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does not cost the earth

# LPA Group Plc

Annual Report & Accounts 2014

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# Light & Power House opened summer 2014



LPA Group – market leading LED lighting, electro-mechanical systems and engineered component distribution





brand new facility showcasing  
LPA's state of the art lighting





centre of excellence for  
electro-mechanical design  
and manufacture





**FINANCIAL HIGHLIGHTS**

For the year ended 30 September 2014

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
<b>REVENUE</b>	16,835	17,630
<b>OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>	636	609
<b>EXCEPTIONAL GAIN ON PROPERTY DISPOSAL</b>	-	2,062
<b>EXCEPTIONAL REORGANISATION COSTS</b>	(319)	(809)
<b>PROFIT BEFORE TAX</b>	295	1,717*
<b>BASIC EARNINGS PER SHARE</b>	2.50p	15.05p*
<b>DIVIDENDS PER SHARE</b>	1.55p	1.35p
<b>GEARING</b>	21.1%	8.5%

\* restated - reported profit before tax and basic earnings per share were reduced as a consequence of adopting IAS19 which required the restatement of the pension scheme return included in the income statement. Further information is provided in the change in accounting policy note on page 25.

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## COMPANY INFORMATION

**Directors**

**Michael Rusch** (Non-Executive Chairman), 69, 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), 68, 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), 58, 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** (Senior Non-Executive Director), 71, 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 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 European offshore wind farm installation contractor), Chairman of Euroferries Limited (a cross channel project company), 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 Daniament Group (a Danish/UK manufacturer of marine survivor lights) and President of Maersk Contractors (a global offshore drilling and contracting company).

**Leonard K Porter** (Non-Executive Director), 62, has specific skills in technical innovation, knowledge based decision making, asset management and sustainable development, and over a successful career has worked in the rail, oil & gas and marine sectors. He joined the Board in August 2014. He is currently non-executive chairman of eAsset Management Ltd (a consultancy specialising in asset management, change management, training and technology) and non-executive director of Jetwing Symphony Ltd (a Sri Lankan hotel group). Previously he was chief executive of the Rail Safety and Standards Board (from 2003 until March 2014): during this period he was a member of the cross-industry Technical Strategy Steering Group and chaired several committees including that responsible for the comprehensive Sustainable Rail Programme. Before this he was at Lloyd's Register where, as Director of the Global Transportation Business, he was responsible for developing services in the rail sector.

Secretary	Stephen K Brett	
Registered office	Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ	
Registered number	686429	
Nominated adviser	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX	Broker Hume Capital Securities plc No.1 Carey Lane London EC2V 8AE
Auditors	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY	Bankers Lloyds Banking Group plc Ground Floor 1 Legg Street Chelmsford CM1 1JS
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	Solicitors Eversheds LLP 115 Colmore Row Birmingham B3 3AL

## LPA'S BUSINESS AND STRATEGY

The Group is a quoted Small and Medium-sized Enterprise (SME) listed in the Electronic and Electrical section of the Alternative Investment Market (AIM) of the London Stock Exchange.

The Group is a market leading designer, manufacturer and supplier of LED based lighting and electro-mechanical systems and a distributor of engineered components focussed on the transportation (including rail, infrastructure and aviation) and aerospace & defence markets. These are substantial growth markets in the UK and globally. All Group activities serve the same markets (to a greater or lesser extent), have a mutual dependence on rail (which accounts for more than 50% of Group turnover), share resource and frequently work on the same projects.

The UK OEM market, which the Group endeavours to serve, has suffered substantial change including, privatisation, administration, closure, acquisition, consolidation and rationalisation. The manufacturing sector has shrunk substantially as a consequence. Parts are foreign owned, parts are strong and parts are weak. In response to historically fragile market conditions in the UK, the Group has successfully committed to becoming a supplier to the multi-national companies supplying and serving the UK and to exporting to selected markets, largely in Europe, Asia and Australia. On average over the last five years around a third (24% in 2014) of Group turnover has been exported to around fifty countries.

The Group supplies a wide range of leading OEMs including: Agusta Westland, Airbus, Alstom Transportation, BAA, BAE Systems, Bombardier Transportation, Downer EDI, Eurostar, First Group, Hitachi, ITW, Kinki Sharyo, Knorr Bremse, London Underground, Siemens, SNCF, Stagecoach, Unipart Rail and Wabtec.

Substantial government investment is planned worldwide in rail and aviation and significant opportunities also exist in aerospace & defence. These markets look set to expand over the next five to ten years and the Group is well placed to take advantage of these opportunities.

Group revenues are derived from both large value contracts and smaller value routine orders. Routes to market are a combination of direct and indirect for most products. Agents and distributors may be used, particularly in overseas markets, although larger projects continue to require direct contact.

The Group has a reputation for innovation, providing cost effective solutions to customers' problems, in both benign and hostile environments, which aim to improve reliability and reduce maintenance and life cycle costs.

The Group continues to invest heavily in its technology, products and the rationalisation of its facilities in the UK, where it has been overly complex for its size, having four locations and a wide range of products and services serving a multiplicity of industries. It:

- is consolidating and developing its electro-mechanical design and manufacturing capabilities, which go to market as LPA Connection Systems, LPA Haswell Engineers and LPA Transport+, at its new facility Light & Power House in Saffron Walden, which also houses Group headquarters;
- will be investing to update and expand its LED lighting and electronics design and manufacturing capabilities, marketed as LPA Excil Electronics, at its facility in Normanton; and
- will continue to develop its engineered component distribution activity, with its focus upon high level customer service, marketed as LPA Channel Electric, at its facility in Thatcham.

The Group's intention is to strengthen its position in the UK rail market supply chain where it is well regarded and can build upon its reputation. The UK supply chain is very variable in quality and is likely to consolidate in the near term. The Group may become a focus for consolidation or an object of consolidation.

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 on page 10.



## CHAIRMAN'S STATEMENT

**Overview**

The Group achieved some remarkable milestones in the year ended 30 September 2014. The refurbishment of the renamed Light & Power House, acquired in 2012, was completed and our Saffron Walden activities were relocated to the new facility from Tudor Works after some forty years in residence. Both events were achieved remarkably smoothly. The balance of the proceeds of the sale of Tudor Works was received, which helped to fund the refurbishment. In September 2014 we initiated an employee consultation in connection with the possible closure of our Clacton facility, which has subsequently been confirmed: we will commence the transfer of activities from Clacton to Light & Power House this month with closure expected in May.

As I have previously advised, the year to 30 September 2014 started slowly and we spent the rest of it playing catch up. Several false dawns in the recovery of short term order entry, caused by the hiatus in the rail franchising process, gave us an expectation of stronger trading but these failed to materialise and as a result sales fell £0.79m to £16.84m (2013: £17.63m) although operating profit before exceptional items increased slightly to £636,000 (2013: £609,000). The year included £319,000 of exceptional reorganisation costs in contrast to the £1.17m net exceptional gain in 2013 (which included the profit on disposal of Tudor Works) and as a consequence profit before tax fell from £1.72m last year to £295,000 this. Basic earnings per share was 2.50p compared with the property-inflated 15.05p last time. Gearing amounted to 21.1% compared with 8.5% last year. Order entry grew 35% during the year to £18.55m (2013: £13.72m) as did the order book by 26% to £8.18m (2013: £6.47m).

**Dividends**

The interim dividend was increased by 0.10p to 0.70p (2013: 0.60p). Given our confidence in the medium and longer term future and subject to shareholder approval at the forthcoming annual general meeting - to be held this year at the Group's new offices at Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ at noon on 26 March 2015 - your Board proposes to increase the final dividend by 0.10p to 0.85p (2013: 0.75p) which will be paid on 2 April 2015 to shareholders registered at the close of business on 13 March 2015.

**Board, management and employees**

I am delighted that Len Porter, previously Chief Executive of the Rail Safety and Standards Board, has joined the Board as a Non-Executive Director: a resolution confirming his appointment will

be put to the annual general meeting. The Group Executive - which comprises the Group Chief Executive, the Group Finance Director and the Managing Directors of the four principal operations - has remained unchanged throughout the year.

Our people remain the backbone of our organisation. We are delighted that one hundred percent of our Saffron Walden employees relocated to our new facility but it is with regret that we recognise that it will not be possible for most of our Clacton based employees to transfer to Saffron Walden. Staff turnover across the Group is remarkably low and we are pleased that retirements are now being more closely matched by the appointment of apprentices and trainees.

**Outlook**

The current financial year has again started very quietly. The Group has been caught in a trough between the completion of several major projects and the commencement of several new ones. As a result, output in the first quarter, particularly December, has been very low, although the factory load picks up from February and we expect to recover during the second quarter and to progress strongly in the second half of the financial year.

First quarter order entry exceeded £7.0m, including the first £2.3m out of the £3.3m of Middle East and Australian rail projects announced in October, together with a £1.3m order for the supply of LED lighting on a major upgrade of existing UK rolling stock (a possible harbinger of the end of the hiatus in UK orders caused by delayed re-franchising). These figures do not include more than £12m of contracts for which the Group has been selected but which remain to be booked.

The Group's prospects have never been stronger, with UK rail up to 2020 (and beyond with HS2) and export markets both very exciting. We have invested to rationalise and improve our electro-mechanical activities, we plan to start investment this year to modernise and expand our LED lighting manufacturing facility and our engineered product distribution activity is poised for growth. As the UK rolling stock refurbishment programme begins to gather pace, the prospects for our after-market support activity (LPA Transport+) are improving strongly. We look forward to our medium and longer term future with increasing confidence.

**Michael Rusch**

Chairman  
22 January 2015



## CHIEF EXECUTIVE'S REVIEW

### Trading results

The year to 30 September 2014 was like its predecessor, satisfying, frustrating and challenging.

We were delighted to complete the refurbishment and transfer to our new Saffron Walden facility, Light & Power House, so smoothly and on time. We were thus able to vacate Tudor Works and receive the balance of the consideration before the year end: we retain an interest in the future success of the housing development. We were also delighted to successfully complete export projects in Australia and Taiwan. We were delighted to be selected for a number of rail projects at home and for export, notably in the Middle East and Australia. We were also selected for aircraft ground power supply equipment at Heathrow, Gatwick (for the first time), New Zealand and Mauritius. Since the year end we have been awarded a major LED lighting upgrade project for a rail vehicle fleet in the UK.

We have continued to be affected by the hiatus in short term UK rail orders caused by the delay in the rail re-franchising process, though recent enquiries, particularly for retrofitted ethernet backbones and the LED lighting upgrade mentioned above, are indicators that this may finally be easing. The delays did though affect short term order entry which held back progress during the year. Rail lighting was particularly affected by the completion of major contracts and the start of new contracts.

Reflecting the impact of the hiatus, sales during the year fell 4.5% to £16.84m (2013: £17.63m), but operating profit before exceptional items increased by 4.4% to £636,000 (2013: £609,000). Order entry and order book increased by 35% (from £13.72m to £18.55m) and 26% (from £6.47m to £8.18m) respectively.

### Markets

Although we have yet to win any significant orders, Crossrail remains an exciting opportunity, which we are continuing to pursue assiduously. We are working towards agreeing the framework agreement for the Intercity Express Programme for which we have been selected and which we have already supplied lighting and inter car equipment for the first three train sets. Completing the Framework Agreement will allow us to receive the substantial orders covering production of the rest of the programme amounting to several million pounds.

The UK rail transport market is the subject of major investment including the Crossrail project, Network Rail's Control Period 5, a large volume of orders for new rolling stock, refurbishment of rolling stock planned and longer term High Speed 2. There are similarly high levels of investment in our selected export and re-export rail markets. There remains a high level of interest in our products in Taiwan and Australia, and also in Japan for re-export. We are also focussing on the Gulf States, where we have identified a strong interest in our products, which have applications both for rail vehicles and infrastructure.

Our commitment to high quality and reliability continues to distinguish us from the cheaper competition. Whilst some customers still buy on the basis of lowest initial cost, increasingly whole life cost is being recognised as the most effective method to evaluate tenders and this plays to our strengths.

The worldwide air transportation market continues to grow with substantial investment in new airports and aircraft: we supply both. The advent of new larger passenger aircraft is benefitting our ground power support products.

### Design and development

Our design and development effort last year concentrated on the application engineering of existing electro-mechanical and LED lighting products to satisfy large project requirements. We also completed the development of a number of high quality standard lighting products which have been brought to market and figure widely at our new facility at Light & Power House.



**CHIEF EXECUTIVE'S REVIEW****Structure and costs**

We have set ourselves the challenge of completing the reorganisation of our electro-mechanical activities which we expect to be largely complete by the half year. This will involve relocating activity from our Clacton facility (which will close) to Light & Power House which will then become the Group's centre of excellence for electro-mechanical design and manufacture.

Adding to our challenges, during the summer, we plan to significantly improve our LED lighting facility in Normanton which will be extended and refurbished.

Our centre of excellence for engineered component distribution is located at Thatcham. The team based there has a long record of delivering high levels of customer satisfaction and they are excellent at what they do, a talent which is being more broadly recognised by customers.

**Outlook**

The year has started quietly as we progress through the gap between one set of large projects and the next. We are working very hard on projects in hand with deliveries which have already commenced, deliveries which will commence during the current year, and deliveries which stretch years in to the future. We have also started work on projects where we have been selected, but the bulk of which are not yet in our order book. We are therefore in a very robust position with an already strong, and strengthening, order book and substantial opportunities for the future.

We are part way through delivering a structural change which will substantially enhance the Group. We shall be working hard to deliver the rest of that structural change during the remainder of this year. The result of these efforts should be a strong, focussed group, with a high quality order book, capable of delivering significant progress over the medium and long term.

We look forward to the future with confidence.

**Peter Pollock**

Chief Executive  
22 January 2015



## FINANCIAL REVIEW

### Trading performance

Revenue in the current year fell by £0.79m (4.5%) to £16.84m (2013: £17.63m) producing an operating profit before exceptional items of £636,000 (2013: £609,000), up £27,000.

Whilst UK sales were significantly in advance of prior year this was more than offset by a fall in export rail project revenues. Gross margins rose 2.4% to 29.6% (2013: 27.2%), reflecting lower project content together with net reorganisation benefits, and a gross profit of £4.98m (2013: £4.79m) resulted. Other operating expenses were £0.16m above last year at £4.34m (2013: £4.18m), the consequence of higher administrative expenses.

In the first half of the year sales of £7.97m (2013: £8.64m) produced an operating profit before exceptional items of £195,000 (2013: £203,000) with sales down on last year by £0.67m but with profits down just £8,000. The second half saw an improvement over the first with sales of £8.87m (down £0.12m on the £8.99m of 2013) resulting in an operating profit before exceptional items of £441,000 (up £35,000 over last year's £406,000).

### Exceptional items

As part of the Group's continued reorganisation of its electro-mechanical activities it recognised costs of £319,000 (2013: £809,000) in the current year. These comprise relocation costs of £115,000 (covering the transfer of its Saffron Walden activities from Tudor Works to Light & Power House) together with £204,000 of costs associated with the closure of its Clacton facility. The latter comprises a provision for anticipated costs of £142,000 (largely redundancy), a stock write down of £42,000 and abortive business sale costs of £20,000. It is expected that all liabilities will crystallise and that the reorganisation will be completed within the next year.

The prior year, in addition to the reorganisation costs noted above, also included a goodwill impairment charge of £85,000 and a £2.06m gain on the disposal of its Tudor Works property. The Tudor Works 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 again assessed the fair value of this contingent consideration as Nil at the year end.

### Finance costs and income

Within finance costs the interest on borrowings fell to £68,000 (2013: £103,000), reflecting lower average borrowings with interest rates essentially unchanged. Finance income, which comprises the net interest income on the pension asset, was £46,000 (2013 restated: £43,000).

### Profit before tax, taxation and earnings per share

Profit before tax was £295,000 (2013 restated: £1,717,000) but the benefit of tax losses resulted in a nil tax charge in the year (2013 restated: tax credit of £57,000). The profit for the year was £295,000 (2013 restated: £1,774,000) representing basic earnings per share of 2.50p (2013 restated: 15.05p).

### Balance sheet

Shareholders' funds fell by £0.15m in the year to £7.09m (2013: £7.24m) giving a net asset value per ordinary share of 59.8p (2013: 61.3p). The tangible net asset value per share (calculated excluding intangibles and pension asset, net of deferred tax, from the calculation) was unchanged at 44.4p. Net debt increased by £0.88m over the year to £1.49m with gearing (net debt as a % of total equity) rising to 21.1% (2013: 8.5%).

Property, plant and equipment at 30 September was £4.91m (2013: £2.67m), of which property made up £2.68m (2013: £1.49m) and plant and equipment £2.23m (2013: £1.18m). Additions in the year were £2.57m (2013: £530,000) with £1.90m relating to the refurbishment of Shire Hill. Disposals in the year were £18,000 (2013: £469,000 - being the net book value of the disposed of Tudor Works site). The depreciation charge was £309,000 (2013: £289,000): an impairment loss of £146,000 was also recognised in the prior year.

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were lower by £1.44m at £2.42m (2013: £3.86m): £0.78m of this decrease is explained by items present in the opening balance sheet associated with the sale of Tudor Works (£1.30m of deferred consideration less £0.52m of sales taxes).

Provisions at September 2014, which recognise onerous lease and closure costs, were £0.57m (2013: £0.67m).

## FINANCIAL REVIEW

Intangible assets, which comprise goodwill and capitalised development costs, were £1.24m (2013: £1.24m). Goodwill which relates to the Group's investment in Excil Electronics was unchanged at £1.15m as were capitalised development costs (which relate to the development of LED lighting products) at £0.09m.

The IAS19 actuarial surplus recognised as at 30 September 2014 amounted to £744,000 (2013: £960,000). Movements over the course of the year comprised an income statement credit of £46,000 (2013 restated: £43,000), contributions received of £100,000 (2013: £100,000), less an actuarial loss of £362,000 (2013 restated: £135,000) recognised in the statement of comprehensive income. The actuarial loss of £362,000 resulted from changes in the financial assumptions adopted of £756,000 plus an experience loss on liabilities of £10,000 less a better than expected return on plan assets of £404,000.

### Cash flow

Cash generated from operations was £602,000 (2013: £1,483,000): the year included payment of the £0.52m of sales taxes due on the prior year disposal of Tudor Works. With tax receipts of £43,000 (2013: payments of £71,000) and pension contributions of £100,000 (2013: £100,000) net cash generated from operating activities was £545,000 (2013: £1,312,000).

Capital expenditure was much increased at £2,489,000 (2013: £355,000), asset disposal proceeds were again significant at £1,307,000 (2013: £1,253,000) and development expenditure capitalised amounted to £22,000 (2013: £58,000).

In the year there was a £600,000 (2013: Nil) drawn down of the term loan facility. Debt repayments comprised £100,000 (2013: £73,000) in respect of the term loan and £33,000 (2013: £43,000) in respect of finance leases. Interest payments on borrowings fell to £68,000 (2013: £103,000). In the year £16,000 (2013: £22,000) was received from the exercise of share options and dividend payments were higher at £171,000 (2013: £142,000).

Overall there was a net decrease in the cash position of £415,000 (2013: increase of £1,813,000).

### Net debt

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

	Bank loans £'000	Finance lease obliga- tions £'000	Cash & cash equiva- lents £'000	Net debt £'000
At 1 October 2013	1,400	152	(940)	612
Cash absorbed	-	-	882	882
Drawdown of bank loan	600	-	(600)	-
Repayment of borrowings	(100)	(33)	133	-
At 30 September 2014	1,900	119	(525)	1,494

The bank loan is repayable over nine and a half years (in 38 quarterly instalments of £50,000 with the first of these due in October 2014) and the finance lease obligations over five years. At the year-end the Group was holding cash of £0.53m (2013: £0.94m) and had £1.50m (2013: £1.5m) of un-drawn overdraft facilities available.

The remaining £0.6m of the £2.0m term loan facility was drawn down in January 2014 and quarterly repayments commenced in April 2014. Interest is payable at 2.75% over LIBOR. Subsequent to the year end the Group has re-negotiated working capital facilities through to the end of January 2016. These total £2.5m and comprise an overdraft facility of £1.5m together with a guarantee facility of £1.0m. 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 2013. 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  
22 January 2015



## 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 Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 5 to 9.

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth rose to 1.10 in the current year (2013: 0.78, 2012: 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 4.5% for the current year (2013: fall of 3.9%, 2012: rise of 5.9%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 29.6% in the current year (2013: 27.2%, 2012: 28.3%); 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 outflow of £898,000 for the current year (2013: inflow of £1,907,000, 2012: outflow of £1,299,000).

## PRINCIPAL RISKS & 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.
- 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.

The Strategic Report on pages 4 to 10 was approved by the Board on 22 January 2015 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 2014.

### Results and dividends

The profit for the year amounted to £295,000 (2013 restated: £1,774,000). The directors recommend the payment of a final ordinary dividend of 0.85p (2013: 0.75p), which together with the interim dividend of 0.70p (2013: 0.60p) makes a total for the year of 1.55p per share (2013: 1.35p).

### Principal activities

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 on pages 4 to 10.

### Going concern

A statement regarding the going concern of the business is set out in accounting policies on page 25.

### Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2014 representing 3 per cent or more of the issued share capital were:

	No. of shares	%
Hargreave Hale Limited	1,170,000	9.88%
Mr Michael Rusch (director)	808,000	6.82%
Mrs Ellen Rusch	804,044	6.79%
Mr Peter Pollock (director)	725,000	6.12%
Rights & Issues Investment Trust Plc	650,000	5.49%
Mrs Marilyn Porter	531,053	4.48%
Mrs Susan Thynne	426,674	3.60%

### 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 except Len Porter who was appointed as a non-executive director on 27 August 2014. 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 Peter Pollock and Stephen Brett retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In addition Len Porter who has been appointed as director since the last annual general meeting offers himself for election.



## DIRECTORS' REPORT (CONTINUED)

### Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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.

### Annual general meeting

The annual general meeting is to be held at 12 noon on Thursday 26 March 2015 at the offices of the Company, Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ: 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

22 January 2015

LPA Group plc is registered in England No 686429

## CORPORATE GOVERNANCE REPORT

We do not comply with the UK Corporate Governance Code however the Board is committed to high standards of corporate governance and takes the Code seriously. The Board also places importance on the guidelines issued by the Quoted Companies Alliance for AIM Companies. There are areas where the Company is not in compliance with the UK Corporate Governance Code, particularly in relation to the number and independence of non-executive directors, but the Board considers its present composition, and that of its standing committees, to be appropriate to its circumstances. The Board is committed to reviewing consistencies with the Code regularly. Our governance procedures are detailed below.

LPA Group Plc is subject to the UK City Code on Takeovers and Mergers.

### Board composition and responsibility

Following the appointment of Len Porter in August 2014 the Board now comprises three 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 Per Staehr and Len Porter are 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), Michael Rusch and Len Porter.

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 has assigned day-to-day responsibility for the continuous review of risk management to the executive directors. The Board receives regular updates on risk issues and reviews 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. A budget is prepared annually, which includes projections for the next two years, 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, and by the Board at least quarterly.

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

### 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](http://www.lpa-group.com)'.

By order of the Board

**Stephen Brett**

Secretary

22 January 2015

## 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.

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 six months, with an entitlement to six months compensation in the event of early termination by the Company, and which provides that employment under the agreement will automatically terminate on his 70th birthday. As at 1 January 2015 Peter Pollock's annual salary was £179,010 (January 2014: £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 2015 his annual salary was £134,930 (January 2014: £131,000) 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.



## 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 2015 he receives fees of £27,190 per annum (January 2014: £26,520) 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 2015 he receives fees of £23,560 per annum (January 2014: £22,980).

Len Porter (non-executive director) has a term of office, as set out in his letter of appointment dated 27 August 2014, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2018. As at 1 January 2015 he receives fees of £23,560 per annum (£22,980 at appointment).

### 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 2014 £'000	Total 2013 £'000
Peter G Pollock	174	17	26	-	217	196
Stephen K Brett	130	13	13	8	164	153
	304	30	39	8	381	349
Michael Rusch	26	-	23	-	49	48
Per F Staehr	23	-	-	-	23	22
Leonard K Porter	2	-	-	-	2	-
	355	30	62	8	455	419

## REMUNERATION REPORT (CONTINUED)

### Directors' pension arrangements

During the year ending 30 September 2014 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
		2014 £'000	2014 £'000	2013 £'000	2014 £'000
Stephen K Brett	13 April 2016	Nil	41	40	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 2013	30 September 2014	31 December 2014
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	170,500	170,500	170,500
Leonard K Porter	-	25,000	25,000
	1,876,000	1,901,000	1,901,000

Len Porter's shares were held at the point when he joined the Board.



## REMUNERATION REPORT (CONTINUED)

### Directors' interests in share options

	At 1 October 2013	At 30 September 2014	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
	<u>825,000</u>	<u>825,000</u>			
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
	<u>425,000</u>	<u>425,000</u>			

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

### Per Staehr

Director  
22 January 2015

## 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 2014 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 12, 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/auditscopeprivate](http://www.frc.org.uk/auditscopeprivate).

### 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 2014 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 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  
22 January 2015



## CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2014

	<b>Note</b>	<b>2014</b> <b>£'000</b>	<b>Restated</b> <b>2013</b> <b>£'000</b>
<b>Revenue</b>	2	16,835	17,630
Cost of sales		(11,860)	(12,840)
<b>Gross profit</b>		<u>4,975</u>	<u>4,790</u>
Distribution costs		(1,697)	(1,705)
Administrative expenses		(2,642)	(2,476)
<b>Operating profit before exceptional items</b>		<u>636</u>	<u>609</u>
Gain on property disposal	6	-	2,062
Reorganisation costs	6	(319)	(809)
Goodwill impairment	6	-	(85)
<b>Operating profit</b>		<u>317</u>	<u>1,777</u>
Finance costs	4	(68)	(103)
Finance income	5	46	43
<b>Profit before tax attributable to equity holders of the parent</b>	6	<u>295</u>	<u>1,717</u>
Taxation	7	-	57
<b>Profit for the year</b>		<u><u>295</u></u>	<u><u>1,774</u></u>
Attributable to:			
- Equity holders of the parent		<u><u>295</u></u>	<u><u>1,774</u></u>
<b>Earnings per share</b>	8		
Basic		2.50p	15.05p
Diluted		<u><u>2.31p</u></u>	<u><u>14.17p</u></u>

All activities are continuing.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2014

		<b>2014</b>	<b>Restated</b>
	<b>Note</b>	<b>£'000</b>	<b>2013</b>
			<b>£'000</b>
<b>Profit for the year</b>		295	1,774
<b>Other comprehensive expense</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges transferred to profit for the year - cost of sales		-	14
Tax on cash flow hedges		-	(3)
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial loss on pension scheme	20	(362)	(135)
Tax on actuarial loss	17	52	40
<b>Other comprehensive expense net of tax</b>		(310)	(84)
<b>Total comprehensive (expense) / income for the year</b>		(15)	1,690
Attributable to:			
- Equity holders of the parent		(15)	1,690

## CONSOLIDATED BALANCE SHEET

At 30 September 2014

	Note	2014 £'000	2013 £'000
<b>Non-current assets</b>			
Intangible assets	9	1,235	1,236
Property, plant and equipment	10	4,909	2,669
Retirement benefits	20	744	960
		<u>6,888</u>	<u>4,865</u>
<b>Current assets</b>			
Inventories	11	2,145	2,172
Trade and other receivables	12	3,473	5,095
Current tax receivable		-	43
Cash and cash equivalents		525	940
		<u>6,143</u>	<u>8,250</u>
<b>Total assets</b>		<u>13,031</u>	<u>13,115</u>
<b>Current liabilities</b>			
Bank loans and other borrowings	14	(235)	(103)
Provisions	16	(567)	(243)
Trade and other payables	13	(3,179)	(3,425)
		<u>(3,981)</u>	<u>(3,771)</u>
<b>Non-current liabilities</b>			
Bank loans and other borrowings	14	(1,784)	(1,449)
Provisions	16	-	(425)
Deferred tax liabilities	17	(160)	(212)
Other payables	13	(21)	(22)
		<u>(1,965)</u>	<u>(2,108)</u>
<b>Total liabilities</b>		<u>(5,946)</u>	<u>(5,879)</u>
<b>Net assets</b>		<u>7,085</u>	<u>7,236</u>
<b>Equity</b>			
Share capital	18	1,184	1,180
Share premium account		461	449
Un-issued shares reserve		192	178
Merger reserve		230	230
Retained earnings		5,018	5,199
<b>Equity attributable to shareholders of the parent</b>		<u>7,085</u>	<u>7,236</u>

The financial statements were approved by the Board on 22 January 2015 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 2014

<b>2014</b>	<b>Share capital £'000</b>	<b>Share premium account £'000</b>	<b>Un-issued shares reserve £'000</b>	<b>Merger reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
At 1 October 2013	1,180	449	178	230	5,199	7,236
Profit for the year	-	-	-	-	295	295
Actuarial loss on pension scheme	-	-	-	-	(310)	(310)
Total comprehensive income attributable to equity holders of the parent	-	-	-	-	(15)	(15)
Dividends	-	-	-	-	(171)	(171)
Proceeds from issue of shares	4	12	-	-	-	16
Share-based payments	-	-	19	-	-	19
Transfer	-	-	(5)	-	5	-
Transactions with owners	4	12	14	-	(166)	(136)
At 30 September 2014	1,184	461	192	230	5,018	7,085

<b>2013</b>	<b>Share capital £'000</b>	<b>Share premium account £'000</b>	<b>Un-issued shares reserve £'000</b>	<b>Revaluation reserve £'000</b>	<b>Merger reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
At 1 October 2012	1,174	433	163	306	230	3,338	5,644
Profit for the year - restated	-	-	-	-	-	1,774	1,774
Cash flow hedges	-	-	-	-	-	11	11
Actuarial loss on pension scheme - restated	-	-	-	-	-	(95)	(95)
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

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2014

	<b>2014</b> <b>£'000</b>	<b>Restated</b> <b>2013</b> <b>£'000</b>
Profit for the year	295	1,774
Finance costs	68	103
Finance income	(46)	(43)
Income tax	-	(57)
Operating profit	317	1,777
<i>Adjustments for:</i>		
Depreciation	309	289
Impairment of property, plant and equipment	-	146
Amortisation of intangible assets	23	54
Impairment of goodwill	-	85
Loss / (gain) on sale of property, plant and equipment	11	(2,065)
Non-cash charge for equity-settled share-based payments	19	22
	679	308
<i>Movements in working capital and provisions:</i>		
Change in inventories	27	273
Change in trade and other receivables	322	23
Change in trade and other payables	(325)	216
Change in provisions	(101)	663
<b>Cash generated from operations</b>	602	1,483
Income tax received / (paid)	43	(71)
Retirement benefits (pension contributions)	(100)	(100)
<b>Net cash from operating activities</b>	545	1,312
Purchase of property, plant and equipment	(2,489)	(355)
Proceeds from sale of property, plant and equipment	1,307	1,253
Capitalised development expenditure	(22)	(58)
<b>Net cash from investing activities</b>	(1,204)	840
Drawdown of bank loans	600	-
Repayment of bank loans	(100)	(73)
Repayment of obligations under finance leases	(33)	(43)
Interest paid	(68)	(103)
Proceeds from issue of share capital	16	22
Dividends paid	(171)	(142)
<b>Net cash from financing activities</b>	244	(339)
Net (decrease) / increase in cash and cash equivalents	(415)	1,813
Cash and cash equivalents at start of the year	940	(873)
<b>Cash and cash equivalents at end of the year</b>	525	940

## 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 and Strategy, the Chairman's Statement, the Chief Executive's Review, the Financial Review, Key Performance Indicators and Principal Risks and Uncertainties) on pages 4 to 10. 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) traded successfully in the current year; (ii) recently renewed its working capital facilities until the end of January 2016; (iii) strengthened its order book; (iv) significant opportunities within its market place; and (v) 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. Change in accounting policy**

Comparative figures as at 30 September 2013 have been restated for the adoption of IAS19 Employee Benefits (Revised 2011).

The principal impact on the Company is that the return on pension scheme assets recognised in the income statement is now based on the discount rate applied to the pension liabilities as opposed to a weighted average of the expected long term rates of return applicable to each asset class. As the discount rate applied to liabilities is lower than the expected long term rate of return the affect has been to reduce the pension scheme net finance credit by £70,000 for the year to 30 September 2013 with a corresponding reduction in tax charge of £20,000.

Equal and opposite adjustments to those included in the income statement have been recognised in the statement of comprehensive income and as such there is no change to figures reported in the balance sheet.

**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 2014 and have not been adopted early:

- 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)
- IAS27 (Revised) - Separate Financial Statements (effective 1 January 2014)
- IAS28 (Revised) - Investments in Associates and Joint Ventures (effective 1 January 2014)
- Amendments to IFRS10, IFRS11 and IFRS12 - Transition guidance - Amendments to IFRS10, IFRS11 and IFRS12 (effective 1 January 2014)
- Amendments to IFRS10, IFRS12 and IAS27 - Investment entities - Amendments to IFRS10, IFRS12 and IAS27 (effective 1 January 2014)



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies (continued)

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting Policies (continued)****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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies (continued)

#### 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting Policies (continued)****L. Financial instruments (continued)***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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies (continued)

#### 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

##### *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.

##### *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 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 net interest cost or income (the difference between the interest cost resulting from the increase in the present value of the defined benefit obligation over time, and the interest income on plan assets) is recognised in finance cost or 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.

## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting Policies (continued)****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.

Significant costs, incurred or anticipated, associated with the Group's reorganisation of its electro-mechanical activities are considered to be exceptional in these financial statements.

**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 and closure costs. 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 2014 the UK GAAP profit before tax was £294,000 (2013 restated: £1,722,000) as compared to an IFRS profit of £295,000 (2013 restated: £1,717,000). The difference between the two was £1,000 (2013: £5,000) and relates to the treatment of research and development expenditure and that of short term compensated absences under IFRS.

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

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
United Kingdom	12,744	9,138
Rest of Europe	2,199	2,970
Australia	477	3,488
Rest of World	1,415	2,034
	<u>16,835</u>	<u>17,630</u>

No individual customer represented more than 10% of Group revenue (2013 included one customer with revenues of £3.40m included in the Australia geographical market).

### 3. Employee Information

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

	<b>2014</b> <b>Number</b>	<b>2013</b> <b>Number</b>
Production	125	117
Sales and distribution	24	24
Administration	22	23
	<u>171</u>	<u>164</u>

The employee benefit expense for the year amounted to:

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Wages and salaries	4,987	4,630
Social security costs	557	451
Pension costs - defined contribution arrangements (note 20)	129	152
Pension costs - death in service insurance premiums	32	30
Share-based payments (note 19)	19	22
	<u>5,724</u>	<u>5,285</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

**4. Finance Costs**

	<b>2014</b>	<b>Restated</b>
	<b>£'000</b>	<b>2013</b>
		<b>£'000</b>
Bank loans and overdrafts	61	96
Hire purchase contracts	7	7
Finance costs	<u>68</u>	<u>103</u>

**5. Finance Income**

	<b>2014</b>	<b>Restated</b>
	<b>£'000</b>	<b>2013</b>
		<b>£'000</b>
Net pension interest income (note 20)	<u>46</u>	<u>43</u>

**6. Profit Before Tax**

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>A. Within operating profit before exceptional items</b>		
Depreciation	309	289
Amortisation of intangible assets	23	54
Loss / (gain) on sale of property, plant and equipment	11	(3)
Operating lease rentals - plant and equipment	131	118
Operating lease rentals - property	178	178
Foreign exchange gain	(11)	(18)
Research and development expenditure	385	420
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	17
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the Company's subsidiaries pursuant to legislation	31	30
- tax services	18	20
- corporate finance transactions	<u>20</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

**6. Profit Before Tax (continued)**

<b>B. Within exceptional items</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Gain on sale of property, plant and equipment	-	(2,062)
Provision for onerous lease contracts	-	663
Impairment of property, plant and equipment	-	146
Business relocation	115	-
Closure costs *	204	-
	<u>319</u>	<u>809</u>
Impairment of goodwill	-	85

\* Include £20,000 of corporate finance fees payable to the Company's auditor

**7. Taxation**

<b>A. Recognised in the income statement</b>	<b>2014 £'000</b>	<b>Restated 2013 £'000</b>
<b>Current tax expense</b>		
UK corporation tax - adjustment in respect of previous years	-	(65)
<b>Deferrred taxation</b>		
Net origination and reversal of temporary differences	-	8
Total income tax expense	<u>-</u>	<u>(57)</u>
<b>B. Reconciliation of effective tax rate</b>	<b>2014 £'000</b>	<b>Restated 2013 £'000</b>
Profit before tax	<u>295</u>	<u>1,717</u>
Tax at the UK corporation tax rate of 22% (2013: 23.5%)	65	403
Effects of:		
- Utilised tax losses	(55)	(83)
- Retirement benefits	(23)	(20)
- Property adjustment	34	(238)
- Goodwill	-	18
- Enhanced development expenditure	(28)	(133)
- Other differences	7	(4)
Total income tax expense	<u>-</u>	<u>(57)</u>
<b>C. Deferred tax recognised in other comprehensive income</b>	<b>2014 £'000</b>	<b>Restated 2013 £'000</b>
On cash flow hedges	-	3
On actuarial gains	(52)	(40)
	<u>(52)</u>	<u>(37)</u>



## NOTES TO THE FINANCIAL STATEMENTS

**8. Earnings Per Share**

The calculation of earnings per share is based upon the profit for the year of £295,000 (2013 restated: £1,774,000) and the weighted average number of ordinary shares in issue during the year of 11.818m (2013: 11.789m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 12.783m (2013: 12.518m).

	<b>2014</b>			<b>Restated 2013</b>		
	<b>Earnings</b>	<b>Weighted</b>	<b>Earnings</b>	<b>Earnings</b>	<b>Weighted</b>	<b>Earnings</b>
	<b>£'000</b>	<b>average</b>	<b>per</b>	<b>£'000</b>	<b>average</b>	<b>per</b>
		<b>number of</b>	<b>share</b>		<b>number of</b>	<b>share</b>
		<b>shares</b>	<b>Pence</b>		<b>shares</b>	<b>Pence</b>
		<b>Million</b>			<b>Million</b>	
Basic earnings per share	295	11.818	2.50	1,774	11.789	15.05
Effect of share options	-	0.965	(0.19)	-	0.729	(0.88)
Diluted earnings per share	295	12.783	2.31	1,774	12.518	14.17

As a consequence of adopting IAS19 reported earnings in 2013 have been reduced by £50,000 which has had the affect of reducing basic earnings per share by 0.42p (from the reported 15.47p to 15.05p) and diluted earnings per share by 0.40p (from the reported 14.57p to 14.17p).

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Intangible Assets

	Goodwill			Capitalised development costs			Total
	Cost £'000	Accumulated impairment losses £'000	Carrying amount £'000	Cost £'000	Amorti- sation £'000	Carrying amount £'000	Carrying amount £'000
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 1 October 2013	1,234	(85)	1,149	210	123	87	1,236
Additions	-	-	-	22	-	22	22
Amortisation for year	-	-	-	-	23	(23)	(23)
At 30 September 2014	1,234	(85)	1,149	232	146	86	1,235

**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 Excil Electronics.

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% (2013: 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% (2013: 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. No impairment arose in the year.

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
<b>Cost</b>			
At 1 October 2012	2,160	6,927	9,087
Additions	44	486	530
Disposals	(544)	(412)	(956)
At 1 October 2013	1,660	7,001	8,661
Additions	1,203	1,364	2,567
Disposals	-	(1,505)	(1,505)
At 30 September 2014	2,863	6,860	9,723
<b>Depreciation</b>			
At 1 October 2012	224	5,820	6,044
Charge for the year	20	269	289
Impairment	-	146	146
Disposals	(75)	(412)	(487)
At 1 October 2013	169	5,823	5,992
Charge for the year	19	290	309
Disposals	-	(1,487)	(1,487)
At 30 September 2014	188	4,626	4,814
<b>Net carrying amount</b>			
At 30 September 2014	2,675	2,234	4,909
At 30 September 2013	1,491	1,178	2,669

Included within plant, vehicles and equipment is £180,000 (2013: £202,000) in respect of assets acquired under finance leases. Depreciation for the year in respect of these assets was £22,000 (2013: £18,000).



## NOTES TO THE FINANCIAL STATEMENTS

### 11. Inventories

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	717	729
Work in progress	783	819
Finished goods and goods for resale	645	624
	<u>2,145</u>	<u>2,172</u>

In 2014 the cost of inventories recognised as an expense within cost of sales amounted to £11,920,000 (2013: £12,816,000). This included the write-down of inventories to net realisable value of £95,000 (2013: £103,000), and write-down utilisation of £295,000 (2013: £79,000).

### 12. Trade and Other Receivables

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	3,224	4,820
Other receivables	13	5
Prepayments and accrued income	236	270
	<u>3,473</u>	<u>5,095</u>

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**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current</b>		
Trade payables	2,080	1,826
Social security and other taxes	281	833
Other payables	12	12
Accruals and deferred income	806	754
	<u>3,179</u>	<u>3,425</u>
<b>Non-current</b>		
Other payables	21	22
	<u>21</u>	<u>22</u>

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.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current</b>		
Bank loan	200	70
Finance lease obligations	35	33
Bank loans and other borrowings	<u>235</u>	<u>103</u>
<b>Non-current</b>		
Bank loan	1,700	1,330
Finance lease obligations	84	119
Bank loans and other borrowings	<u>1,784</u>	<u>1,449</u>
Total borrowings	<u>2,019</u>	<u>1,552</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Borrowings (continued)

#### Bank loans

The £1.90 million bank loan is repayable in 38 quarterly instalments of £50,000 commencing in October 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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Within one year	40	39	35	33
Within two to five years	89	129	84	119
	129	168	119	152
Future finance charges	(10)	(16)		
Present value of finance lease obligations	119	152		



## NOTES TO THE FINANCIAL STATEMENTS

**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.

The Group's capital structure is as follows:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Equity	7,085	7,236
Net debt	1,494	612
Overall financing	<u>8,579</u>	<u>7,848</u>
Gearing (net debt as a % of total equity)	21.1%	8.5%

Gearing (net debt as a % of equity), which is the principal measure used by the Group as a monitor of its capital structure, rose significantly in the year from 8.5% to 21.1%. This was a function of the large increase in net debt (which comprises bank loans, finance lease obligations, cash and cash equivalents), with spends associated with the reorganization of the Group's electro-mechanical activities (in particular the Shire Hill refurbishment and subsequent relocation of its Saffron Walden business) the main factor.

The Board routinely monitors other aspects of financial performance to ensure compliance with bank borrowing requirements.

There were no changes in the Group's approach to capital management during the year.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Financial Instruments (continued)

#### C. Currency risk (continued)

##### Currency exposures

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

	2014			2013		
	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	86	(263)	(177)	559	61	620
US Dollar	5	(15)	(10)	13	(1)	12
	91	(278)	(187)	572	60	632

##### Derivative financial instruments

At 30 September 2014 the Group had no commitments under non-cancellable forward exchange contracts (2013: £Nil) taken out to hedge foreign currency sales and purchases.

##### Sensitivity

At 30 September 2014 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:

	2014		2013	
	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	(20)	-	69	-
Sterling strengthens by 10% against the euro	16	-	(56)	-

#### 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: in the year the bank loan was subject to an interest rate of 2.75% over LIBOR and overdrafts to an interest rate of 2.5% over base. 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 5.0% (2013: 5.3%).

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Floating rate</b>		
Cash and cash equivalents	525	940
Bank loan	(1,900)	(1,400)
	<u>(1,375)</u>	<u>(460)</u>
<b>Fixed rate</b>		
Finance lease obligations	(119)	(152)
	<u>(119)</u>	<u>(152)</u>

*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 2014 and 2013, with all other variables held constant the pre-tax profit would have been lower by £18,000 (2013: £23,000).

**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 2014 comprise its bank overdraft expiring in one year or less at £1.50m (2013: £1.50m).

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

2014	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 loan	260	254	247	241	233	971	2,206
Finance lease obligations	40	40	39	10	-	-	129
Borrowings	300	294	286	251	233	971	2,335
Trade and other payables	2,886	-	-	-	-	-	2,886
	3,186	294	286	251	233	971	5,221

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 loan	115	182	177	173	168	843	1,658
Finance lease obligations	39	40	39	40	10	-	168
Borrowings	154	222	216	213	178	843	1,826
Trade and other payables	2,580	-	-	-	-	-	2,580
	2,734	222	216	213	178	843	4,406

#### 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 2014 these totalled £3.22m (2013: £4.82m). Included within trade receivables as at 30 September 2013 was deferred consideration of £1.30m relating to the disposal of the Group's Tudor Works facility. The Group held no collateral as security against any trade receivables.

The concentration of credit risk is sensitive to the timing of larger projects. The Group's most significant customer accounted for 9.2% of trade receivables at September 2014 (2013: 11.5%).

*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:

	2014		2013	
	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
Not past due	2,374	(8)	3,847	(5)
Past due 1-30 days	695	(2)	903	(3)
Past due 31-90 days	156	-	63	(2)
Past due 91 days to less than a year	13	(4)	33	(16)
	3,238	(14)	4,846	(26)

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

	2014 £'000	2013 £'000
Balance at start of the year	26	18
Impairment (gain) / loss recognised	(12)	8
Balance at end of the year	14	26

The impairment gain recognised of £12,000 relates to the movement in the Group's assessment of the risk of non-recovery from a range of customers.

## NOTES TO THE FINANCIAL STATEMENTS

## 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.

2014	Derivatives at fair value £'000	Amortised cost £'000	Total carrying value £'000	Fair value £'000
<b>Financial assets</b>				
Trade and other receivables	-	3,224	3,224	3,224
Cash and cash equivalents	-	525	525	525
	-	3,749	3,749	3,749
<b>Financial liabilities</b>				
Borrowings bank loan	-	(1,900)	(1,900)	(1,900)
Trade and other payables	-	(2,849)	(2,849)	(2,849)
	-	(4,749)	(4,749)	(4,749)
Net financial liabilities	-	(1,000)	(1,000)	(1,000)

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

## 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**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
<b>Current</b>		
At 1 October 2013	243	-
Arising during the year	142	243
Transferred from non-current	425	-
Utilised in the year	(243)	-
At 30 September 2014	<u>567</u>	<u>243</u>
<b>Non-current</b>		
At 1 October 2013	425	5
Arising during the year	-	420
Transferred to current	(425)	-
At 30 September 2014	<u>-</u>	<u>425</u>

Provisions relate to the closure of the Group's facility at Clacton and comprise an onerous lease contract provision at £425,000 (2013: £668,000) and a closure cost provision of £142,000 (2013: £nil).

An onerous lease contract is one where the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from it, and the provision covers onerous leasehold contract costs and dilapidations. The closure cost provision primarily relates to redundancy.

The provisions represent the best estimate of the unavoidable costs remaining under current contractual obligations. The liabilities are expected to crystallise within the next year.

## NOTES TO THE FINANCIAL STATEMENTS

## 17. Deferred Tax

	<b>Property, plant and equipment £'000</b>	<b>Retirement benefits £'000</b>	<b>Tax losses £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 October 2012	(43)	(219)	-	21	(241)
Recognised in income statement - restated	16	(13)	-	(11)	(8)
Recognised in other comprehensive income - restated	-	40	-	(3)	37
At 1 October 2013	(27)	(192)	-	7	(212)
Recognised in income statement	(25)	(9)	31	3	-
Recognised in other comprehensive income	-	52	-	-	52
At 30 September 2014	(52)	(149)	31	10	(160)

Deferred tax assets of £83,000 (2013: £133,000) have not been recognised in respect of unrelieved tax losses of £413,000 (2013: £665,000) 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:

	<b>Property, plant and equipment £'000</b>	<b>Retirement benefits £'000</b>	<b>Tax losses £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>At 30 September 2014</b>					
Deferred tax assets	21	-	31	27	79
Deferred tax liabilities	(73)	(149)	-	(17)	(239)
	(52)	(149)	31	10	(160)
<b>At 30 September 2013</b>					
Deferred tax assets	3	-	-	24	27
Deferred tax liabilities	(30)	(192)	-	(17)	(239)
	(27)	(192)	-	7	(212)



## NOTES TO THE FINANCIAL STATEMENTS

**18. Equity****Share capital**

	2014		2013	
	Number	£'000	Number	£'000
<b>Authorised</b>	15,000,000	1,500	15,000,000	1,500
<b>Issued and fully paid</b>				
In issue at the start of the year	11,795,229	1,180	11,735,229	1,174
Allotted under share plans	43,000	4	60,000	6
In issue at the end of the year	11,838,229	1,184	11,795,229	1,180

During the year 43,000 options were exercised at a weighted average option price of 37.7p.

The market price of the Company's shares on 30 September 2014 was 98.0p per share (2013: 64.5p per share) and the price range during the year was 55.0p to 146.0p (2013: 50.0p to 88.4p).

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Proposed - final 0.85p per share (2013: 0.75p)	101	88

#### Dividends

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

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Final - in respect of preceding year 0.75p per share (2013: 0.60p)	88	71
Interim - in respect of current year 0.70p per share (2013: 0.60p)	83	71
	<u>171</u>	<u>142</u>

#### 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.

#### 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 2014 are as follows:

Scheme	Date of grant	Price	Dates when exercisable	Number of options	
				2014	2013
1997 Unapproved Share Option scheme	Feb 2006	19p	20 Feb 2009 to 19 Feb 2016	-	5,000
	Mar 2007	39p	08 Mar 2010 to 07 Mar 2017	140,000	150,000
				<u>140,000</u>	<u>155,000</u>
2007 Employee Share Option Scheme	Jul 2007	36p	31 Jul 2010 to 30 Jul 2017	865,000	883,000
	Apr 2011	32p	1 Apr 2014 to 31 Mar 2021	200,000	200,000
	Feb 2012	49p	8 Feb 2015 to 7 Feb 2022	445,000	455,000
			<u>1,510,000</u>	<u>1,538,000</u>	

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Share Based Payments (continued)

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

	2014		2013	
	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)	Number of options
Outstanding at the beginning of the year	39.2	1,693,000	39.1	1,753,000
Granted during the year	-	-	-	-
Exercised during the year	37.7	(43,000)	36.3	(60,000)
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	39.3	1,650,000	39.2	1,693,000
Exercisable at the end of the year	35.7	1,205,000	36.4	1,038,000

The options outstanding at the end of the year have an exercise price in the range of 32p to 49p and a weighted average contractual life of 4.5 years (2013: 5.5 years).

The Group recognised a share-based remuneration expense in the year of £19,000 (2013: £22,000).



## 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 £129,000 (2013: £152,000).

**B. Defined benefit scheme**

The Group also sponsors a funded defined benefit pension arrangement. There is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 187 past employees as at 31 March 2012. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation outlined in the Pension Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 31 March 2012 in accordance with the scheme funding requirements of the Pension Act 2004 and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a deficit of £1,309,000. The Group has agreed with the trustees that it will aim to eliminate the deficit over period of 7 years from 1 April 2012 by the payment of annual contributions of £100,000 in respect of the deficit. In addition and in accordance with the actuarial valuation, the Group has agreed to meet the expenses of the plan and levies to the Pension Protection Fund.

For the purposes of IAS19 the actuarial valuation as at 31 March 2012, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2014. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

## NOTES TO THE FINANCIAL STATEMENTS

**20. Employee Benefits (continued)*****Amounts included in the balance sheet***

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Fair value of scheme assets	13,077	12,584	12,147
Present value of defined benefit obligation	(12,333)	(11,624)	(11,195)
Asset to be recognised	<u>744</u>	<u>960</u>	<u>952</u>

The present value of scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method. This method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The value calculated in this way is reflected in the asset to be recognised in the balance sheet as shown above.

All actuarial gains and losses will be recognised in the year in which they occur in other comprehensive income.

***Reconciliation of the impact of the asset ceiling***

The Group has reviewed implications of the guidance provided by IFRIC14 and has concluded that it is not necessary to make any adjustments to the IAS19 figures in respect of an asset ceiling or Minimum Funding Requirement as at 30 September 2014.

***Reconciliation of opening and closing present value of the defined benefit obligation***

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Defined benefit obligation at start of the year	11,624	11,195
Interest cost	510	471
Actuarial losses due to scheme experience	10	44
Actuarial losses due to changes in financial assumptions	756	395
Benefits paid	(567)	(481)
Defined benefit obligation at end of the year	<u>12,333</u>	<u>11,624</u>

There have been no plan amendments, curtailments or settlements in the accounting period.

## NOTES TO THE FINANCIAL STATEMENTS

**20. Employee Benefits (continued)*****Reconciliation of opening and closing values of the fair value of plan assets***

	<b>2014</b> <b>£'000</b>	<b>Restated</b> <b>2013</b> <b>£'000</b>
Fair value of scheme assets at start of the year	12,584	12,147
Interest income	556	514
Return on plan assets (excluding amounts included in interest income)	404	304
Contributions by the Group	100	100
Benefits paid	(567)	(481)
Fair value of scheme assets at end of the year	<u>13,077</u>	<u>12,584</u>

The actual return on the plan assets over the period ending 30 September 2014 was £960,000 (2013: £818,000).

The interest income on plan assets and the interest cost on the defined benefit obligation is calculated using the discount rate of 4.50% for the period ending 30 September 2014.

***Defined benefit costs recognised in profit or loss***

	<b>2014</b> <b>£'000</b>	<b>Restated</b> <b>2013</b> <b>£'000</b>
Net interest income	<u>46</u>	<u>43</u>

***Defined benefit costs recognised in the statement of other comprehensive income***

	<b>2014</b> <b>£'000</b>	<b>Restated</b> <b>2013</b> <b>£'000</b>
Return on plan assets (excluding amounts included in interest income)	404	304
Experience losses arising on the defined benefit obligation	(10)	(44)
Effect of changes in the demographic assumptions underlying the present value of the defined benefit obligation	-	-
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligations – (loss)	(756)	(395)
Amount recognised in other comprehensive income	<u>(362)</u>	<u>(135)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Employee benefits (continued)

#### Assets

	2014 £'000	2013 £'000	2012 £'000
Equities	3,962	4,124	3,665
Corporate bonds	7,070	6,522	6,648
Diversified growth funds	1,973	1,899	1,815
Cash and net current assets	72	39	19
Total assets	<u>13,077</u>	<u>12,584</u>	<u>12,147</u>

None of the fair value 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. All of the scheme assets have a quoted market price in an active market with the exception of the trustee's bank account balance.

It is the policy of the trustees and the Group to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles.

There are no asset-liability matching strategies currently being used by the plan.

#### Significant actuarial assumptions

	2014 % per annum	2013 % per annum	2012 % per annum
Rate of discount	4.0	4.5	4.3
Inflation (RPI)	3.1	3.2	2.4
Inflation (CPI)	2.4	2.5	1.7
Allowance for revaluation of deferred pensions of CPI or 5.0% pa if less	2.4	2.5	1.7
Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less	2.4	2.5	1.7
Allowance for pension in payment increases of RPI or 5.0% pa if less	3.1	3.2	2.4
Allowance for pension in payment increases of RPI or 3.0% pa if less	n/a	n/a	2.4
Allowance for pension in payment increases of CPI or 3.0% pa if less	2.4	2.5	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 2014 are 100% of the standard tables S1PxA, Year of Birth, no age rating for males and females, projected using CMI\_2009 converging to 1.25% p.a. These imply the following life expectancies:

#### Life expectancy at age 65 (Years)

Male retiring in 2014:	22.4
Female retiring in 2014:	24.5
Male retiring in 2034:	24.2
Female retiring in 2034:	26.4



## NOTES TO THE FINANCIAL STATEMENTS

**20. Employee benefits (continued)*****Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation***

<b>Assumption</b>	<b>Change in assumption</b>	<b>Change in liabilities</b>
Discount rate	Decrease of 0.25% p.a.	Increase by 3.8%
Rate of inflation	Increase of 0.25% p.a.	Increase by 2.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.5%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.3%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 30 September 2014 is 16 years.

The plan typically exposes the Group to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future P&L accounts. This effect would be partially offset by an increase in the value of the plan's bond holding. Additionally caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Group to the plan for the period commencing 1 October 2014 is £100,000.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Financial Commitments

#### Operating lease commitments

The Group has entered into commercial leases on certain property, motor vehicles and items of plant and equipment.

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

	Property		Plant and equipment	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Within one year	153	178	100	93
Within two to five years	-	153	69	74
	<u>153</u>	<u>331</u>	<u>169</u>	<u>167</u>

#### Capital commitments

Contracted for but not provided in the accounts amounted to £52,000 (2013: £Nil).

### 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.

	2014 £'000	2013 £'000
Short-term employee benefits	498	455
Post employment benefits	11	18
Share-based payments	12	14
	<u>521</u>	<u>487</u>
Dividends	<u>27</u>	<u>22</u>

#### 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 (2013: none).

## COMPANY BALANCE SHEET

At 30 September 2014

	<b>Note</b>	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
<b>Fixed assets</b>			
Tangible assets	C3	3,067	1,198
Investments	C4	5,411	5,411
		<hr/> 8,478	<hr/> 6,609
<b>Current assets</b>			
Debtors	C5	1,347	2,190
Cash at bank and in hand		29	3
		<hr/> 1,376	<hr/> 2,193
<b>Creditors:</b> Amounts falling due within one year	C6	(4,313)	(2,690)
<b>Net current liabilities</b>		<hr/> (2,937)	<hr/> (497)
<b>Total assets less current liabilities</b>		5,541	6,112
<b>Creditors:</b> Amounts falling due after more than one year	C7	(2,400)	(2,030)
<b>Provisions for liabilities</b>	C9	-	(8)
<b>Net assets</b>		<hr/> 3,141	<hr/> 4,074
<b>Capital and reserves</b>			
Called up share capital	C10	1,184	1,180
Share premium account		461	449
Un-issued shares reserve		192	178
Merger reserve		784	784
Profit and loss reserve		520	1,483
<b>Total equity shareholders' funds</b>		<hr/> 3,141	<hr/> 4,074

The financial statements were approved by the Board on 22 January 2015 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 loss dealt with in the accounts of the Company is £797,000 (2013: profit of £597,000). 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.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

### 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 (2013: Nil). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

### C3. Tangible Fixed Assets

	<b>Freehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 October 2013	1,190	21	1,211
Additions	1,203	697	1,900
Disposals	-	(5)	(5)
At 30 September 2014	<u>2,393</u>	<u>713</u>	<u>3,106</u>
<b>Depreciation</b>			
At 1 October 2013	12	1	13
Charged in year	13	14	27
Disposals	-	(1)	(1)
At 30 September 2014	<u>25</u>	<u>14</u>	<u>39</u>
<b>Net book value</b>			
At 30 September 2014	<u>2,368</u>	<u>699</u>	<u>3,067</u>
At 1 October 2013	<u>1,178</u>	<u>20</u>	<u>1,198</u>

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

### C4. Investments

#### Investments in subsidiary undertakings

	Cost £'000	Provision for impairment £'000	Carrying amount £'000
At 1 October 2013 and 30 September 2014	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
<b>Subsidiary undertakings</b>			
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

	2014 £'000	2013 £'000
Trade debtors	-	1,300
Amounts due from subsidiary undertakings	1,211	852
Other debtors	115	-
Prepayments and accrued income	21	38
	1,347	2,190

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

### C6. Creditors: Amounts Falling Due Within One Year

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft	-	1,400
Bank loans	200	70
Debt	200	1,470
Trade creditors	43	46
Amounts owed to subsidiary undertakings	3,833	544
Other tax and social security	-	486
Other creditors	3	3
Accruals	234	141
	<u>4,313</u>	<u>2,690</u>

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Debt - bank loans	1,700	1,330
Amounts owed to subsidiary undertakings	700	700
	<u>2,400</u>	<u>2,030</u>

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

**C8. Borrowings**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>		
Bank overdraft	-	1,400
Bank loan	200	70
	<u>200</u>	<u>1,470</u>
<b>Non-current</b>		
Bank loan	1,700	1,330
	<u>1,700</u>	<u>1,330</u>
Total borrowings	<u>1,900</u>	<u>2,800</u>
<b>Repayable</b>		
Within one year	200	1,470
Between one and two years	200	140
Between two and five years	600	420
Over five years	900	770
	<u>1,900</u>	<u>2,800</u>

**Bank loan and overdraft**

The £1.90 million bank loan is repayable in 38 quarterly instalments of £50,000 commencing in October 2014. In the year interest was payable at LIBOR plus 2.75%. In the year overdraft 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

	<b>£'000</b>
At 1 October 2013	8
Credited to the profit and loss account in the year	(8)
At 30 September 2014	-

Deferred taxation provided in the accounts is as follows:

	<b>Provided</b>	
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	31	8
Other timing differences	-	-
Unutilised losses	(31)	-
	-	8

#### Unrecognised deferred tax assets

At the end of the year there were unrecognised deferred tax assets of £44,000 (2013: £Nil) in respect of unrelieved management expenses of £219,000 (2013: £Nil).

### C10. Share Capital and Reserves

	<b>Share capital</b>	<b>Share premium account</b>	<b>Un-issued shares reserve</b>	<b>Revaluation reserve</b>	<b>Merger reserve</b>	<b>Profit and loss reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 October 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
Loss for the year	-	-	-	-	-	(797)	(797)
Dividends	-	-	-	-	-	(171)	(171)
Issue of shares	4	12	-	-	-	-	16
Share based payments	-	-	19	-	-	-	19
Transfer	-	-	(5)	-	-	5	-
At 30 September 2014	1,184	461	192	-	784	520	3,141



## COMPANY NOTES TO THE FINANCIAL STATEMENTS

### C10. Share Capital and Reserves (continued)

#### Share capital

	2014		2013	
	Number	£'000	Number	£'000
<b>Authorised</b>	15,000,000	1,500	15,000,000	1,500
<b>Issued and fully paid</b>				
In issue at the start of the year	11,795,229	1,180	11,735,229	1,174
Allotted under share plans	43,000	4	60,000	6
In issue at the end of the year	11,838,229	1,184	11,795,229	1,180

During the year 43,000 options were exercised at a weighted average option price of 37.7p.

#### 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 £19,000 (2013: £22,000).

### C12. Financial Commitments

#### Operating lease commitments

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

	2014 £'000	2013 £'000
Operating leases which expire:		
Within one year	-	4
Within two to five years	8	-
	8	4

#### Capital commitments

Contracted for but not provided in the accounts amounted to £52,000 (2013: £Nil).

### 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

	Restated 2010 £'000	Restated 2011 £'000	Restated 2012 £'000	Restated 2013 £'000	2014 £'000
<b>Summary income statement</b>					
<b>Revenue</b>	14,716	17,322	18,352	17,630	16,835
Operating profit / (loss) before amortisation	(366)	472	946	663	659
Amortisation of intangibles	(5)	(38)	(25)	(54)	(23)
Operating profit / (loss)	(371)	434	921	609	636
Exceptional items	-	-	-	1,168	(319)
Net finance income / (costs)	(102) *	(90) *	(22)*	(60)*	(22)
<b>Profit / (loss) before taxation</b>	(473)*	344*	899*	1,717*	295
Taxation	79*	(40)*	(145)*	57*	-
<b>Profit / (loss) for the year</b>	(394)*	304*	754*	1,774*	295

	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000
<b>Summary balance sheet</b>					
Property, plant and equipment	1,791	1,658	3,043	2,669	4,909
Net trading assets	2,844	2,434	2,944	3,863	2,418
Net operating assets	4,635	4,092	5,987	6,532	7,327
Net debt	(1,884)	(1,164)	(2,366)	(612)	(1,494)
Provisions	(5)	(5)	(5)	(668)	(567)
Deferred taxation	87	46	(22)	(20)	(11)
Net assets before pension and intangibles	2,833	2,969	3,594	5,232	5,255
Intangible assets - goodwill / dev costs	1,330	1,323	1,317	1,236	1,235
Pension asset / (liability) - net of deferred tax	(199)	-	733	768	595
<b>Net assets</b>	3,964	4,292	5,644	7,236	7,085

	2010	2011	2012	2013	2014
<b>Ratios</b>					
Operating profit, before amortisation, to sales	(2.5%)	2.7%	5.2%	3.8%	3.9%
Net assets per ordinary share	34.6p	37.5p	48.1p	61.3p	59.8p
Dividends per ordinary share	0.40p	0.90p	1.10p	1.35p	1.55p
Basic earnings per share	(3.44p)*	2.66p*	6.52p*	15.05p*	2.50p
Gearing (net debt as a % of total equity)	47.5%	27.1%	41.9%	8.5%	21.1%

\*restated - reported items were amended as a consequence of adopting IAS19 which requires the restatement of the pension scheme return included in the income statement.

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifty Third Annual General Meeting of LPA Group plc (“the Company”) will be held at the offices of the Company, Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ on Thursday 26 March 2015 at 12.00 noon for the following purposes:

**Routine business**

1. To receive the accounts for the year ended 30 September 2014, together with the reports of the directors and the auditors thereon.
2. To declare a final dividend of 0.85p per ordinary share of 10p each (“Ordinary Share”) for the year ended 30 September 2014, payable on 2 April 2015 to shareholders on the register at the close of business on 13 March 2015.
3. To re-elect as a director Peter Pollock who retires by rotation, in accordance with the Company’s Articles of Association.
4. To re-elect as a director Stephen Brett who retires by rotation, in accordance with the Company’s Articles of Association.
5. To elect Len Porter as a director of the Company, in accordance with the Company’s Articles of Association.
6. 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 7 as an ordinary resolution:

7. 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 £315,000 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 8 as a special resolution:

8. That subject to the passing of resolution 7 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 7 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 subparagraph (a) above) of equity securities up to an aggregate nominal value of £118,400 (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 9 as a special resolution:

9. 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 1,184,000 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  
**Stephen Brett**  
 Secretary  
 22 January 2015

Registered office:  
 Light & Power House, Shire Hill  
 Saffron Walden, Essex  
 CB11 3AQ

### **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 24 March 2015 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 24 March 2015 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 26 March 2015 at the offices of the Company, Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ.

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 .....2015

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 withheld	Discretionary
1. To receive the accounts for the year ended 30 September 2014.				
2. To declare a final dividend of 0.85p per Ordinary Share for the year ended 30 September 2014.				
3. To re-appoint Peter Pollock as a director of the Company.				
4. To re-appoint Stephen Brett as a director of the Company.				
5. To appoint Len Porter as a director of the Company.				
6. To re-appoint the auditors and to authorise the directors to fix the auditor's remuneration.				
7. To authorise the directors to allot shares (as defined in section 551 of the Companies Act 2006) in the Company.				
8. To authorise the directors (pursuant to section 570 of the Companies Act 2006) to allot shares in the Company for cash.				
9. To authorise the Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.				

**Notes:**

- 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.
- 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.
- 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.
- 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.
- 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.
- All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.
- 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.
- Appointment of a proxy will not preclude a member from attending and voting in person should he subsequently decide to do so.
- Any alterations made in this form of proxy should be initialled.





# group directory

## LPA Group Plc

Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ

Tel: +44 (0)1799 512800 Fax: +44 (0)1799 526793 Website: [www.lpa-group.com](http://www.lpa-group.com)

## LED lighting

### LPA Excil Electronics

Ripley Drive, Normanton,  
West Yorkshire, WF6 1QT. UK

Tel: +44 (0)1924 224100

Fax: +44 (0)1924 224111

Email: [enquiries@lpa-excil.com](mailto:enquiries@lpa-excil.com)

Website: [www.lpa-group.com](http://www.lpa-group.com)

- LED lighting systems
- Fluorescent and dichroic lighting systems
- Emergency lighting systems
- Power supply units
- Inverters
- Electronic control & monitoring

## electro-mechanical systems

### LPA Connection Systems, LPA Transport+®, LPA Haswell Engineers

Light & Power House, Shire Hill,  
Saffron Walden, Essex, CB11 3AQ

Tel: +44 (0)1799 512800

Fax: +44 (0)1799 512826

Email: [sales@lpa-connect.com](mailto:sales@lpa-connect.com)

Website: [www.lpa-group.com](http://www.lpa-group.com)

- Rail, aircraft & industrial connectors
- Ethernet backbones
- Auxiliary battery power systems
- Shore supply systems
- Control panels & boxes
- Transport+® turnkey services
- Enclosures, fabrications, form & weld
- Laser cutting

## engineered component distribution

### LPA Channel Electric

Bath Road, Thatcham,  
Berkshire, RG18 3ST. UK

Tel: +44 (0)1635 864866

Fax: +44 (0)1635 869178

Email: [enquiries@lpa-channel.com](mailto:enquiries@lpa-channel.com)

Website: [www.lpa-group.com](http://www.lpa-group.com)

- Connectors
- Relays & contactors
- Circuit breakers
- Fans & motors
- Switches



Long Life Reliability  
does not cost the earth

**LPA Group Plc**

Light & Power House, Shire Hill,  
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F +44 (0)1799 526793