluation surplus that had been previously recognised is retained in the revaluation reserve and transferred to distributable reserves on impairment, depreciation or disposal of the relevant properties.

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all property, plant and equipment, other than freehold land, by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Freehold buildings	2%
Plant, machinery and equipment	7% - 15%
Motor vehicles	20%
Furniture, fittings and office equipment	10% - 15%
Computers	20% - 33%

Residual values are reviewed annually.

A profit or loss on disposal is recognised in the income statement at the surplus or deficit of disposal proceeds over net carrying amount of the asset at the time of disposal.

H. Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised and included in property, plant and equipment at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, and then depreciated over their useful economic lives. Obligations related to finance leases, net of finance charges in respect of future periods, are included within liabilities on the balance sheet. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

All other leases are classified as operating leases and the payments made under them are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are spread over the term of the lease.

I. Impairment of assets

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. The carrying values of property, plant and equipment and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired.

In an impairment test, the recoverable amount of the cash generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use to the Group. An impairment loss is recognised in the income statement to the extent that the carrying value exceeds the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

I. Impairment of assets (continued)

In determining a cash-generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows.

A previously recognised impairment loss, other than goodwill, is reversed only if there has been a change in the previous indicator used to determine the assets recoverable amount since the last impairment loss was recognised. The reinstated carrying amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years.

J. Inventories

Inventories are stated at the lower of cost and net realisable value. The costs of ordinarily interchangeable items are based on a first-in, first-out basis. Cost includes direct materials, direct labour and an appropriate proportion of production overheads based on normal levels of activity.

K. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

L. Financial instruments

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables and borrowings.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of direct issue costs. Subsequently they are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is discharged, cancelled or expires.

Financial assets

The Group's classification of financial assets is determined by management at initial recognition, and is dependent upon the purpose for which the financial assets were acquired. The Group's financial assets have been classified as loans and receivables and comprise trade receivables, and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A financial asset is recognised when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An impairment provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. This assessment is made at each reporting date. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

1. Accounting Policies (continued)

L. Financial instruments (continued)

A financial asset is de-recognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for de-recognition. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset.

Derivative financial instruments and hedging activities

Derivative financial instruments, comprising foreign exchange contracts, are used by the Group in the management of its foreign currency exposures.

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at fair value at the balance sheet date. The gain or loss on re-measurement is taken to the income statement except where the derivative is part of a designated cash flow hedge.

To qualify for hedge accounting the cash flow hedge must be formally designated and documented as such at inception, be expected to be highly effective, have its effectiveness regularly tested, and the forecast transaction to which it relates must be highly probable. The effective portion of changes in the fair value of derivatives that qualify as a cash flow hedge are recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion of a cash flow hedge is recognised in the income statement. Amounts accumulated in equity are reclassified from equity to the income statement in the periods when the hedged item affects the profit or loss. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss.

M. Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising are credited or charged to the income statement within net operating costs in the period in which they arise.

N. Taxation

Current tax represents the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and taking into account any adjustments in respect of prior years.

Deferred tax is calculated using the balance sheet liability method on temporary differences, and provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on the tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

N. Taxation (continued)

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recognised in other comprehensive income or charged or credited directly to equity in which case the related deferred tax is also recognised in other comprehensive income or charged or credited directly to equity respectively.

O. Revenue

Revenue comprises the invoiced value of the design, manufacture and supply of products by the Group excluding value added tax, trade and volume discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer of the goods, generally upon delivery, and reliable measurement is possible. Revenue is not recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods.

P. Employee benefits

Equity-settled share-based payments

Share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 October 2006 are recognised in the financial statements.

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of share options, is recognised as an employee benefit expense in the income statement, with a corresponding credit to the un-issued shares reserve.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value of the share options awarded (at the date of grant) and the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest, and recognises the impact of any revision to original estimates in the income statement.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Defined contribution pension plans

The cost of defined contribution pension plans is charged to the income statement as incurred.

Defined benefit pension scheme

The Group's defined benefit pension scheme is closed to future accrual. The ongoing net liability or asset is calculated by estimating the amount of future benefit that employees earned in return for their service in prior periods; that benefit is discounted to determine its present value and then deducted from the fair value of plan assets. The discount rate is the yield on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by an independent actuary using the projected unit method. A retirement benefit liability is shown within non-current liabilities and the related deferred tax asset within non-current assets on the balance sheet. A retirement benefit asset is only recognised to the extent that the Group can benefit from a reduction in future contributions or refunds and is shown within non-current assets and the related deferred tax liability within non-current liabilities on the balance sheet.

The interest cost resulting from the increase in the present value of the defined benefit obligation over time is included within finance costs, and the expected return on plan assets is recognised in finance income.

Past service cost is recognised immediately to the extent that benefits have already vested, or is otherwise expensed on a straight-line basis over the average period until the benefits vest.

Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

1. Accounting Policies (continued)

P. Employee benefits (continued)

Short-term compensated absences

A liability for short-term compensated absences, such as holiday, is recognised for the amount the Group may be required to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Q. Provisions

Provisions are recognised when a present obligation (legal or constructive) has arisen as a result of a past event, when payment is more likely than not and where the amount can be reliably estimated. Provisions are valued at management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

R. Exceptional items

Exceptional items are material items of income and expense which by virtue of their size or nature are separately disclosed to assist in the better understanding of the Group's performance. The following items are considered to be exceptional in these financial statements:

- the gain on the sale of the Group's Tudor Works property;
- significant anticipated costs associated with the reorganisation of its electro-mechanical activities; and
- impairment of goodwill.

S. Use of judgements, estimates and assumptions

The preparation of the financial statements requires management 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 critical judgements made in arriving at the amounts included in these financial statements and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

Impairment of goodwill

The determination of whether goodwill has been impaired requires an estimate of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires management to make an estimate of the expected future cash flows of the cash-generating units and to choose an appropriate discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill and the key assumptions used in the value in use calculations are disclosed in note 9.

Defined benefit pension scheme

The retirement benefit position shown in the balance sheet is sensitive to changes in the assumptions used in the calculation of the defined benefit obligation in particular assumptions about the discount rate, inflation, mortality and future pension increases. The carrying amount of assets and liabilities relating to the defined benefit pension plan together with the key assumptions used in the calculation of the defined benefit obligation are disclosed in note 20.

Provisions

The Group currently recognises provisions for onerous lease contracts. The determination of whether a liability should be recognised as a provision requires judgements to be made on the existence of a present obligation and the probability of future events. When a provision is required, the amount recognised is determined using judgements and assumptions, based on current knowledge, to estimate the amount and timing of future cash outflows arising from the liabilities. Details of the estimated amount of liabilities requiring provisions are given in note 16.

NOTES TO THE FINANCIAL STATEMENTS

2. Operating Segments

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom and for management purposes comprise a single operating segment, being the design, manufacture and marketing of industrial electrical and electronic accessories. It is on this basis that the Chief Operating Decision Maker assesses Group performance.

Internal management accounts information reported to the Chief Executive is prepared on a modified UK GAAP as opposed to an IFRS basis. In the year to September 2013 the profit before tax on a UK GAAP basis was £1,792,000 (2012: £884,000) as compared to a profit of £1,787,000 (2012: £877,000) on an IFRS basis. The difference between the two bases was £5,000 (2012: £7,000) and principally relates to the capitalising and subsequent amortisation of research and development expenditure and the treatment of short term compensated absences under IFRS.

All revenue originates in the United Kingdom: an analysis by geographical markets is given below:

	2013 £'000	2012 £'000
United Kingdom	9,138	11,850
Rest of Europe	2,970	2,693
Australia	3,488	2,255
Rest of World	2,034	1,554
	17,630	18,352

One individual customer represented more than 10% of Group revenue with £3.40m (2012: £2.10m) included in the Australian geographical market.

3. Employee Information

The average number of people employed by the Group during the year was:

	2013 Number	2012 Number
Production	117	116
Sales and distribution	24	23
Administration	23	24
	164	163

The employee benefit expense for the year amounted to:

	2013 £'000	2012 £'000
Wages and salaries	4,630	4,494
Social security costs	451	539
Pension costs - defined contribution arrangements (note 20)	152	170
Pension costs - death in service insurance premiums (note 20)	30	29
Share-based payments (note 19)	22	17
	5,285	5,249

Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

4. Finance Costs

	2013 £'000	2012 £'000
Bank loans and overdrafts	96	50
Hire purchase contracts	7	6
Interest costs on pension scheme liabilities (note 20)	471	522
Finance costs	574	578

5. Finance Income

	2013 £'000	2012 £'000
Return on pension scheme assets (note 20)	584	534

6. Profit Before Tax

The following items have been charged / (credited) in arriving at profit before tax:

A. Within operating profit before exceptional items	2013 £'000	2012 £'000
Depreciation	289	248
Amortisation of intangible assets	54	25
(Gain) / loss on sale of property, plant and equipment	(3)	18
Operating lease rentals - plant and equipment	118	116
Operating lease rentals - property	178	178
Foreign exchange losses	(18)	7
Research and development expenditure	420	344
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	16
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the Company's subsidiaries pursuant to legislation	30	30
- tax services	20	20

B. Within exceptional items	2013 £'000	2012 £'000
Gain on sale of property, plant and equipment	(2,062)	-
Provision for onerous lease contracts	663	-
Impairment of property, plant and equipment	146	-
	809	-
Impairment of goodwill	85	-

NOTES TO THE FINANCIAL STATEMENTS

7. Taxation

A. Recognised in the income statement	2013 £'000	2012 £'000
Current tax expense		
UK coporation tax	-	91
UK corporation tax - adjustment in respect of previous years	(65)	(24)
Deferrred taxation		
Net origination and reversal of temporary differences	28	73
Total income tax expense	(37)	140

B. Reconciliation of effective tax rate	2013 £'000	2012 £'000
Profit before tax	1,787	877
Tax at the UK corporation tax rate of 23.5% (2012: 25%)	420	219
Effects of:		
- Utilised tax losses	(83)	(40)
- Retirement benefits	(17)	(25)
- Disallowed expenditure	12	26
- Share costs	(1)	(19)
- Property adjustment	(238)	-
- Goodwill	18	-
- Enhanced development expenditure	(133)	(31)
- Other differences	(15)	10
Total income tax expense	(37)	140

C. Deferred tax recognised in other comprehensive income	2013 £'000	2012 £'000
On cash flow hedges	3	(2)
On actuarial gains	(60)	216
	(57)	214

8. Earnings Per Share

The calculation of earnings per share is based upon the profit for the year of £1,824,000 (2012: £737,000) and the weighted average number of ordinary shares in issue during the year of 11.789m (2012: 11.569m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 12.518m (2012: 12.027m).

	Earnings £'000	2013 Weighted average number of shares Million	Earnings per share Pence	Earnings £'000	2012 Weighted average number of shares Million	Earnings per share Pence
Basic earnings per share	1,824	11.789	15.47	737	11.569	6.37
Effect of share options	-	0.729	(0.90)	-	0.458	(0.24)
Diluted earnings per share	1,824	12.518	14.57	737	12.027	6.13

9. Intangible Assets

	Goodwill			Capitalised development costs			Total
	Cost	Accumulated impairment losses	Carrying amount	Cost	Amortisation	Carrying amount	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2011	1,234	-	1,234	133	44	89	1,323
Additions	-	-	-	19	-	19	19
Amortisation for year	-	-	-	-	25	(25)	(25)
At 1 October 2012	1,234	-	1,234	152	69	83	1,317
Additions	-	-	-	58	-	58	58
Amortisation for year	-	-	-	-	54	(54)	(54)
Impairment	-	(85)	(85)	-	-	-	(85)
At 30 September 2013	1,234	(85)	1,149	210	123	87	1,236

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit that is expected to benefit. The Group's goodwill solely relates to its investment in its subsidiary Excil Electronics (2012: Excil Electronics and Haswell Engineers).

The recoverable amount of the cash-generating unit to which the goodwill relates is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the cash-generating units were determined from value in use calculations, and the key assumptions in these calculations were the assessment of initial cash flows, the long-term growth rate of those cash flows, and the discount rate applied.

Initial cash flows reflect the most recent plans approved by management. They are based on past experience and take into account management expectations of future developments in markets and operations. The initial cash flows covered the first two years of the projections: thereafter cash flow projections were extrapolated into perpetuity at a growth rate of 2.0% (2012: 2.0%) which is considered to be consistent with the long term average growth rate for the businesses concerned. The discount rate applied was 12.0% (2012: 12.0%), a pre-tax rate that reflects an assessment of the time value of money and the risks specific to the cash-generating units concerned.

The recoverable amount for Haswell Engineers was assessed in the light of the Group's decision to reorganise its electro-mechanical activities and was found to be below its carrying value giving rise to an impairment charge of £85,000 in the year, following which the carrying amount of the goodwill was Nil. No impairment arose in the year in respect of Excil Electronics.

Management believe that the key assumptions on which the recoverable amount is based are appropriate and that any reasonable change in these assumptions would not lead to a materially different conclusion.

Goodwill on acquisitions prior to January 1998

The aggregate amount of goodwill arising on acquisitions prior to January 1998 which had been deducted from retained earnings and incorporated into the IFRS transitional balance sheet as at 1 October 2006 amounted to £3,092,000.

NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant and Equipment

	Freehold land & buildings £'000	Plant, vehicles & equipment £'000	Total £'000
Cost			
At 1 October 2011	1,014	6,470	7,484
Additions	1,146	530	1,676
Disposals	-	(73)	(73)
At 1 October 2012	2,160	6,927	9,087
Additions	44	486	530
Disposals	(544)	(412)	(956)
At 30 September 2013	1,660	7,001	8,661
Depreciation			
At 1 October 2011	210	5,616	5,826
Charge for the year	14	234	248
Disposals	-	(30)	(30)
At 1 October 2012	224	5,820	6,044
Charge for the year	20	269	289
Impairment	-	146	146
Disposals	(75)	(412)	(487)
At 30 September 2013	169	5,823	5,992
Net carrying amount			
At 30 September 2013	1,491	1,178	2,669
At 30 September 2012	1,936	1,107	3,043

Included within plant, vehicles and equipment is £202,000 (2012: £66,000) in respect of assets acquired under finance leases. Depreciation for the year in respect of these assets was £18,000 (2012: £42,000).

Impairment losses of £146,000 in the year ended 30 September 2013 relate to the write-down of plant and equipment as part of the Group's reorganisation of its electro-mechanical activities.

11. Inventories

	2013 £'000	2012 £'000
Raw materials and consumables	729	826
Work in progress	819	862
Finished goods and goods for resale	624	757
	2,172	2,445

In 2013 the cost of inventories recognised as an expense within cost of sales amounted to £12,186,000 (2012: £13,112,000). This included the write-down of inventories to net realisable value of £103,000 (2012: £104,000), and write-down utilisation of £79,000 (2012: £84,000).

12. Trade and Other Receivables

	2013 £'000	2012 £'000
Trade receivables	4,820	3,586
Other receivables	5	3
Prepayments and accrued income	270	229
	5,095	3,818

The directors estimate that the carrying value of financial assets within trade and other receivables approximate their fair value. Details of the Group's exposure to credit and market risk related to trade and other receivables are disclosed in note 15.

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and Other Payables

	2013 £'000	2012 £'000
Current		
Trade payables	1,826	1,928
Social security and other taxes	833	279
Other payables	12	33
Accruals and deferred income	754	949
Other financial liabilities	-	14
	3,425	3,203
Non-current		
Other payables	22	23

The directors estimate that the carrying value of trade and other payables approximate their fair value.

14. Borrowings

This note provides information about the contractual terms of the Group's borrowings: further information is given in note 15. The new facility arrangements are detailed in the Financial Review.

	2013 £'000	2012 £'000
Current		
Bank overdraft	-	880
Bank loan	70	73
Finance lease obligations	33	20
Bank loans and other borrowings	103	93
Non-current		
Bank loan	1,330	1,400
Finance lease obligations	119	-
Bank loans and other borrowings	1,449	1,400
Total borrowings	1,552	2,373

14. Borrowings (continued)

Bank loans

The £1.40 million bank loan is repayable in 40 quarterly instalments of £35,000 commencing in April 2014. In the year interest was payable at LIBOR plus 2.75%. The following security is provided to the bank: (i) a legal charge over the freehold property owned by the Group; (ii) a debenture from each Group company; and (iii) a composite guarantee by each Group company as guarantor in favour of the Bank.

Bank overdraft

The overdraft is secured by a fixed and floating charge on the Group's assets. In the year interest was payable at 2.5% over base rate.

Finance lease obligations

Finance leases typically have a five year term and bear interest fixed at the time of the commitment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. The minimum lease payments under finance leases, and their present value, fall due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2013	**2012**	**2013**	**2012**
	£'000	**£'000**	**£'000**	**£'000**
Within one year	39	21	33	20
Within two to five years	129	-	119	-
	168	21	152	20
Future finance charges	(16)	(1)		
Present value of finance lease obligations	152	20		

15. Financial Instruments

A. Financial risk management

The Group's treasury policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, liquidity and credit risks. The Group's principal financial instruments comprise bank loans and overdrafts, finance lease obligations, cash and cash equivalents, together with trade and other receivables and trade and other payables that arise directly from its operations. The main risks arising from the Group's financial instruments and the approaches to them are detailed below.

B. Capital management

The Group's policy is to minimise its cost of capital, by optimising the balance between equity and debt, whilst ensuring its ability to continue as a going concern, to provide returns to shareholders and benefits for other stakeholders. In practice decisions to fund transactions through either equity or debt are made on a case by case basis and are based upon circumstances at the time. Gearing (net debt as a % of equity) is the principal measure used by the Group as a monitor of its capital structure. There were no changes in the Group's approach to capital management during the year. The Group's capital structure is as follows:

	2013 £'000	2012 £'000
Equity	7,236	5,644
Net debt	612	2,366
Overall financing	7,848	8,010
Gearing (net debt as a % of total equity)	8.5%	41.9%

C. Currency risk

Currency exposure arises on sale or purchase transactions in currencies other than sterling, the functional currency of the companies within the Group. It is the Group's policy to minimise risk to exchange rate movements affecting sales and purchases by hedging or netting currency exposures at the time of commitment, or when there is a high probability of future commitment arising, using forward exchange contracts. A proportion of forecast exposures are also hedged. The Group does not trade in derivatives or make speculative hedges.

Currency exposures

The table below shows the Group's currency exposure after taking into account the effect of any currency hedges entered into:

	2013			2012		
	Cash and cash equivalents £'000	Other net monetary assets and liabilities £'000	Total net monetary assets and liabilities £'000	Cash and cash equivalents £'000	Other net monetary assets and liabilities £'000	Total net monetary assets and liabilities £'000
Euro	559	61	620	398	13	411
US Dollar	13	(1)	12	8	(2)	6
	572	60	632	406	11	417

15. Financial Instruments (continued)

C. Currency risk (continued)

Derivative financial instruments

The following table shows the value of derivative financial instruments recognised as separate assets and liabilities within trade and other receivables and trade and other payables at 30 September.

	2013		2012	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward exchange contracts - cash flow hedges	-	-	-	14

At 30 September 2013 the Group had no commitments under non-cancellable forward exchange contracts (2012: £612,000) taken out to hedge foreign currency sales and purchases.

Sensitivity

At 30 September 2013 if sterling had weakened / strengthened by 10% against the euro with all other variables held constant the effect would have been to increase / (decrease) pre-tax profit and equity as a result of foreign exchange gains / (losses) on translation by:

	2013		2012	
	Effect on profit before tax £'000	Effect on equity £'000	Effect on profit before tax £'000	Effect on equity £'000
Sterling weakens by 10% against the euro	69	-	46	66
Sterling strengthens by 10% against the euro	(56)	-	(37)	(54)

D. Interest rate risk

The Group is exposed to risk from the effect of changes in floating interest rates on the level of interest it pays on its borrowings and receives on its cash deposits.

The only financial liabilities of the Group which are subject to interest charges are bank loans, overdrafts and finance lease obligations. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)

D. Interest rate risk (continued)

Interest rate risk profile

Interest rates are managed by using fixed and floating rate borrowings. Floating rate liabilities comprise bank loans and overdrafts which in the year were subject to interest rates in the range 1.5% to 2.5% over base rate: the new bank loan facility was subject to an interest rate of 2.75% over LIBOR. Fixed rate liabilities comprise finance leases which bear interest at the negotiated market rate prevailing at the time the commitment is made. In the year the weighted average interest rate of the fixed rate financial liabilities was 5.3% (2012: 8.0%).

Cash surpluses are invested for short periods and are considered as floating rate investments.

The interest rate profile of the Group's financial assets and liabilities at 30 September was:

	2013 £'000	2012 £'000
Floating rate		
Cash and cash equivalents	940	7
Bank overdraft	-	(880)
Bank loan	(1,400)	(1,473)
	(460)	(2,346)
Fixed rate		
Finance lease obligations	(152)	(20)

Sensitivity

If market interest rates on floating rate borrowings and cash deposits had been 1% (100 basis points) higher during the year to 30 September 2013 and 2012, with all other variables held constant the pre-tax profit would have been lower by £23,000 (2012: £15,000).

E. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach is to ensure that, as far as possible, it will have adequate resources to meet its foreseeable financing requirements, with headroom to cope with adverse market conditions. The Group's operations are funded through a combination of retained profits, acquiring an element of its fixed assets under finance leases, medium-term bank loans with short-term flexibility achieved through the use of overdraft facilities.

Un-drawn committed facilities

The Group's un-drawn committed borrowing facilities at 30 September 2013 comprise its bank overdraft expiring in one year or less and its new term loan which can be drawn down in the three years from July 2012. The un-drawn amount on the bank overdraft at 30 September 2013 was £1.50m (2012: £1.12m) and on the term loan £0.60m (2012: £0.54m).

15. Financial Instruments (continued)

E. Liquidity risk (continued)

Maturity profile of the Group's financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

2013	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 4 years £'000	Between 4 and 5 years £'000	Over 5 years £'000	Total £'000
Bank overdraft	-	-	-	-	-	-	-
Bank loan	70	140	140	140	140	770	1,400
Finance lease obligations	39	40	39	40	10	-	168
Borrowings	109	180	179	180	150	770	1,568
Trade and other payables	2,580	-	-	-	-	-	2,580
	2,689	180	179	180	150	770	4,148

2012	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 4 years £'000	Between 4 and 5 years £'000	Over 5 years £'000	Total £'000
Bank overdraft	880	-	-	-	-	-	880
Bank loan	73	140	140	140	140	840	1,473
Finance lease obligations	21	-	-	-	-	-	21
Borrowings	974	140	140	140	140	840	2,374
Trade and other payables	2,877	-	-	-	-	-	2,877
	3,851	140	140	140	140	840	5,251

The bank loan is stated without interest as the interest rate is variable.

F. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade receivables, but also from cash and cash equivalents, and other financial assets.

Trade receivables

The Group's exposure to credit risk is principally influenced by the individual characteristics of each customer as opposed to a more general demographic of the customer base. Credit risk is managed on an ongoing basis by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. Credit risk is minimised through cash flow management and the use of documentary credits where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)

F. Credit risk (continued)

Cash and cash equivalents

The Group monitors counterparties with whom it deposits cash and transacts other financial instruments so as to control exposure to any one institution.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. At the end of 2013 these totalled £4.82m (2012: £3.59m). Deferred consideration of £1.30m, relating to the disposal of Tudor Works and included within trade receivables, is secured by a charge on the property: the Group held no collateral as security against any other trade receivables.

The concentration of credit risk is sensitive to the timing of larger projects. The Group's most significant customer accounted for 11.5% of trade receivables at September 2013 (2012: 15.2%).

Impairment losses

In determining the recoverability of trade receivables the Group considers the ageing of each debtor and any change in the circumstances of the individual customer. The ageing of trade receivables at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	£'000	£'000	£'000	£'000
Not past due	3,847	(5)	2,270	(4)
Past due 1-30 days	903	(3)	966	(1)
Past due 31-90 days	63	(2)	290	-
Past due 91 days to less than a year	33	(16)	78	(13)
	4,846	(26)	3,604	(18)

The movement in the allowance for impairment in respect of trade receivables during the year was:

	2013	2012
	£'000	£'000
Balance at start of the year	18	11
Impairment loss recognised	8	7
Balance at end of the year	26	18

The impairment loss recognised of £8,000 relates to the movement in the Group's assessment of the risk of non-recovery from a range of customers.

15. Financial Instruments (continued)

G. Classification and fair values of financial assets and liabilities

The table below sets out the Group's accounting classification of each class of financial asset and financial liability. The directors consider that the carrying value of financial assets and liabilities approximate their fair values.

For cash and cash equivalents and floating rate borrowings the fair values are the same as the carrying value. For forward currency contracts fair values have been calculated by discounting the cash flows at prevailing appropriate market rates.

2013	Derivatives at fair value £'000	Amortised cost £'000	Total carrying value £'000	Fair value £'000
Financial assets				
Trade and other receivables	-	4,820	4,820	4,820
Cash and cash equivalents	-	940	940	940
	-	5,760	5,760	5,760
Financial liabilities				
Bank overdraft	-	-	-	-
Bank loan	-	(1,400)	(1,400)	(1,400)
Borrowings	-	(1,400)	(1,400)	(1,400)
Trade and other payables	-	(2,580)	(2,580)	(2,580)
Derivative financial instruments	-	-	-	-
	-	(3,980)	(3,980)	(3,980)
Net financial assets	-	1,780	1,780	1,780

2012	Derivatives at fair value £'000	Amortised cost £'000	Total carrying value £'000	Fair value £'000
Financial assets				
Trade and other receivables	-	3,586	3,586	3,586
Cash and cash equivalents	-	7	7	7
	-	3,593	3,593	3,593
Financial liabilities				
Bank overdraft	-	(880)	(880)	(880)
Bank loan	-	(1,473)	(1,473)	(1,473)
Borrowings	-	(2,353)	(2,353)	(2,353)
Trade and other payables	-	(2,877)	(2,877)	(2,877)
Derivative financial instruments	(14)	-	(14)	(14)
	(14)	(5,230)	(5,244)	(5,244)
Net financial liabilities	(14)	(1,637)	(1,651)	(1,651)

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)

H. Fair value hierarchy

The Group's uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All of the Group's derivative financial instruments are valued by Level 2 techniques.

16. Provisions

	2013 £'000	2012 £'000
Current		
At 1 October 2012	-	-
Arising during the year	243	-
At 30 September 2013	243	-
Non-current		
At 1 October 2012	5	5
Arising during the year	420	-
At 30 September 2013	425	5

The provisions are in relation to leasehold premises out of which the Group operates and cover onerous contracts and dilapidations. An onerous contract is one where the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from it. The provisions represent the best estimate of the unavoidable costs remaining under current contractual obligations. The liabilities are expected to crystallise within the next 2 years.

17. Deferred Tax

	Property, plant and equipment £'000	Retirement benefits £'000	Tax losses £'000	Other £'000	Total £'000
At 1 October 2011	(39)	-	79	6	46
Recognised in income statement	(4)	(3)	(79)	13	(73)
Recognised in other comprehensive income	-	(216)	-	2	(214)
At 1 October 2012	(43)	(219)	-	21	(241)
Recognised in income statement	16	(33)	-	(11)	(28)
Recognised in other comprehensive income	-	60	-	(3)	57
At 30 September 2013	(27)	(192)	-	7	(212)

Deferred tax assets of £133,000 (2012: £181,000) have not been recognised in respect of unrelieved tax losses of £665,000 (2012: £787,000) because of uncertainty over the timing of their recoverability. The tax losses have no expiry date.

An analysis of the deferred tax balances for reporting purposes is given below:

	Property, plant and equipment £'000	Retirement benefits £'000	Tax losses £'000	Other £'000	Total £'000
At 30 September 2013					
Deferred tax assets	3	-	-	24	27
Deferred tax liabilities	(30)	(192)	-	(17)	(239)
	(27)	(192)	-	7	(212)
At 30 September 2012					
Deferred tax assets	5	-	-	41	46
Deferred tax liabilities	(48)	(219)	-	(20)	(287)
	(43)	(219)	-	21	(241)

NOTES TO THE FINANCIAL STATEMENTS

18. Equity

Share capital

	2013		2012	
	Number	**£'000**	**Number**	**£'000**
Authorised	15,000,000	1,500	15,000,000	1,500
Issued and fully paid				
In issue at the start of the year	11,735,229	1,174	11,448,229	1,145
Allotted under share plans	60,000	6	287,000	29
In issue at the start and end of the year	11,795,229	1,180	11,735,229	1,174

During the year 60,000 options were exercised at a weighted average option price of 36.3p.

The market price of the Company's shares on 30 September 2013 was 64.5p per share (2012: 89.5p per share) and the price range during the year was 50.0p to 88.4p (2012: 33.5p to 97.5p).

18. Equity (continued)

Proposed dividends

The directors proposed the below dividends after the balance sheet date: they have not been recognised as a liability in the accounts.

	2013 £'000	2012 £'000
Proposed - final 0.75p per share (2012: 0.60p)	88	71

Dividends

The following dividends were declared and paid by the Group during the year:

	2013 £'000	2012 £'000
Final - in respect of preceding year 0.60p per share (2012: 0.50p)	71	58
Interim - in respect of current year 0.60p per share (2012: 0.50p)	71	58
	142	116

Share premium account

This reserve records the premium for shares issued at a value that exceeds their nominal value.

Un-issued shares reserve

This reserve records the recognised costs of share-based employee payment arrangements.

Revaluation reserve

This reserve records the difference between the net carrying amount of freehold land and buildings and the corresponding value calculated on an historic cost basis.

Merger reserve

This reserve records the premium for shares issued, as part consideration on the acquisition of Haswell Engineers, at a value that exceeded their nominal value and which qualified for merger relief.

NOTES TO THE FINANCIAL STATEMENTS

19. Share Based Payments

The Group operated two equity-settled share-based payment arrangements in the year and a summary of each of the schemes is given below. The schemes are open to executive directors and selected senior managers within the Group.

The 1997 Unapproved Share Option scheme: The option price for grants under this scheme was the average market price on the three consecutive dealing days preceding the date of the grant. Options are exercisable between three and ten years following grant and no performance criteria apply. No further options may be granted under this scheme.

The 2007 Employee Share Option scheme: The option price for grants under this scheme is the mid market price on the dealing day preceding the date of the grant. Options will normally be exercisable between three and ten years following grant: no performance criteria apply.

Outstanding options to subscribe for ordinary shares of 10p each at 30 September 2013 are as follows:

Scheme	Date of grant	Price	Dates when exercisable	Number of options 2013	2012
1997 Unapproved Share Option scheme	Feb 2003	13p	20 Feb 2006 to 19 Feb 2013	-	5,000
	Feb 2006	19p	20 Feb 2009 to 19 Feb 2016	5,000	5,000
	Mar 2007	39p	08 Mar 2010 to 07 Mar 2017	150,000	200,000
				155,000	210,000
2007 Employee Share Option Scheme	Jul 2007	36p	31 Jul 2010 to 30 Jul 2017	883,000	883,000
	Feb 2009	32p	26 Feb 2012 to 25 Feb 2019	-	5,000
	Apr 2011	32p	1 Apr 2014 to 31 Mar 2021	200,000	200,000
	Feb 2012	49p	8 Feb 2015 to 7 Feb 2022	455,000	455,000
				1,538,000	1,543,000

19. Share Based Payments (continued)

A reconciliation of the movement in the number of share options is given below:

	2013		2012	
	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)	Number of options
Outstanding at the beginning of the year	39.1	1,753,000	35.4	1,595,000
Granted during the year	-	-	49.0	455,000
Exercised during the year	36.3	(60,000)	33.8	(287,000)
Lapsed during the year	-	-	37.6	(10,000)
Outstanding at the end of the year	39.2	1,693,000	39.1	1,753,000
Exercisable at the end of the year	36.4	1,038,000	36.3	1,098,000

The options outstanding at the end of the year have an exercise price in the range of 19p to 49p and a weighted average contractual life of 5.5 years (2012: 6.4 years).

The Group recognised a share-based remuneration expense in the year of £22,000 (2012: £17,000).

NOTES TO THE FINANCIAL STATEMENTS

20. Employee Benefits

A. Defined contribution schemes

The Group makes contributions to several defined contribution arrangements. The pension cost charged to the income statement for the year in respect of these schemes was £152,000 (2012: £170,000).

B. Defined benefit scheme

The Group also operates a defined benefit pension arrangement which ceased to accrue benefits from 30 September 2009. A full actuarial valuation was carried out as at 1 April 2012 and this has been updated to 30 September 2013 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown on page 56.

Total contributions made by the employer over the year were £100,000 (2012: £100,000) excluding the contribution of £30,000 (2012: £29,000) in respect of death in service insurance premiums.

Present value of defined benefit obligations, fair value of assets and surplus

	2013 £'000	2012 £'000	2011 £'000
Fair value of scheme assets	12,584	12,147	10,902
Present value of defined benefit obligations	(11,624)	(11,195)	(10,231)
Surplus in scheme	960	952	671
Unrecognised surplus	-	-	(671)
Asset to be recognised	960	952	-

Reconciliation of opening and closing balances of the present value of the defined benefit obligations

	2013 £'000	2012 £'000
Defined benefit obligation at start of the year	11,195	10,231
Interest cost	471	522
Actuarial losses	439	898
Benefits paid, death in service insurance premiums and expenses	(481)	(456)
Defined benefit obligation at end of the year	11,624	11,195

20. Employee Benefits (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets

	2013 £'000	2012 £'000
Fair value of scheme assets at start of the year	12,147	10,902
Expected return on scheme assets	584	534
Actuarial gains	234	1,067
Contributions by employer	100	100
Benefits paid, death in service insurance premiums and expenses	(481)	(456)
Fair value of scheme assets at end of the year	12,584	12,147

The actual return on the scheme assets over the year was £818,000 (2012: £1,601,000).

Total income recognised in the income statement

	2013 £'000	2012 £'000
Within finance income: expected return on scheme assets	584	534
Within finance costs: interest cost on scheme liabilities	(471)	(522)
Net credit	113	12

(Losses) / gains recognised in other comprehensive income

	2013 £'000	2012 £'000
Actual return less expected return on scheme assets	234	1,067
Experience losses arising on the defined benefit obligations	(44)	(190)
Effect of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligations	(395)	(708)
Total actuarial (losses) / gains (before restriction due to some of the surplus not being recognisable)	(205)	169
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable	-	671
(Losses) / gains recognised in other comprehensive income	(205)	840

The cumulative amount of actuarial losses recognised in other comprehensive income since adoption of IAS19 is £2,374,000.

NOTES TO THE FINANCIAL STATEMENTS

20. Employee benefits (continued)

Assumptions

	2013 % per annum	2012 % per annum	2011 % per annum
Rate of discount	4.5	4.3	5.2
Inflation (RPI)	3.2	2.4	3.2
Inflation (CPI)	2.5	1.7	2.5
Allowance for revaluation of deferred pensions of CPI or 5.0% pa if less	2.5	1.7	2.5
Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less	2.5	1.7	2.5
Allowance for pension in payment increases of RPI or 5.0% pa if less	3.2	2.4	3.2
Allowance for pension in payment increases of RPI or 3.0% pa if less	n/a	2.4	3.0
Allowance for pension in payment increases of CPI or 2.5% pa if less	2.5	n/a	n/a
Allowance for commutation of pension for cash at retirement	80% of post A Day	80% of post A Day	80% of post A Day

The mortality assumptions adopted at 30 September 2013 imply the following life expectancies:

Male retiring at age 65 in 2013:	22.3 years
Female retiring at age 65 in 2013:	22.4 years
Male retiring at age 65 in 2033:	24.1 years
Female retiring at age 65 in 2033:	26.3 years

Expected long term rates of return

The long-term expected rate of return on cash is determined by reference to short term gilt yields. The long-term expected rates of return on bonds and index-linked gilts are determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance. The expected long-term rates of return applicable at the start of each period are as follows:

	01/10/13 % per annum	01/10/12 % per annum	01/10/11 % per annum
Equities and diversified growth funds	6.40	5.60	6.30
Corporate bonds and gilts	4.50	4.30	5.20
Index linked gilts	-	-	3.30
Cash	3.40	2.60	3.30
Overall for the scheme	5.40	4.88	5.00

20. Employee benefits (continued)

Assets

	2013 £'000	2012 £'000	2011 £'000
Equities and diversified growth funds	6,023	5,480	4,693
Corporate bonds and gilts	6,522	6,648	3,561
Index linked gilts	-	-	2,573
Cash and net current assets	39	19	75
Total assets	12,584	12,147	10,902

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Amounts for the current and previous four periods

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of assets	12,584	12,147	10,902	10,979	10,577
Present value of defined benefit obligations	(11,624)	(11,195)	(10,231)	(11,255)	(10,712)
Surplus / (deficit) in the scheme	960	952	671	(276)	(135)
Unrecoverable surplus	-	-	(671)	-	-
Asset / (liability) to be recognised	960	952	-	(276)	(135)
Experience adjustment on scheme assets	234	1,067	(323)	432	410
Experience adjustment on defined benefit obligation	(44)	(190)	(5)	218	(765)
Effect of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligation	(395)	(708)	1,132	(798)	(347)
Effect of the limit on amount of surplus recognised due to part of surplus being unrecoverable	-	671	(671)	-	-
Total amount recognised in consolidated statement of comprehensive income	(205)	840	133	(148)	(702)

NOTES TO THE FINANCIAL STATEMENTS

20. Employee Benefits (continued)

The best estimate of contributions to be paid to the Scheme for the period beginning 1 October 2013 is £100,000.

An unchanged deficit funding plan was agreed on the basis of the actuarial valuation as at 1 April 2012 which required the payment of employer contributions of £100,000 per annum in the seven year period commencing at 1 April 2012.

21. Financial Commitments

Operating lease commitments

The Group has entered into commercial leases on certain property, motor vehicles and items of plant and equipment. The property leases, which expire in 2015, are subject to periodic rent reviews.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Property		Plant and equipment	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within one year	178	178	93	86
Within two to five years	153	341	74	78
	331	519	167	164

22. Related Party Transactions

Remuneration of key management personnel

The remuneration of the directors, who are considered to be the key management personnel of the Group, is set out below in aggregate for each of the categories required by IAS24 Related Party Disclosures together with dividends received by them. Detailed information about the remuneration of individual directors is disclosed in the Remuneration Report.

	2013 £'000	2012 £'000
Short-term employee benefits	455	498
Post employment benefits	18	57
Share-based payments	14	11
	487	566
Dividends	22	19

Other related party transactions

The transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. There are no other related party transactions (2012: none).

COMPANY BALANCE SHEET

At 30 September 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	C3	1,198	1,616
Investments	C4	5,411	6,091
		6,609	7,707
Current assets			
Debtors	C5	2,190	854
Cash at bank and in hand		3	3
		2,193	857
Creditors: Amounts falling due within one year	C6	(2,690)	(2,889)
Net current liabilities		(497)	(2,032)
Total assets less current liabilities		6,112	5,675
Creditors: Amounts falling due after more than one year	C7	(2,030)	(2,100)
Provisions for liabilities	C9	(8)	-
Net assets		4,074	3,575
Capital and reserves	C10		
Called up share capital		1,180	1,174
Share premium account		449	433
Un-issued shares reserve		178	163
Revaluation reserve		-	306
Merger reserve		784	784
Profit and loss reserve		1,483	715
Total equity shareholders' funds		4,074	3,575

The financial statements were approved by the Board on 23 January 2014 and signed on its behalf by:

S K BRETT
Director

P G POLLOCK
Director

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C1. Accounting Policies

A. Basis of preparation

The following are the principal accounting policies of the Company which have been applied consistently throughout the year and the preceding year.

The Company financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold property, and in accordance with applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice).

The profit dealt with in the accounts of the Company is £597,000 (2012: loss of £747,000). The Company has not presented a separate profit and loss account as permitted by Section 408 of the Companies Act 2006.

B. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all tangible fixed assets, other than freehold land, by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Freehold buildings	2%
Plant and machinery	10%

The part of the annual depreciation charge of revalued assets which relates to the surplus over cost is transferred from the revaluation reserve to the profit and loss reserve.

C. Investments

Investments in subsidiaries are shown at cost less any provision for impairment.

D. Current tax

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

The Company and its subsidiary undertakings are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of this Group that such losses will be paid for by the recipient company. Where there is reasonable certainty that taxable losses can be relieved the group relief receivable or payable is included in the taxation charge or credit for the period.

C1. Accounting Policies (continued)

E. Deferred taxation

Deferred tax is recognised in respect of all timing differences (which arise because of differences between the treatment of certain items for accounting and taxation purposes) that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

F. Defined contribution pension schemes

The pension costs charged against operating profits are the contributions payable in respect of the accounting period.

G. Equity-settled share-based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of share options, is recognised as an employee benefit expense in the profit and loss account, with a corresponding credit to the un-issued shares reserve.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value of the share options awarded (at the date of grant) and the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest, and recognises the impact of any revision to original estimates in the profit and loss account.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C2. Employee Information

With the exception of the directors the number of people employed by the Company was Nil (2012: Nil). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

C3. Tangible Fixed Assets

Freehold land and buildings	**Freehold land and buildings £'000**	**Plant and machinery £'000**	**Total £'000**
Cost or valuation			
At 1 October 2012	1,690	-	1,690
Additions	44	21	65
Disposals	(544)	-	(544)
At 30 September 2013	1,190	21	1,211
Depreciation			
At 1 October 2012	74	-	74
Charged in year	13	1	14
Disposals	(75)	-	(75)
At 30 September 2013	12	1	13
Net book value			
At 30 September 2013	1,178	20	1,198
At 1 October 2012	1,616	-	1,616

All of the £1,211,000 cost or valuation as at 30 September 2013 is represented by cost (2012: cost £1,146,000 and valuation £544,000).

C4. Investments

Investments in subsidiary undertakings

	Cost	Provision for impairment	Carrying amount
	£'000	£'000	£'000
At 1 October 2012	6,459	(368)	6,091
Impairment of investment in Haswell Engineers Limited	-	(680)	(680)
At 30 September 2013	6,459	(1,048)	5,411

Details of the investments, which are all registered in England and Wales, in which the Group holds directly and indirectly 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights & shares held	Nature of business
Subsidiary undertakings			
Channel Electric Equipment Holdings Ltd	Ordinary shares	100%	Holding company
Channel Electric Equipment Ltd	Ordinary shares	100%	Electrical components
LPA Industries Ltd	Ordinary shares	100%	Electrical components
Haswell Engineers Ltd	Ordinary shares	100%	Metal fabrication
Excil Electronics Ltd	Ordinary shares	100%	Electrical components

The Group also holds 100% of the ordinary share capital of the following dormant companies: Niphan Limited, Light and Power Accessories Company Limited, W M Engineering (Ramsden) Limited and Lazell Bros. Engineers Limited. All of the above investments are held directly by LPA Group plc with the exception of Channel Electric Equipment Limited (which is held by Channel Electric Equipment Holdings Limited) and Lazell Bros. Engineers Limited (which is held by Light and Power Accessories Company Limited).

LPA Group plc is the sole member of LPA Industries Pension Trustees Limited, a company limited by guarantee, which acts as trustee to two pension schemes operated within the Group.

C5. Debtors

	2013	2012
	£'000	£'000
Trade debtors	1,300	-
Amounts due from subsidiary undertakings	852	819
Other debtors	-	13
Prepayments and accrued income	38	22
	2,190	854

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C6. Creditors: Amounts Falling Due Within One Year

	2013 £'000	2012 £'000
Bank overdraft	1,400	2,514
Bank loans	70	73
Debt	1,470	2,587
Trade creditors	46	19
Amounts owed to subsidiary undertakings	544	37
Other tax and social security	486	-
Other creditors	3	3
Accruals	141	243
	2,690	2,889

C7. Creditors: Amounts Falling Due After More Than One Year

	2013 £'000	2012 £'000
Debt - bank loans	1,330	1,400
Amounts owed to subsidiary undertakings	700	700
	2,030	2,100

C8. Borrowings

	2013 £'000	2012 £'000
Due within one year		
Bank overdraft	1,400	2,514
Bank loan	70	73
	1,470	2,587
Non-current		
Bank loan	1,330	1,400
Total borrowings	2,800	3,987
Repayable		
Within one year	1,470	2,587
Between one and two years	140	140
Between two and five years	420	420
Over five years	770	840
	2,800	3,987

Bank loan and overdraft

The £1.40 million bank loan is repayable in 40 quarterly instalments of £35,000 commencing in April 2014. In the year interest was payable at LIBOR plus 2.75%.

The overdraft is secured by a fixed and floating charge on the Company's assets. In the year interest was payable at 2.5% over base rate.

Further information about the contractual terms of the Company's borrowings is given in note 14 to the Group Financial Statements.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C9. Provisions for Liabilities

Deferred taxation

	£'000
At 1 October 2012	-
Charged to the profit and loss account in the year	8
At 30 September 2013	8

Deferred taxation provided in the accounts is as follows:

	Provided 2013 £'000	Provided 2012 £'000
Accelerated capital allowances	8	4
Other timing differences	-	(12)
Unutilised losses	-	8
At 30 September 2013	8	-

Unrecognised deferred tax assets

At the end of the year there were no unrecognised deferred tax assets (2012: £179,000) in respect of unrelieved management expenses (2012: £746,000).

C10. Share Capital and Reserves

	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 October 2011	1,145	365	195	307	784	1,528	4,324
Loss for the year	-	-	-	-	-	(747)	(747)
Dividends	-	-	-	-	-	(116)	(116)
Issue of shares	29	68	-	-	-	-	97
Share based payments	-	-	17	-	-	-	17
Transfer	-	-	(49)	(1)	-	50	-
At 30 September 2012	1,174	433	163	306	784	715	3,575
Profit for the year	-	-	-	-	-	597	597
Dividends	-	-	-	-	-	(142)	(142)
Issue of shares	6	16	-	-	-	-	22
Share based payments	-	-	22	-	-	-	22
Transfer	-	-	(7)	(306)	-	313	-
At 30 September 2013	1,180	449	178	-	784	1,483	4,074

C10. Share Capital and Reserves (continued)

Share capital

	2013		2012	
	Number	£'000	Number	£'000
Authorised	15,000,000	1,500	15,000,000	1,500
Issued and fully paid				
In issue at the start of the year	11,735,229	1,174	11,448,229	1,145
Allotted under share plans	60,000	6	287,000	29
In issue at the end of the year	11,795,229	1,180	11,735,229	1,174

During the year 60,000 options were exercised at a weighted average option price of 36.3p.

Dividends

Details of dividends paid and proposed in the year are given in note 18 to the Group Financial Statements.

C11. Share Based Payments

Details of the Company's share option schemes, a reconciliation of movements therein and options granted in the year are given in note 19 to the Group Financial Statements.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The Company recognised a share-based remuneration expense in the year of £22,000 (2012: £17,000).

C12. Financial Commitments

Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2013 £'000	2012 £'000
Operating leases which expire:		
Within one year	4	-
Within two to five years	-	9
	4	9

C13. Related Party Transactions

The Company has taken advantage of the exemption permitted in FRS8 Related Party Disclosures to not disclose transactions with 100% owned subsidiaries. Related party transactions with directors of the Company are set out in note 22 to the Group Financial Statements.

FIVE YEAR SUMMARY

Unaudited information

Summary income statement	**2009 £'000**	**2010 £'000**	**2011 £'000**	**2012 £'000**	**2013 £'000**
Revenue	13,715	14,716	17,322	18,352	17,630
Operating profit / (loss) before amortisation	206	(366)	472	946	663
Amortisation of intangibles	(1)	(5)	(38)	(25)	(54)
Operating profit before exceptional items	205	(371)	434	921	609
Exceptional items	-	-	-	-	1,168
Net finance income / (costs)	(18)	(87)	(34)	(44)	10
Profit / (loss) before taxation	187	(458)	400	877	1,787
Taxation	(45)	75	(65)	(140)	37
Profit / (loss) for the year	142	(383)	335	737	1,824

Summary balance sheet	**2009 £'000**	**2010 £'000**	**2011 £'000**	**2012 £'000**	**2013 £'000**
Property, plant and equipment	2,031	1,791	1,658	3,043	2,669
Net trading assets	2,621	2,844	2,434	2,944	3,863
Net operating assets	4,652	4,635	4,092	5,987	6,532
Net debt	(1,399)	(1,884)	(1,164)	(2,366)	(612)
Provisions	(5)	(5)	(5)	(5)	(668)
Deferred taxation	24	87	46	(22)	(20)
Net assets before pension and intangibles	3,272	2,833	2,969	3,594	5,232
Intangible assets - goodwill / dev costs	1,293	1,330	1,323	1,317	1,236
Pension asset /(liability) - net of deferred tax	(97)	(199)	-	733	768
Net assets	4,468	3,964	4,292	5,644	7,236

Ratios	**2009**	**2010**	**2011**	**2012**	**2013**
Operating profit, before amortisation, to sales	1.5%	(2.5%)	2.7%	5.2%	3.8%
Net assets per ordinary share	39.0p	34.6p	37.5p	48.1p	61.3p
Dividends per ordinary share	0.90p	0.40p	0.90p	1.10p	1.35p
Basic earnings per share	1.24p	(3.35p)	2.93p	6.37p	15.47p
Gearing (net debt as a % of total equity)	31.3%	47.5%	27.1%	41.9%	8.5%

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifty Second Annual General Meeting of LPA Group plc ("the Company") will be held at the offices of College Group, 65 Gresham Street, London, EC2V 7NQ on Thursday 6 March 2014 at 12.00 noon for the following purposes:

Routine business

1. To receive the accounts for the year ended 30 September 2013, together with the reports of the directors and the auditors thereon.
2. To declare a final dividend of 0.75p per ordinary share of 10p each ("Ordinary Share") for the year ended 30 September 2013, payable on 21 March 2014 to shareholders on the register at the close of business on 28 February 2014.
3. To re-elect as a director Michael Rusch, who retires by rotation, in accordance with the Company's Articles of Association.
4. To re-appoint the auditors and to authorise the directors to fix the auditors' remuneration.

Other business

Share capital

To consider and if thought fit pass resolution 5 as an ordinary resolution:

5. That the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £320,000 provided that this authority shall expire on the date of the next annual general meeting save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or arrangement as if the authority conferred hereby had not expired.

To consider and if thought fit pass resolution 6 as a special resolution:

6. That subject to the passing of resolution 5 above, the directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the said Act) for cash pursuant to the authority conferred by resolution 6 above as if section 561(1) of the said Act did not apply to any such allotment provided that this power shall be limited:
   a. to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them; and
   b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £117,900 (representing 10% of the present issued share capital),

and shall expire on the date of the next annual general meeting save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or arrangement as if the power conferred hereby had not expired.

NOTICE OF MEETING (CONTINUED)

Share capital (continued)

To consider and if thought fit pass resolution 7 as a special resolution:

7. That, subject to and in accordance with the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Companies Act 2006) of any of its Ordinary Shares provided that:
   a. The maximum number of Ordinary Shares hereby authorised to be purchased is 1,179,000 representing 10% of the issued share capital;
   b. The minimum price (excluding expenses) which may be paid for an Ordinary Share is 10p;
   c. The maximum price (excluding expenses) which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the AIM appendix to London Stock Exchange Daily Official List at the end of each of the five business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased;
   d. The authority hereby conferred shall, unless renewed prior to such time, expire on the date of the next annual general meeting.

By order of the Board	Registered office:
Stephen Brett	Tudor Works,
Secretary	Debden Road
23 January 2014	Saffron Walden, CB11 4AN

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him/her. A proxy need not be a member of the Company. Any instrument appointing a proxy must be received at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, not less than forty-eight hours before the time fixed for the meeting. A Form of Proxy is attached.
2. The register of the interests of the directors and their families in the share capital of the Company, together with the service contracts of directors, will be available for inspection at the venue of the annual general meeting from 11.45 am until the meeting is concluded. The same documents are available for inspection at the Company's registered office during normal business hours from the date of despatch of this document until the date of the annual general meeting.
3. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representatives in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the Company as at 6:00pm on 4 March 2014 or, if the meeting is adjourned, in the register of members at 6:00pm on the second day prior to the day of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6:00pm on 4 March 2014 or, if the meeting is adjourned, in the register of members after 6:00pm on the second day prior to the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any such adjournment.

LPA GROUP PLC - FORM OF PROXY

For use at the annual general meeting to be held at 12.00 noon on Thursday 6 March 2014 at the offices of College Group, 65 Gresham Street, London, EC2V 7NQ.

I/We...

of...

being a member/members of LPA Group plc hereby appoint (note 1) ....

or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the above mentioned meeting and at any adjournment thereof. I/We wish this proxy to be used as shown below:

Signed ....Dated 2014

Please indicate with an "X" in the spaces below how you wish your votes to be cast. This proxy will be used only in the event of a poll being directed or demanded. If the form is returned without any indication as to how the proxy shall vote on any particular matter, the proxy will vote or abstain as he thinks fit. The "Vote withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you select "Discretionary", your proxy can vote as he or she chooses or can decide not to vote. Your proxy can also do this on any other resolution that is put to the meeting.

Resolution		**For**	**Against**	**Vote witheld**	**Discreti-onary**
1.	To receive the accounts for the year ended 30 September 2013.				
2.	To declare a final dividend of 0.75p per Ordinary Share for the year ended 30 September 2013.				
3.	To re-appoint Michael Rusch as a director of the Company.				
4.	To re-appoint the auditors and to authorise the directors to fix the auditor's remuneration.				
5.	To authorise the directors to allot shares (as defined in section 551 of the Companies Act 2006) in the Company.				
6.	To authorise the directors (pursuant to section 570 of the Companies Act 2006) to allot shares in the Company for cash.				
7.	To authorise the Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.				

Notes:

1. If you wish to appoint as your proxy any person(s) other than the Chairman of the meeting, please insert the full name(s) of the proxy or proxies (in block capitals) in the space above. A proxy need not be a member of the Company and may attend the meeting in person and vote on a show of hands and on a poll.
2. To be effective a form of proxy must be in writing and signed by the member or his duly authorised attorney or, if the member is a corporation under its common seal or signed by a duly authorised officer or attorney. A corporation may appoint a representative to attend and vote at the meeting.
3. To be valid this proxy, together with any power of attorney under which it is signed, must be received at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time fixed for the meeting.
4. In the case of joint holdings the vote of the first-named holder in the register will be accepted to the exclusion of the other joint holders.
5. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
6. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.
7. If two or more valid forms of proxy are delivered in respect of the same share, the one which was delivered last (regardless of its date or the date of its execution) will be valid.
8. Appointment of a proxy will not preclude a member from attending and voting in person should he subsequently decide to do so.
9. Any alterations made in this form of proxy should be initialled.

THIRD FOLD AND TUCK IN OPPOSITE

Business Reply
Licence Number
RLUB-TBUX-EGUC

1

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· Connectors
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Email: enquiries@lpa-excil.com
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