



LPA GROUP PLC

LPA is a designer, manufacturer and distributor of electronic, lighting and electro-mechanical products for the global transportation market including rail, marine, aerospace and defence. The Group has a wide customer base and exports to nearly fifty countries.

Founded in 1908, LPA is headquartered near Cambridge and employs 170 people at four locations in the UK. The Company is listed on the AIM market.

The Group has a strong reputation for innovation and engineering cost effective solutions. Products include solid state LED based lighting, robust electrical connectors for rail inter-car connection, stand-by power supply systems, and off-board power supply for marine, train and aircraft applications.

QUALITY

LPA is ISO9001 certified by the British Standards Institute and conforms to ISO14000, IRIS and SC21. LPA is committed to high standards of quality, reliability, and service.

CUSTOMERS

LPA customers include: Axa Power, Alstom Transportation, BAE Systems, Bombardier Transportation, Downer EDI, Eurostar, Hitachi, Kinki Sharyo, London Underground, Royal Caribbean, Siemens, SNCF, Star Shipping, Westland Helicopters and Wabtec.

OBJECTIVES

The Group's objectives are to:

- be our customers first choice for the supply of our products and services
 - increase shareholder value
 - grow profitably both organically and by acquisition
 - become a significant business in our market
 - conduct our business honestly and ethically
- promote the interests of our stakeholders and employees

WWW.LPA-GROUP.COM



Long Life Reliability
does not cost the earth

INNOVATIVE PRODUCT DEVELOPMENT

The strap line 'Long Life Reliability does not cost the Earth', confirms the view that using scarce resources once to make a reliable product is more environmentally responsible than using scarce resources several times to make cheaper poor quality products which require frequent replacement.

Lighting

The LumiSeries™ range of energy saving solid state lighting products, based on Light Emitting Diodes (LEDs) comprising:-

- LumiPanel® - a 20mm thick panel replaces complete fluorescent luminaires
- LumiMatrix - a 30mm thick panel light to replace fluorescent luminaires
- LumiStrip® - replaces fluorescent tubes within a luminaire
- LumiSpot™ - replaces conventional halogen downlights

LumiSeries™ products offer a reduction in energy consumption of around 30%, extended life with up to fifteen years maintenance free, and weight and space saving for transport, infrastructure and other high reliability applications. They are complemented by MR16 LED based halogen lamp replacement units which, having the same size and space envelope, fit any existing unit and offer up to fifteen years life and up to 80% energy saving.



Electrical

The Module 32, 42 and 52 series of robust, compact, high density rail inter-car electrical connectors incorporating a wide range of contacts, including 4S, to satisfy a broad spectrum of requirements.

The 4S is a fully screened four pole contact suitable for Ethernet cable connection.

The N27, an aircraft ground power supply connector with extended functionality, and the Niphan C4 ship shore power supply connector, both offer robust solutions in harsh environments.

Further information can be found by visiting our website - www.lpa-group.com



MODULE 32 JUMPER PLUG



MODULE 42 DOUBLE CONDUIT



MODULE 52 PLUG



N27 CONNECTOR



4S CONNECTOR



C4 CONNECTOR



FINANCIAL HIGHLIGHTS

For the year ended 30 September 2010

	2010 £'000	2009 £'000
REVENUE	14,716	13,715
OPERATING (LOSS) / PROFIT	(371)	205
(LOSS) / PROFIT BEFORE TAX	(458)	187
BASIC (LOSS) / EARNINGS PER SHARE	(3.35p)	1.24p
DIVIDENDS PER SHARE	0.40p	0.90p
GEARING	47.5%	31.3%

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COMPANY INFORMATION

Directors

Michael Rusch (Non-Executive Chairman), 65, 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), 64, is a chartered accountant, with over forty years industrial experience. He joined LPA Group in April 1997. He is a non-executive director 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), 54, qualified as a chartered accountant in 1982 with Ernst & Whinney in London. Before joining LPA Group in December 2000 he held a number of financial appointments in the manufacturing sector most recently as Vice President Finance for the Environmental Control Division of Invensys plc.

Per F Staehr (Non-Executive Director), 67, 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 Arrow Light Rail Ltd, the Nottingham Tram System concessionaire, Chairman of the Rail Media Group and a director of EIVA A/S a Danish software supplier to the subsea survey and maintenance industry. Previously he was Chairman of Bombardier Transportation UK Ltd, Chairman of A2SEA A/S, the leading European offshore wind farm installation contractor, Chairman of the Railway Industry Association, a director of Riegens Lighting Ltd, a director of Trico Marine Services Inc, a US quoted subsea services provider and operator of offshore service vessels, Chairman of the Daniamant Group a Danish/UK manufacturer of marine survivor lights and President of Maersk Contractors, a global offshore drilling and contracting company.

Secretary	Stephen K Brett		
Registered office	Tudor Works Debden Road Saffron Walden Essex CB11 4AN		
Registered number	686429		
Nominated adviser	Religare Capital Markets Limited 100 Cannon Street London EC4N 6EU	Broker	Religare Capital Markets Limited 100 Cannon Street London EC4N 6EU
Auditors	Grant Thornton UK LLP Byron House Cambridge Business Park Cambridge CB4 0WZ	Bankers	Lloyds Banking Group plc Black Horse House Castle Park Cambridge CB3 0AR
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	Solicitors	Eversheds LLP 115 Colmore Row Birmingham B3 3AL

CHAIRMAN'S STATEMENT

Results

The Group suffered very badly from the previously reported sudden and protracted delay in production orders, which shifted approximately £2.3m of scheduled deliveries out of the year under review into later periods. Although sales increased by £1.0m to £14.7m the extra sales were at lower margins and capacity and the cost base had been expanded to cope with the higher anticipated levels of output. This resulted in a severe imbalance and created a loss before tax of £458,000 (2009: profit of £187,000). Despite the significant trading loss, the increase in gearing was limited to 47.5% from 31.3%. The order book at the end of the year amounted to £15.4m (2009: £16.8m).

Dividends

An interim dividend was not paid for the year under review. However, given the prospects for a good recovery in the current year your Board considers it appropriate to pay a final dividend and proposes to maintain it at 0.40p, giving a total for the year of 0.40p (2009: 0.90p). Subject to approval by shareholders at the annual general meeting, to be held at 12.00 noon on 3 March 2011 at the offices of College Hill Associates Limited, London, the final dividend will be paid on 25 March 2011 to shareholders registered at the close of business on 4 March 2011. The Board will keep future dividend policy under review.

Board and management

The Board has remained unchanged throughout the year. Per Staehr, whose initial appointment was due to expire at the conclusion of the forthcoming annual general meeting has consented to serve for a further three years and it is expected that he will now retire at the conclusion of the annual general meeting in 2014.

George Renshaw, Group Sales and Marketing Executive and Managing Director of LPA Channel Electric, retired at the end of December 2010. We thank him for his excellent service over the last eleven years and wish him a long and happy retirement. A successor has been appointed at LPA Channel Electric and his Group sales and marketing responsibilities have been temporarily assumed by the Chief Executive.

Employees

During an extremely challenging year our employees have once again striven and succeeded in satisfying customers' requirements and have again proven to be our most important asset. On behalf of the Board I would like to thank them for their continued dedication and loyalty.

Outlook

Compared with the very difficult trading conditions suffered a year ago, the challenges of the first quarter of this financial year have been straightforward and we have made positive progress. We have a good order book for delivery in this financial year and have capacity to satisfy further orders. The uncertainty created by the UK Government spending review undermined confidence in the rail and aerospace and defence sectors, but these appear now to be recovering.

The major contract announcement for French railway operator SNCF is very encouraging news for our LED lighting business, for which we have great expectations. There are other major opportunities, which we hope we will secure in the fullness of time. We expect to make sound progress this year.

Michael Rusch

Chairman
27 January 2011

CHIEF EXECUTIVE'S REVIEW

Trading results

The re-scheduling of approximately £2.3m of activity from the year to September 2010 into later periods severely affected our trading performance. Capacity had been put in place to meet the scheduled load, which disappeared at short notice. Worse, the re-scheduling was expected to be short lived, but in actuality it persisted throughout the year.

Routine orders, which had dried up as the recession developed, recovered slightly although not to the pre-recession levels. Most encouragingly sub-contract metal work, which is a good measure of conditions in the engineering industry, has picked up recently. The order for the West Coast Mainline additional coaches was the most significant contract to report in the period. The LED lighting order for SNCF, won at the end of calendar year 2010, is very exciting.

The additional sales achieved during the last financial year related to projects at lower added value than routine business which remained depressed.

Design and development continued on new LED lighting products and large rail projects. Sales and marketing expenditure was maintained in our effort to grow the business in new markets.

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

Markets

The global rail transport market is expanding rapidly as is the manufacturing capacity to satisfy it, particularly in China. Despite the recent announcements by the UK Government of new rail vehicle contracts, these follow a period of inactivity and continue the feast and famine pattern that we have had to learn to deal with. It is at this time very unlikely that there will be sufficient capacity in the UK to satisfy these contracts within the available time period and this will inevitably lead to some of the contracts being awarded to non-UK manufacturers. It is possible, however, that potential successful foreign bidders will be persuaded to purchase some components in the UK and even to assemble the product in the UK. In any case we have marketed our products with all potential bidders and will pursue any opportunities on offer.

Given the relatively small size of the UK market and its variable demand we need to continue our efforts to develop selected export markets. These efforts have achieved excellent results to date and, if options are exercised, potentially offer very large long term order books for the Group.

We remain heavily involved in the Australian market, where we supply several customers and end users in the rail and airport market. The recent LED lighting order for SNCF is the result of several years' effort and represents an important breakthrough with much potential for the future. Europe, as a market, is becoming more receptive to our LED

CHIEF EXECUTIVE'S REVIEW

lighting products. The Green credentials of our products are encouraging customers to consider them as an alternative to traditional products even where there is a price premium.

There is serious competition from overseas suppliers of LED lighting, however the quality and adherence with industry standards of their products is very variable. The Group has positioned itself at the quality end of the market where compliance and reliability are pre-requisites.

The UK defence and aerospace markets remain very important to us and we continue to supply connectors to the aircraft ground support market world-wide.

Design and development

We have added LumiMatrix, a panel light only 30mm thick to our LumiSeries™ range of energy saving LED-based lighting products. Our products are now available in both Direct Current and Alternating Current variants. Sales of LED lighting products increased by 38% during the year to £1.63m (2009: £1.18m).

Electro-mechanical design and development activity has been focussed on satisfying major rail projects requirements and developing aircraft ground power supply products.

Structure and costs

Maintaining capacity to meet the Group's customers' requirements, when their schedules have been changing rapidly, has been very difficult and costly. We will review our structure and focus in the light of the likely future markets for our products given the Government's commitment to purchase new rail vehicles. We have continued to invest for the future in sales & marketing and design & development.

Strategy

We are committed to deliver shareholder value over the medium term, however, the effect of the Government spending review on our home market and the strength of sterling versus other currencies in export markets will be important influences on our customers. We will continue to reduce our exposure to the sub-contract market, which has been very volatile, and will focus more resource on the after market for our products.

In addition we are continuing to prepare the Saffron Walden property for sale, as and when market conditions allow, and are migrating activities from the site where possible, whilst retaining the essential skills of our workforce in the locality.

Peter Pollock

Chief Executive
27 January 2011

FINANCIAL REVIEW

Accounts preparation

The accounts have been prepared under the principles of International Financial Reporting Standards (IFRS).

Financial performance

The principal feature was that despite sales increasing by £1.0m (7.3%) to £14.72m (2009: £13.72m) in the current year, an operating loss of £371,000 was suffered as compared to a profit of £205,000 in 2009, the result of both lower margins and increased costs. The margin and cost positions were anticipated at the start of the year but it was expected that already secured rail projects would not be subject to the delays in fact experienced and that project sales would, as a consequence, be more than £2.3m higher than that actually achieved.

The year on year shortfall was most pronounced in the first half of the year, with sales of £6.93m (2009: £7.03m) producing an operating loss of £297,000 (2009: profit of £92,000) and where sales and profits were down on the corresponding period last year by £0.10m and £389,000 respectively. The second half result, sales of £7.79m and an operating loss of £74,000 represented an improvement over the first half but again profitability remained behind the corresponding period last year (2009: sales of £6.69m, profit of £113,000).

Gross margins fell 3.1% to 23.1% (2009: 26.2%) which resulted in a lower gross profit of £3.40m (2009: £3.60m). Key factors here were a shift in product mix (with £1.8m of additional lower added-value rail project sales in the year but with £0.8m fewer sales of higher added-value non-project products) combined with generally lower margins. Other operating expenses were £0.38m above last year at £3.77m (2009: £3.39m). Costs in the year included termination costs of £82,000 (2009: £13,000), share option costs at £47,000 (2009: £64,000) and defined benefit pension scheme expense at £nil (2009: £105,000) reflecting the decision to close the scheme to future accrual at the end of last year.

Within finance costs interest on borrowings rose in the year to £94,000 (2009: £91,000) reflecting higher average borrowings although marginally lower interest rates and the interest cost on pension scheme liabilities rose slightly to £582,000 (2009: £572,000) with the impact of the higher level of liabilities being compensated for by a lower discount rate. Finance income comprised the return on

pension scheme assets which was down at £589,000 (2009: £645,000) the consequence of lower expected long-term rates of return albeit on higher opening assets.

With a tax credit of £75,000 (2009: charge of £45,000) the loss for the year was £383,000 (2009: profit of £142,000) representing basic loss per share of 3.35p (2009: earnings of 1.24p).

Balance sheet

At the end of the year shareholders' funds were £3.96m (2009: £4.47m) giving a net asset value per ordinary share of 34.6p (2009: 39.0p). The tangible net asset value per share, calculated excluding intangible assets and the net pension liability from the calculation, was 24.7p (2009: 28.6p).

Property, plant and equipment at 30 September was £1.79m (2009: £2.03m) of which property made up £0.81m and plant and equipment £0.98m. Additions, which remain focused in the areas of production and engineering, were £83,000 (2009: £249,000) and the depreciation charge for the year was £323,000 (2009: £328,000). The carrying value of the Group's freehold properties does not reflect any redevelopment upside.

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables, provisions and current tax) increased to £2.84m (2009: £2.62m) reflecting the higher year on year final quarter trading.

Net debt rose £0.48m over the year to £1.88m and gearing worsened to 47.5% (2009: 31.3%).

Intangible assets which total £1.33m (2009: £1.29m) comprise goodwill and capitalised development costs. Goodwill was unchanged at £1.23m (2009: £1.23m) and largely relates to the Group's investment in Excil Electronics: there was no impairment charge in the year (2009: £nil). Capitalised development costs at the end of the year were £96,000 (2009: £59,000) and relate to the development of LED lighting products.

The pension liability included in the balance sheet, net of deferred tax, was £199,000 (2009: £97,000). The change comprised an actuarial loss of £107,000 (2009: £505,000) recognised in the statement of comprehensive income, plus £5,000 credited to the income statement (2009: charge

FINANCIAL REVIEW

of £44,000), less £nil (2009: £74,000) of contributions received. The overall actuarial loss of £107,000 (2009: £505,000) resulted from the impact of changes to financial assumptions of £575,000 (2009: £250,000) less an experience gain on liabilities of £157,000 (2009: loss of £550,000) less a better than expected asset return of £311,000 (2009: £295,000).

Cash flow

The weak trading performance combined with higher levels of working capital at the year end meant that there was a cash absorption from operating activities of £185,000. With tax paid of £36,000 (2009: £nil) net cash absorbed from operating activities was £221,000 (2009: generation of £871,000).

Capital expenditure was limited to £83,000 (2009: £249,000), asset disposal proceeds were £1,000 (2009: £75,000) and development expenditure capitalised in the year amounted to £42,000 (2009: £60,000).

Debt repayments were in line with last year at £408,000 (2009: £403,000), interest payments on borrowings increased to £86,000 (2009: £80,000) but dividend payments were lower at £46,000 (2009: £103,000) following the decision not to pay an interim dividend.

Overall there was a net decrease in the cash position of £885,000 (2009: increase of £51,000).

Net debt

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

	Bank loan	Finance lease obliga- tions	Cash & cash equiva- lents	Net debt
	£'000	£'000	£'000	£'000
At 1 October 2009	938	370	91	1,399
Cash absorbed	-	-	477	477
Repayment of borrowings	(291)	(117)	408	-
Other non-cash items	8	-	-	8
At 30 September 2010	655	253	976	1,884

The bank loan is repayable in 9 quarterly instalments of £73,000 the last being in October 2012, the finance lease obligations are repayable over the next three years, and the bank overdraft of £0.98m (2009: £0.09m) is repayable on demand. At the year-end the Group was holding minimal cash and had £1.02m (2009: £0.91m) of un-drawn overdraft facilities available to it.

Subsequent to the year end the Group has re-negotiated its working capital facilities through to the end of December 2011. These total £3.2m (previously £2.8m) and provide for an overdraft limit of £2.5m (previously: £2.0m) an unchanged guarantee limit of £0.6m and a forward exchange contract facility limit of £0.1m (previously £0.2m). Interest is payable on the overdraft facility at 2.5% over base rate on balances up to £2.0m and at 3.0% thereafter (previously 2.5% on the whole facility).

Treasury

The Group's treasury policy operates within approved Board guidelines and has not changed since 2009. 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
27 January 2011

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 30 September 2010.

Results and dividends

The loss for the year amounted to £383,000 (2009: profit of £142,000). The directors recommend the payment of a final ordinary dividend of 0.40p (2009: 0.40p), which together with the passed interim dividend (2009: 0.50p) makes a total for the year of 0.40p per share (2009: 0.90p).

Business review

The principal activities of the Group continue 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 Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 3 to 7. The information in all of these sections are incorporated by reference and form part of this business review.

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

Key performance indicators

The Group uses the below key performance indicators to assess the progression in its business: factors affecting them are discussed in the Chief Executive's Review and the Financial Review on pages 4 to 7.

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth being 0.90 in the current year (2009: 1.66, 2008: 1.01);
- Sales growth (the increase in year-on-year sales as a percentage of prior year sales) as a measure of current growth being 7.3% for the current year (2009: -9.1%; 2008: -9.4%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 23.1% in the current year (2009: 26.2%, 2008: 25.2%); and
- Net cash flow (net cash inflow before the repayment of borrowings and issue of equity) as a measure of cash generation being -£477,000 for the current year (2009: 454,000, 2008: £436,000).

Principal risks and uncertainties

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

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

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

Going concern

A statement regarding the going concern of the business is set out in accounting policies on page 24.

Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2010 representing 3 per cent or more of the issued share capital were:

	No. of shares	%
Mr Andrew Perloff	1,954,932	17.08%
Mr Michael Rusch (director)	808,000	7.06%
Mrs Ellen Rusch	804,044	7.02%
Mr Peter Pollock (director)	650,000	5.68%
Mrs Marilyn Porter	531,053	4.64%
Mrs Susan Thynne	426,674	3.73%
HSBC Global Custody Nominee (UK)	425,000	3.71%

Research and development

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

Charitable contributions

Contributions for charitable purposes during the year amounted to £1,351 (2009: £1,320).

Payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

DIRECTORS' REPORT (CONTINUED)

The Group does not have a formal standard which deals specifically with payment to suppliers. The Group had 68 days (2009: 64 days) purchases outstanding at 30 September 2010. The Company has minimal third party creditors.

Disclosure of information to auditors

At the date of making this report each of the Company's directors, as set out on page 2, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Directors and their interests

The current directors of the Company and brief biographical details are given on page 2. All directors served throughout the year. A statement of their remuneration and interests in the ordinary shares of the Company and share options are set out in the Remuneration Report. No director had any material interest in any contract with the Group. In accordance with the articles of association Michael Rusch retires by rotation at the forthcoming annual general meeting and, being eligible offers himself for re-election.

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the annual 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 elected to prepare financial statements for the Group accounts in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have elected to prepare the financial statements for the Company in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards for Group purposes and United Kingdom Accounting Standards for Company purposes have been followed subject to 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 and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 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 the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London, EC3N 4QN at 12 noon on Thursday 3 March 2011. The Notice of Meeting is set out on pages 65 and 66. 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 provide the authority of 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
27 January 2011

CORPORATE GOVERNANCE REPORT

Whilst it is not a requirement for AIM listed companies to comply with the corporate governance principles contained in the Combined Code, the Board has regard to those principles and its activities in the area of corporate governance are set out in the below report and in its Remuneration Report on pages 14 to 17.

There are areas where the Company is not in compliance with the Combined 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, and that the cost of further non-executive directors at this time would be disproportionate to the potential benefits. The Board is committed to reviewing compliance with the Combined Code regularly.

Board composition and responsibility

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

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

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

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

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

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

Board committees

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

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

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

Internal control

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

Through the procedures outlined above the Board has considered all significant aspects of internal control for the year to September 2010 and up to the date of this annual report.

Shareholder relationships

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

By order of the Board
Stephen Brett
 Secretary
 27 January 2011

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 Committee

The composition of the Remuneration Committee is described in the corporate governance report on page 12.

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, 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 65th birthday. As at 1 January 2011 Peter Pollock's annual salary was £158,340 (unchanged since January 2009) and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme. The Company makes a contribution of 12% of salary to his personal pension arrangement.

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 2011 his annual salary was £107,890 (unchanged since January 2009) and he is entitled to the provision of a car or allowance and private health insurance. In addition he

REMUNERATION REPORT

may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme. The Company makes a contribution of 12% of salary to his personal pension arrangement.

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 28 January 2010, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2013. As at 1 January 2011 he received fees of £22,510 per annum (unchanged since January 2009) 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 26 January 2011, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2014. As at 1 January 2011 he received fees of £19,510 per annum (unchanged since January 2009).

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 2010 £'000	Total 2009 £'000
Peter G Pollock	158	-	20	19	197	194
Stephen K Brett	108	-	13	13	134	120
	266	-	33	32	331	314
Michael Rusch	22	-	18	-	40	39
Per F Staehr	20	-	-	-	20	19
	308	-	51	32	391	372

REMUNERATION REPORT (CONTINUED)**Pension entitlement**

The pension scheme entitlements under the defined benefit scheme are as follows:

	Accrued pension at 30 September		Transfer value of accrued pension at 30 September		Increase in transfer value over the year £'000
	2010	2009	2010	2009	
	£'000	£'000	£'000	£'000	
Stephen K Brett	32	32	563	498	65

The entitlement shown is that which would be paid annually on retirement, based on service to, and final pensionable salary at September 2009, the point at which the scheme was closed to future accrual. Transfer values are calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 (v9.3).

Directors' shareholdings

Shareholdings of those serving at the year end were:

	Number of ordinary shares		
	1 October 2009	30 September 2010	31 December 2010
Michael Rusch	808,000	808,000	808,000
Peter G Pollock	650,000	650,000	650,000
Stephen K Brett	85,000	97,500	97,500
Per F Staehr	50,000	115,000	115,000

In the period Per Staehr purchased 65,000 shares at an average price of 30.9p and Stephen Brett purchased 12,500 shares at a price of 27.0p.

REMUNERATION REPORT (CONTINUED)

Directors' interests in share options

	At 1 October 2009	At 30 September 2010	Option price	Earliest exercise date	Latest exercise date
Peter G Pollock					
1997 Unapproved Share Option Scheme	100,000	100,000	59p	29 Mar 2004	28 Mar 2011
1997 Unapproved Share Option Scheme	75,000	75,000	32p	31 Jan 2005	30 Jan 2012
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
	<u>750,000</u>	<u>750,000</u>			
Stephen K Brett					
1997 Unapproved Share Option Scheme	100,000	100,000	59p	29 Mar 2004	28 Mar 2011
1997 Unapproved Share Option Scheme	75,000	75,000	32p	31 Jan 2005	30 Jan 2012
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
	<u>425,000</u>	<u>425,000</u>			

No options were granted or lapsed during the year.

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

Per Staehr

Chairman of the Remuneration Committee
27 January 2011

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 2010 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 10, 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 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 audited financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the audited 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 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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.

Alison Seekings

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Cambridge, England
27 January 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Revenue	2	14,716	13,715
Cost of sales		(11,315)	(10,120)
Gross profit		<u>3,401</u>	<u>3,595</u>
Distribution costs		(1,488)	(1,413)
Administrative expenses		(2,284)	(1,977)
Operating (loss) / profit		<u>(371)</u>	<u>205</u>
Finance costs	4	(676)	(663)
Finance income	5	589	645
(Loss) / profit before tax	6	<u>(458)</u>	<u>187</u>
Taxation	7	75	(45)
(Loss) / profit for the year		<u>(383)</u>	<u>142</u>
(Loss) / earnings per share	8		
Basic		(3.35p)	1.24p
Diluted		(3.35p)	1.24p

All activities are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
(Loss) / profit for the year		<u>(383)</u>	<u>142</u>
Cash flow hedges:			
(Losses) / gains taken to equity		(10)	74
Transferred to (loss) / profit for the year		(13)	(60)
Tax on cash flow hedges		8	(4)
Actuarial loss on pension scheme	20	(148)	(702)
Tax on actuarial loss	17	41	197
Other comprehensive expense net of tax		<u>(122)</u>	<u>(495)</u>
Total comprehensive expense for the year		<u>(505)</u>	<u>(353)</u>
Attributable to:			
-Equity holders of the parent		<u>(505)</u>	<u>(353)</u>

CONSOLIDATED BALANCE SHEET

At 30 September 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Intangible assets	9	1,330	1,293
Property, plant and equipment	10	1,791	2,031
Deferred tax assets	17	218	135
		<u>3,339</u>	<u>3,459</u>
Current assets			
Inventories	11	2,473	2,495
Trade and other receivables	12	3,405	2,822
Current tax receivable		18	-
Cash and cash equivalents		5	2
		<u>5,901</u>	<u>5,319</u>
Total assets		<u>9,240</u>	<u>8,778</u>
Current liabilities			
Bank overdraft	14	(981)	(93)
Bank loans and other borrowings	14	(407)	(402)
Current tax payable		-	(40)
Trade and other payables	13	(3,027)	(2,630)
		<u>(4,415)</u>	<u>(3,165)</u>
Non-current liabilities			
Bank loans and other borrowings	14	(501)	(906)
Provisions	16	(5)	(5)
Retirement benefits	20	(276)	(135)
Deferred tax liabilities	17	(54)	(73)
Other payables	13	(25)	(26)
		<u>(861)</u>	<u>(1,145)</u>
Total liabilities		<u>(5,276)</u>	<u>(4,310)</u>
Net assets		<u>3,964</u>	<u>4,468</u>
Equity			
Share capital	18	1,145	1,145
Share premium account		365	365
Un-issued shares reserve		192	145
Revaluation reserve		308	309
Merger reserve		230	230
Retained earnings		1,724	2,274
Equity attributable to shareholders of the parent		<u>3,964</u>	<u>4,468</u>

The financial statements were approved by the Board on 27 January 2011 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 2010

2010	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2009	1,145	365	145	309	230	2,274	4,468
Loss for the year	-	-	-	-	-	(383)	(383)
Cash flow hedges	-	-	-	-	-	(15)	(15)
Other comprehensive expense	-	-	-	-	-	(107)	(107)
Total comprehensive expense	-	-	-	-	-	(505)	(505)
Dividends	-	-	-	-	-	(46)	(46)
Share-based payments	-	-	47	-	-	-	47
Transfer	-	-	-	(1)	-	1	-
Transactions with owners	-	-	47	(1)	-	(45)	1
At 30 September 2010	1,145	365	192	308	230	1,724	3,964

2009	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2008	1,145	365	81	310	230	2,729	4,860
Loss for the year	-	-	-	-	-	142	142
Cash flow hedges	-	-	-	-	-	10	10
Other comprehensive expense	-	-	-	-	-	(505)	(505)
Total comprehensive expense	-	-	-	-	-	(353)	(353)
Dividends	-	-	-	-	-	(103)	(103)
Share-based payments	-	-	64	-	-	-	64
Transfer	-	-	-	(1)	-	1	-
Transactions with owners	-	-	64	(1)	-	(102)	(39)
At 1 October 2009	1,145	365	145	309	230	2,274	4,468

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2010

	2010	2009
	£'000	£'000
(Loss) / profit for the year	(383)	142
Finance costs	676	663
Finance income	(589)	(645)
Income tax	(75)	45
Operating (loss) / profit	(371)	205
<i>Adjustments for:</i>		
Depreciation	323	328
Amortisation of intangible assets	5	1
(Gain) / loss on sale of property, plant and equipment	(1)	6
Derivative financial instruments	-	(2)
Non-cash charge for equity-settled share-based payments	47	64
Retirement benefits	-	31
	3	633
<i>Movements in working capital:</i>		
Change in inventories	22	(301)
Change in trade and other receivables	(610)	379
Change in trade and other payables	400	160
Cash generated from operations	(185)	871
Income tax paid	(36)	-
Net cash from operating activities	(221)	871
Purchase of property, plant and equipment	(83)	(249)
Proceeds from sale of property, plant and equipment	1	75
Capitalised development expenditure	(42)	(60)
Net cash from investing activities	(124)	(234)
Repayment of bank loans	(291)	(291)
Repayment of obligations under finance leases	(117)	(112)
Interest paid	(86)	(80)
Dividends paid	(46)	(103)
Net cash from financing activities	(540)	(586)
Net (decrease) / increase in cash and cash equivalents	(885)	51
Cash and cash equivalents at start of year	(91)	(142)
Cash and cash equivalents at end of year	(976)	(91)
	2010	2009
	£'000	£'000
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in current assets	5	2
Bank overdraft in current liabilities	(981)	(93)
Cash and cash equivalents at end of year	(976)	(91)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies**A. Basis of preparation**

The consolidated financial statements have been prepared using the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU and applicable law (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 above and in the Chairman's Statement and the Chief Executive's Review on pages 3 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 6 to 7. In addition the Group's treasury policy, its approach to the management of financial risk, and in particular its exposure to liquidity and credit risks are outlined in note 15.

Whilst current economic conditions create uncertainty and notwithstanding the poor trading performance in the current year, as (i) the Group has recently renewed its working capital facilities until the end of December 2011; (ii) its order book remains strong; (iii) significant opportunities remain within its market place; and (iv) it has proven adaptable in past periods of adversity, the directors believe that the Group is well placed to manage its business risks successfully.

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

C. Changes in accounting policies

In the current financial year, the Group has adopted International Financial Reporting Standard 8 "Operating Segments" and International Accounting Standard 1 "Presentation of Financial Statements" (revised).

IFRS8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. This standard replaces IAS14 "segment reporting" that required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's internal management reporting to key management personnel servicing only as a guide to the identification of such segments. Following the adoption of IFRS8, there is no change in the disclosure of the reportable segments as there continues to be one reportable segment under the criteria set out in IFRS8.

IAS1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity is included within the financial statements rather than the notes to the financial statements. In addition, the revised standard requires the presentation of a third balance sheet in respect of changes in accounting policies which are applied retrospectively on adoption of new policies which require retrospective changes. The presentation of a third balance sheet is deemed unnecessary by the Directors because the 2008 numbers are unchanged from those previously presented.

Other amendments and interpretations are also effective for the first time in the current period but have had no impact on the results or financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)**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 2010 and have not been adopted early:

- IFRS9 "Financial Instruments" (effective 1 January 2013)
- IAS24 "Related Party Disclosures" (revised 2009) (effective 1 January 2011)
- Amendments to IFRIC14 "Prepayments of a Minimum Funding Requirement" (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Amendments to IFRS7 "Financial Instruments: Disclosures" - Transfers of Financial Assets (effective 1 July 2011)
- Amendment to IAS12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012)

The adoption of the above will not have a significant impact on the financial statements.

E. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together the "Group"). Subsidiaries are those entities over which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. The Company obtains and exercises control through voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to until 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 purchase method. The purchase 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 acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

F. Intangible assets*Goodwill*

Goodwill representing the excess of the cost of acquisition 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.

Goodwill arising on acquisitions after 1 January 1998 was previously capitalised as an intangible asset and amortised on a straight-line basis over a maximum 20 years. The un-amortised goodwill under UK GAAP at 30 September 2006 became the opening goodwill under the Group's transition to IFRS on 1 October 2006.

On transition to IFRS the Group took advantage of exemptions from the requirement to record separately identifiable intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)**F. Intangible assets (continued)***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 from the date the product or process is available for use, on a straight line basis over its estimated useful life. The useful life for the development costs capitalised at the current year-end is 5 years.

G. Property, plant and equipment

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

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

reserves on impairment, depreciation or disposal of the relevant properties.

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

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

Residual values are reviewed annually.

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

H. Leased assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)**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.

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 statement of cash flows.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 equity (through retained earnings). The gain or loss relating to the ineffective portion of a cash flow hedge is recognised immediately in the income statement. Amounts accumulated in equity are transferred 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 reported in equity is immediately transferred to the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)**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 charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

O. Revenue

Revenue comprises the invoiced value of goods and services supplied 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.

Where a project combines a supply of goods with the provision of a service, the revenue from the provision of the service is recognised separately from the revenue from the sale of the goods. Service revenues are generally recognised on the achievement of milestones in accordance with specific contractual agreements.

P. Employee benefits*Equity-settled share-based payments*

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

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

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

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

Defined contribution pension plans

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)**P. Employee benefits (continued)***Defined benefit pension scheme*

The Group's defined benefit pension scheme is closed to future accrual. The ongoing net obligation 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 from this the fair value of plan assets are deducted. 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. The retirement benefit liability is shown within non-current liabilities and the related deferred tax asset within non-current assets on the balance sheet.

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

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

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

Short-term compensated absences

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

Q. 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 liability 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 discount rates, estimated rates of return on assets, mortality rates, 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Operating Segment

All of the Group's operations and activities are based in the United Kingdom and for management purposes comprise a single operating segment: it is on this basis that the Chief Executive 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 2010 the loss before tax on a UK GAAP basis was £488,000 (2009: profit of £118,000) as compared to a loss of £458,000 (2009: profit of £187,000) on an IFRS basis. The difference between the two bases was £30,000 (2009: £69,000) and principally relates to the capitalising and subsequent amortisation of research and development expenditure under IFRS: this represented £37,000 of the difference in 2010 and £59,000 in 2009.

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

	2010	2009
	£'000	£'000
United Kingdom	10,429	10,749
Rest of Europe	1,624	1,330
Rest of World	2,663	1,636
	<u>14,716</u>	<u>13,715</u>

Two individual customers, or groups of customers, each represent more than 10% of Group revenue. Revenue of £1.72m (2009: £1.16m) is derived from the first of these with £1.56m (2009: £1.09m) included within the United Kingdom and £0.16m (2009: £0.07m) within the Rest of Europe geographical markets. Revenue of £1.51m (2009: £0.46m) is derived from the second, all of which is included within the Rest of World geographical market.

3. Employee Information

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

	2010	2009
	No	No
Production	114	119
Sales and distribution	27	25
Administration	24	22
	<u>165</u>	<u>166</u>

The employee benefit expense for the year amounted to:

	2010	2009
	£'000	£'000
Wages and salaries	4,235	3,934
Social security costs	429	399
Pension costs (note 20)	157	197
Share-based payments (note 19)	47	64
	<u>4,868</u>	<u>4,594</u>

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

NOTES TO THE FINANCIAL STATEMENTS

4. Finance Costs

	2010	2009
	£'000	£'000
Bank loans and overdrafts	62	48
Hire purchase contracts	24	32
Amortisation of bank loan issue costs	8	11
Interest costs on pension scheme liabilities (note 20)	582	572
Finance costs	<u>676</u>	<u>663</u>

5. Finance Income

	2010	2009
	£'000	£'000
Return on pension scheme assets (note 20)	<u>589</u>	<u>645</u>

6. (Loss) / Profit Before Tax

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

	2010	2009
	£'000	£'000
Depreciation	323	328
Amortisation of intangible assets	5	1
(Gain) / loss on sale of property, plant and equipment	(1)	6
Operating lease rentals - plant and equipment	144	146
Operating lease rentals - property	178	178
Foreign exchange losses / (gains)	9	(238)
Research and development expenditure	327	319
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	10
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the Company's subsidiaries pursuant to legislation	33	31
- tax services	10	15
	<u>10</u>	<u>15</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Taxation

	2010	2009
	£'000	£'000
A. Recognised in the income statement		
Current tax expense		
UK corporation tax	-	40
UK corporation tax - adjustment in respect of previous years	(22)	-
Deferred taxation		
Net origination and reversal of temporary differences	(53)	5
Total income tax (credit) / expense	(75)	45
	2010	2009
	£'000	£'000
B. Reconciliation of effective tax rate		
(Loss) / profit before tax	(458)	187
Tax at the UK corporation tax rate of 28% (2009: 28%)	(128)	53
Effects of:		
- Unrelieved / (utilised) tax losses	13	(32)
- Disallowed expenditure	9	22
- Share costs	13	18
- Other differences	10	(3)
- Tax rate adjustment	8	(13)
Total income tax (credit) / expense	(75)	45
	2010	2009
	£'000	£'000
C. Deferred tax recognised directly in equity		
On cash flow hedges	(8)	4
On actuarial gains	(41)	(197)
	(49)	(193)

8. (Loss) / Earnings Per Share

The calculation of earnings per share is based upon the loss for the year of £383,000 (2009: profit of £142,000) and the weighted average number of ordinary shares in issue during the year of 11.448m (2009: 11.448m). Due to losses in the current year no dilution arises and diluted earnings per share is therefore shown as the same as basic earnings per share. Last year the weighted average number of ordinary shares diluted for the effect of outstanding share options was 11.463m.

	2010		2009		
	Earnings	Weighted	Earnings	Weighted	Earnings
	£'000	average	£'000	average	per
		number of		number of	share
		shares		shares	per
		Million		Million	share
					Pence
Basic earnings per share	(383)	11.448	142	11.448	1.24
Effect of share options	-	-	-	0.015	-
Diluted earnings per share	(383)	11.448	142	11.463	1.24

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible Assets

	Goodwill			Capitalised development costs			Total carrying amount £'000
	Cost £'000	Accumulated impairment losses £'000	Carrying amount £'000	Cost £'000	Amortisation £'000	Carrying amount £'000	
At 1 October 2008	1,234	-	1,234	-	-	-	1,234
Additions	-	-	-	60	-	60	60
Amortisation for year	-	-	-	-	1	(1)	(1)
At 1 October 2009	1,234	-	1,234	60	1	59	1,293
Additions	-	-	-	42	-	42	42
Amortisation for year	-	-	-	-	5	(5)	(5)
At 30 September 2010	1,234	-	1,234	102	6	96	1,330

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 relates to the investment in its subsidiaries Excil Electronics and Haswell Engineers.

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

Initial cash flows reflect the most recent plans approved by management. They are based on past experience and take into account management expectations of future developments in markets and operations. The initial cash flows covered the first three years of the projections: thereafter cash flow projections were extrapolated into perpetuity at a growth rate of 2.0% (2009: 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% (2009: 12.0%), a pre-tax rate that reflects an assessment of the time value of money and the risks specific to the cash-generating units concerned.

The recoverable amounts of the cash-generating units were in excess of their carrying value and 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.

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

NOTES TO THE FINANCIAL STATEMENTS

10. Property, Plant and Equipment

	Freehold land & buildings £'000	Plant, vehicles & equipment £'000	Total £'000
Cost			
At 1 October 2008	1,014	6,636	7,650
Additions	-	249	249
Disposals	-	(564)	(564)
At 1 October 2009	1,014	6,321	7,335
Additions	-	83	83
Disposals	-	(45)	(45)
At 30 September 2010	1,014	6,359	7,373
Depreciation			
At 1 October 2008	176	5,283	5,459
Charge for the year	12	316	328
Disposals	-	(483)	(483)
At 1 October 2009	188	5,116	5,304
Charge for the year	11	312	323
Disposals	-	(45)	(45)
At 30 September 2010	199	5,383	5,582
Net carrying amount			
At 30 September 2010	815	976	1,791
At 30 September 2009	826	1,205	2,031

Included within plant, vehicles and equipment is £442,000 (2009: £528,000) in respect of assets acquired under finance leases. Depreciation for the year in respect of these assets was £52,000 (2009: £70,000).

NOTES TO THE FINANCIAL STATEMENTS

11. Inventories

	2010	2009
	£'000	£'000
Raw materials and consumables	756	752
Work in progress	872	864
Finished goods and goods for resale	845	879
	<hr/>	<hr/>
	2,473	2,495
	<hr/> <hr/>	<hr/> <hr/>

In 2010 the cost of inventories recognised as an expense within cost of sales amounted to £11,309,000 (2009: £10,012,000). This included the write-down of inventories to net realisable value of £113,000 (2009: £128,000), and write-down utilisation of £131,000 (2009: £205,000).

12. Trade and Other Receivables

	2010	2009
	£'000	£'000
Trade receivables	3,178	2,604
Other receivables	28	7
Prepayments and accrued income	199	184
Other financial assets	-	27
	<hr/>	<hr/>
	3,405	2,822
	<hr/> <hr/>	<hr/> <hr/>

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

	2010	2009
	£'000	£'000
Current		
Trade payables	2,150	1,780
Social security and other taxes	337	318
Other payables	129	93
Accruals and deferred income	396	420
Other financial liabilities	15	19
	<u>3,027</u>	<u>2,630</u>
Non-current		
Other payables	<u>25</u>	<u>26</u>

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

14. Borrowings

	2010	2009
	£'000	£'000
Current		
Bank overdraft	<u>981</u>	<u>93</u>
Bank loan	291	283
Finance lease obligations	116	119
Bank loans and other borrowings	<u>407</u>	<u>402</u>
Non-current		
Bank loan	364	655
Finance lease obligations	137	251
Bank loans and other borrowings	<u>501</u>	<u>906</u>
Total borrowings	<u>1,889</u>	<u>1,401</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

14. Borrowings (continued)**Bank loan**

The £0.65 million bank loan is repayable in 9 quarterly instalments of £73,000 commencing in October 2010. In the year interest was payable at 1.50% over base rate.

The following security is provided to the bank: (i) first and only legal charge over each freehold and leasehold property owned by the Group; (ii) first debenture from each Group company; (iii) a composite Guarantee by each Group company (as guarantor) in favour of the Bank; and (iv) an assignment of Key-man Insurance on the life of Peter Pollock of £250,000.

The bank loan is stated net of £Nil (2009: £8,000) of issue costs.

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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Within one year	132	143	116	119
Within two to five years	144	274	137	251
	<u>276</u>	<u>417</u>	<u>253</u>	<u>370</u>
Future finance charges	(23)	(47)		
Present value of finance lease obligations	<u>253</u>	<u>370</u>		

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. The Group uses a number of measures to monitor the efficiency of its capital structure, including net debt as a % of equity, net debt to EBITDA and EBITDA to interest on borrowings. 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.

Currency exposures

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

	2010			2009		
	Cash and cash equivalents	Other net monetary assets and liabilities	Total net monetary assets and liabilities	Cash and cash equivalents	Other net monetary assets and liabilities	Total net monetary assets and liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	439	45	484	529	39	568
US Dollar	43	-	43	127	(9)	118
Other	-	11	11	-	-	-
	482	56	538	656	30	686

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)

C. Currency risk (continued)

Derivative financial instruments

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

	2010		2009	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward exchange contracts - cash flow hedges	-	15	27	19

At 30 September 2010 the Group had commitments under non-cancellable forward exchange contracts totalling £253,000 (2009: £887,000) taken out to hedge foreign currency sales and purchases. The cash flows associated with these hedges and any impact upon income is expected to occur within the next financial year.

Sensitivity

At 30 September 2010 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:

	2010		2009	
	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	54	24	63	86
Sterling strengthens by 10% against the euro	(44)	(20)	(52)	(71)

D. Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)**D. Interest rate risk (continued)***Interest rate risk profile*

Interest rates are managed by using fixed and floating rate borrowings. Floating rate liabilities comprise bank loans and overdrafts which in the year were subject to interest rates in the range 1.5% to 2.5% over base rate. 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 7.0% (2009: 7.0%).

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

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

	2010	2009
	£'000	£'000
Floating rate		
Cash and cash equivalents	5	2
Bank overdraft	(981)	(93)
Bank loan	(655)	(938)
	<u>(1,631)</u>	<u>(1,029)</u>
Fixed rate		
Finance lease obligations	<u>(253)</u>	<u>(370)</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 2010 and 2009, with all other variables held constant the pre-tax profit would have been lower by £23,000 (2009: £16,000).

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 principally funded through a medium-term bank loan with significant items of capital expenditure acquired under finance leases: short-term flexibility is achieved through the use of overdraft facilities.

At the end of the year the Group had undrawn committed facilities of £1.02m (2009: £0.91m) and was holding minimal cash and cash equivalents.

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.

2010	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 4 years £'000	Between 4 and 5 years £'000	Over 5 years £'000	Total £'000
Bank overdraft	981	-	-	-	-	-	981
Bank loan	291	291	73	-	-	-	655
Finance lease obligations	132	107	37	-	-	-	276
Borrowings	1,404	398	110	-	-	-	1,912
Trade and other payables	2,546	-	-	-	-	-	2,546
Forward exchange contracts	15	-	-	-	-	-	15
	3,965	398	110	-	-	-	4,473

2009	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 4 years £'000	Between 4 and 5 years £'000	Over 5 years £'000	Total £'000
Bank overdraft	93	-	-	-	-	-	93
Bank loan	291	291	291	73	-	-	946
Finance lease obligations	143	130	107	37	-	-	417
Borrowings	527	421	398	110	-	-	1,456
Trade and other payables	2,200	-	-	-	-	-	2,200
Forward exchange contracts	19	-	-	-	-	-	19
	2,746	421	398	110	-	-	3,675

Un-drawn committed facilities

The Group's only un-drawn committed borrowing facility at 30 September 2010 and 30 September 2009 was its bank overdraft expiring in one year or less. The un-drawn amount at 30 September 2010 was £1.02 million (2009: £0.91 million).

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 2010 these totalled £3.18m (2009: £2.63m). The Group held no collateral as security against trade receivables.

The concentration of credit risk is sensitive to the timing of larger projects. The Group's most significant customer accounted for 14.5% of trade receivables at September 2010 (2009: 15.9%).

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:

	2010		2009	
	Gross	Impairment	Gross	Impairment
	£'000	£'000	£'000	£'000
Not past due	2,026	(5)	1,564	(4)
Past due 1-30 days	898	(5)	705	(2)
Past due 31-90 days	193	(2)	301	(1)
Past due 91 days to less than a year	80	(7)	66	(25)
	<u>3,197</u>	<u>(19)</u>	<u>2,636</u>	<u>(32)</u>

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

	2010	2009
	£'000	£'000
Balance at start of the year	32	33
Impairment gain recognised	(13)	(1)
Balance at end of the year	<u>19</u>	<u>32</u>

The impairment gain recognised of £13,000 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.

2010	Derivatives at fair value £'000	Amortised cost £'000	Total carrying value £'000	Fair value £'000
Financial assets				
Trade and other receivables	-	3,178	3,178	3,178
Cash and cash equivalents	-	5	5	5
	-	3,183	3,183	3,183
Financial liabilities				
Bank overdraft	-	(981)	(981)	(981)
Bank loan	-	(655)	(655)	(655)
Borrowings	-	(1,636)	(1,636)	(1,636)
Trade and other payables	-	(2,546)	(2,546)	(2,546)
Derivative financial instruments	(15)	-	(15)	(15)
	(15)	(4,182)	(4,197)	(4,197)
Net financial liabilities	(15)	(999)	(1,014)	(1,014)
2009				
	Derivatives at fair value £'000	Amortised cost £'000	Total carrying value £'000	Fair value £'000
Financial assets				
Trade and other receivables	-	2,604	2,604	2,604
Cash and cash equivalents	-	2	2	2
Derivative financial instruments	27	-	27	27
	27	2,606	2,633	2,633
Financial liabilities				
Bank overdraft	-	(93)	(93)	(93)
Bank loan	-	(938)	(938)	(938)
Borrowings	-	(1,031)	(1,031)	(1,031)
Trade and other payables	-	(2,200)	(2,200)	(2,200)
Derivatives financial instruments	(19)	-	(19)	(19)
	(19)	(3,231)	(3,250)	(3,250)
Net financial liabilities	8	(625)	(617)	(617)

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

	2010 £'000	2009 £'000
Non-current		
At 1 October 2009 and 30 September 2010	5	5

The dilapidations provision arises out of a contractual obligation in relation to the property out of which Haswell Engineers Limited operates.

17. Deferred Tax

	Property, plant and equipment £'000	Retirement benefits £'000	Tax losses £'000	Other £'000	Total £'000
At 1 October 2008	(56)	(147)	36	41	(126)
Recognised in income	33	(12)	(2)	(24)	(5)
Recognised in equity	-	197	-	(4)	193
At 1 October 2009	(23)	38	34	13	62
Recognised in income	56	(2)	12	(13)	53
Recognised in equity	-	41	-	8	49
At 30 September 2010	33	77	46	8	164

Deferred tax assets of £187,000 (2009: £139,000) have not been recognised in respect of unrelieved tax losses because of uncertainty over the timing of their recoverability. The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

17. Deferred Tax (continued)

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

	Property, plant and equipment £'000	Retirement benefits £'000	Tax losses £'000	Other £'000	Total £'000
At 30 September 2010					
Deferred tax assets	60	77	46	35	218
Deferred tax liabilities	(27)	-	-	(27)	(54)
	<u>33</u>	<u>77</u>	<u>46</u>	<u>8</u>	<u>164</u>
At 30 September 2009					
Deferred tax assets	26	38	34	37	135
Deferred tax liabilities	(49)	-	-	(24)	(73)
	<u>(23)</u>	<u>38</u>	<u>34</u>	<u>13</u>	<u>62</u>

18. Equity**Share capital**

	2010		2009	
	Number	£'000	Number	£'000
Authorised	15,000,000	1,500	15,000,000	1,500
Issued and fully paid				
In issue at the start and end of the year	<u>11,448,229</u>	<u>1,145</u>	<u>11,448,229</u>	<u>1,145</u>

The market price of the Company's shares on 30 September 2010 was 32.0p per share (2009: 38.0p per share) and the price range during the year was 22.5p to 40.0p (2009: 25.0p to 46.0p).

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

	2010 £'000	2009 £'000
Proposed - final 0.40p per share (2009: 0.40p)	46	46

Dividends

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

	2010 £'000	2009 £'000
Final - in respect of preceding year 0.40p per share (2009: 0.40p)	46	46
Interim - in respect of current year Nil per share (2009: 0.50p)	-	57
	<u>46</u>	<u>103</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.

Revaluation reserve

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

Merger reserve

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

NOTES TO THE FINANCIAL STATEMENTS

19. Share Based Payments

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

The 1997 Unapproved Share Option scheme: The option price for grants under this scheme is the average of the market price on the three consecutive dealing days preceding the date of the grant. Options will normally be exercisable between three and ten years following grant: 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.

Options to subscribe for ordinary shares of 10p each under the various schemes are as follows:

Scheme	Date of grant	Price	Dates when exercisable	Number of options	
				2010	2009
1997 Unapproved Share Option Scheme	Mar 2001	59p	29 Mar 2004 to 28 Mar 2011	200,000	200,000
	Jul 2001	56p	01 Aug 2004 to 31 Jul 2011	-	5,000
	Jan 2002	32p	31 Jan 2005 to 30 Jan 2012	152,000	157,000
	Feb 2003	13p	20 Feb 2006 to 19 Feb 2013	5,000	5,000
	Mar 2003	15p	14 Mar 2006 to 13 Mar 2013	5,000	5,000
	Feb 2006	19p	20 Feb 2009 to 19 Feb 2016	5,000	5,000
	Mar 2007	39p	08 Mar 2010 to 07 Mar 2017	288,000	328,000
2007 Employee Share Option Scheme	Jul 2007	36p	31 Jul 2010 to 30 Jul 2017	1,085,000	1,120,000
	Feb 2009	32p	26 Feb 2012 to 25 Feb 2019	5,000	5,000

NOTES TO THE FINANCIAL STATEMENTS

19. Share Based Payments (continued)

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

	2010		2009	
	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)	Number of options
Outstanding at the beginning of the year	38.6	1,830,000	38.6	1,825,000
Granted during the year	-	-	32.0	5,000
Exercised during the year	-	-	-	-
Lapsed during the year	38.4	(85,000)	-	-
Outstanding at the end of the year	38.6	1,745,000	38.6	1,830,000
Exercisable at the end of the year	38.6	1,740,000	46.0	377,000

The options outstanding at the end of the year have an exercise price in the range of 13p to 59p and a weighted average contractual life of 5.5 years (2009: 6.5 years).

No options were granted during the year.

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 estimate of the fair value of the services received is measured using the Black-Scholes pricing model.

The Group recognised a share-based remuneration expense in the year of £47,000 (2009: £64,000).

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 £131,000 (2009: £92,000).

B. Defined benefit scheme

The Group also operates a defined benefit pension arrangement which ceased to accrue benefits from 30 September 2009. A full actuarial valuation was carried out as at 1 April 2009 and this has been updated to 30 September 2010 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown on page 52.

Total contributions made by the employer in the year were £nil (2009: £74,000).

NOTES TO THE FINANCIAL STATEMENTS

20. Employee Benefits (continued)**Present value of defined benefit obligations, fair value of assets and surplus**

	2010 £'000	2009 £'000	2008 £'000
Fair value of scheme assets	10,979	10,577	9,971
Present value of defined benefit obligations	(11,255)	(10,712)	(9,446)
(Liability) / asset to be recognised	<u>(276)</u>	<u>(135)</u>	<u>525</u>

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

	2010 £'000	2009 £'000
Defined benefit obligation at start of the year	10,712	9,446
Current service cost	-	261
Interest cost	582	572
Contributions by scheme participants	-	32
Actuarial losses	580	1,112
Benefits paid, death in service insurance premiums and expenses	(619)	(555)
Gain on curtailment	-	(156)
Defined benefit obligation at end of the year	<u>11,255</u>	<u>10,712</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	2010 £'000	2009 £'000
Fair value of scheme assets at start of the year	10,577	9,971
Expected return on scheme assets	589	645
Actuarial gains	432	410
Contributions by employer	-	74
Contributions by scheme participants	-	32
Benefits paid, death in service insurance premiums and expenses	(619)	(555)
Fair value of scheme assets at end of the year	<u>10,979</u>	<u>10,577</u>

The actual return on the scheme assets over the year was £1,021,000 (2009: £1,055,000).

Total income / (expense) recognised in the income statement

	2010 £'000	2009 £'000
Within administration expense:		
- current service cost	-	(261)
- gain on curtailment	-	156
	<u>-</u>	<u>(105)</u>
Within finance costs and finance income:		
- expected return on scheme assets	589	645
- interest cost	(582)	(572)
	<u>7</u>	<u>73</u>
Total income / (expense) recognised in the income statement	<u>7</u>	<u>(32)</u>

Losses recognised in the consolidated statement of comprehensive income

	2010 £'000	2009 £'000
Actual return less expected return on scheme assets	432	410
Experience gains and losses arising on the defined benefit obligations	218	(765)
Effect of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligations	(798)	(347)
Loss recognised in the statement of comprehensive income	<u>(148)</u>	<u>(702)</u>

NOTES TO THE FINANCIAL STATEMENTS

20. Employee benefits (continued)**Assumptions**

	2010	2009	2008
	% per annum	% per annum	% per annum
Inflation	3.30	3.20	3.90
Salary increases	n/a	n/a	4.40
Rate of discount	5.10	5.60	6.10
Allowance for pension in payment increases of RPI or 2.5% pa if less	2.50	2.50	2.50
Allowance for pension in payment increases of RPI or 3.0% pa if less	3.00	3.00	3.00
Allowance for pension in payment increases of RPI or 5.0% pa if less	3.30	3.20	3.90
Allowance for revaluation of deferred pensions of RPI or 5.0% if less	3.30	3.20	3.90
Allowance for commutation of pension for cash at retirement	80% of post A Day	None	None

The mortality assumptions adopted at 30 September 2010 imply the following life expectancies:

	Years
Male retiring at age 65 in 2010:	24.0
Female retiring at age 65 in 2010:	26.4
Male retiring at age 65 in 2030:	26.0
Female retiring at age 65 in 2030:	28.3

Expected long term rates of return

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

	01/10/10	01/10/09	01/10/08
	% per annum	% per annum	% per annum
Equities	6.80	7.00	7.70
Bonds	5.00	5.00	6.10
Index-linked gilts	3.80	4.10	4.80
Cash	3.50	3.90	4.50
Overall for the scheme	5.58	5.75	6.56

NOTES TO THE FINANCIAL STATEMENTS

20. Employee benefits (continued)

Assets

	2010 £'000	2009 £'000	2008 £'000
Equities	5,142	4,959	4,676
Bonds	3,480	3,398	3,052
Index-linked gilts	2,323	2,221	2,195
Cash and net current assets	34	(1)	48
Total assets	<u>10,979</u>	<u>10,577</u>	<u>9,971</u>

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

Amounts for the current and previous four periods

	IFRS 2010 £'000	IFRS 2009 £'000	IFRS 2008 £'000	IFRS 2007 £'000	UK GAAP 2006 £'000
Fair value of assets	10,979	10,577	9,971	11,432	11,099
Present value of defined benefit obligations	(11,255)	(10,712)	(9,446)	(8,158)	(8,609)
(Deficit) / surplus in the scheme	(276)	(135)	525	3,274	2,490
Unrecoverable surplus	-	-	-	(1,545)	-
(Liability) / asset to be recognised	<u>(276)</u>	<u>(135)</u>	<u>525</u>	<u>1,729</u>	<u>2,490</u>
Experience adjustment on scheme assets	432	410	(1,834)	30	317
Experience adjustment on defined benefit obligation	218	(765)	54	(83)	190
Effect of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligation	(798)	(347)	(1,134)	675	(363)
Effect of the limit on amount of surplus recognised due to part of surplus being unrecoverable	-	-	1,545	(1,545)	-
Total amount recognised in consolidated statement of comprehensive income	<u>(148)</u>	<u>(702)</u>	<u>(1,369)</u>	<u>(923)</u>	<u>144</u>

NOTES TO THE FINANCIAL STATEMENTS

20. Employee Benefits (continued)

The best estimate of contributions to be paid to the Scheme for the period beginning 1 October 2010 is £100,000.

A deficit funding plan was agreed on the basis of the actuarial valuation as at 1 April 2009, finalised in June 2010, which requires the payment of employer contributions of £50,000 in the period to March 2011 and £100,000 per annum in the subsequent eight years. The scheme actuary has calculated that this recovery plan will eliminate the continuing deficit within 10 years.

21. Financial Commitments**Operating lease commitments**

The Group has entered into commercial leases on certain land and buildings, motor vehicles and items of plant and equipment. The land and buildings lease is subject to periodic rent reviews.

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

	Property		Plant and equipment	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Within one year	178	178	100	110
Within two to five years	697	711	50	102
After more than five years	-	163	-	-
	875	1,052	150	212

Capital expenditure commitments

Contracted for but not provided in the accounts amounted to £Nil (2009: £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". Detailed information about the remuneration of individual directors is disclosed in the Remuneration Report.

	2010 £'000	2009 £'000
Short-term employee benefits	399	395
Post employment benefits	32	30
Share-based payments	29	36
	460	461

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 (2009: none).

COMPANY BALANCE SHEET

At 30 September 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	C3	482	487
Investments	C4	6,091	6,159
		<u>6,573</u>	<u>6,646</u>
Current assets			
Debtors	C5	900	1,224
Cash at bank and in hand		2	2
		<u>902</u>	<u>1,226</u>
Creditors: Amounts falling due within one year	C6	(1,360)	(601)
Net current (liabilities) / assets		<u>(458)</u>	<u>625</u>
Total assets less current liabilities		6,115	7,271
Creditors: Amounts falling due after more than one year	C7	(1,064)	(1,355)
Net assets		<u>5,051</u>	<u>5,916</u>
Capital and reserves			
Called up share capital	C10	1,145	1,145
Share premium account		365	365
Un-issued shares reserve		192	145
Revaluation reserve		308	309
Merger reserve		784	784
Profit and loss reserve		2,257	3,168
Total equity shareholders' funds		<u>5,051</u>	<u>5,916</u>

The financial statements were approved by the Board on 27 January 2011 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 £866,000 (2009: £95,000). 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%
Computers	20% - 33%

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

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

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

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

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

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 (2009: Nil). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

C3. Tangible Fixed Assets

	Freehold land & buildings £'000	Computers £'000	Total £'000
Cost or valuation			
At 1 October 2009	544	6	550
Disposals	-	(6)	(6)
At 30 September 2010	<u>544</u>	<u>-</u>	<u>544</u>
Depreciation			
At 1 October 2009	58	5	63
Charged in year	4	1	5
Disposals	-	(6)	(6)
At 30 September 2010	<u>62</u>	<u>-</u>	<u>62</u>
Net book value			
At 30 September 2010	<u>482</u>	<u>-</u>	<u>482</u>
At 1 October 2009	<u>486</u>	<u>1</u>	<u>487</u>
Cost or valuation at 30 September 2010 is represented by:			
Valuation 1996	<u>544</u>	<u>-</u>	<u>544</u>

Freehold properties

On an historical cost basis freehold land and buildings would have been included at the following amounts:

	2010 £'000	2009 £'000
Cost	276	276
Accumulated depreciation	(102)	(99)
	<u>174</u>	<u>177</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 2009	6,159	-	6,159
Investment in Haswell Engineers Limited	300	-	300
Impairment of investment in Haswell Engineers Limited	-	(368)	(368)
At 30 September 2010	<u>6,459</u>	<u>(368)</u>	<u>6,091</u>

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

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

The Group also holds 100% of the ordinary share capital of the following dormant companies: Niphan Limited, Light and Power Accessories Company Limited, W M Engineering (Ramsden) Limited and Lazell Bros. Engineers Limited.

All of the above investments are held directly by LPA Group plc with the exception of Channel Electric Equipment Limited (which is held by Channel Electric Equipment Holdings Limited) and Lazell Bros. Engineers Limited (which is held by Light and Power Accessories Company Limited).

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

C5. Debtors

	2010 £'000	2009 £'000
Amounts due from subsidiary undertakings	879	1,200
Other debtors	3	10
Prepayments and accrued income	18	14
	<u>900</u>	<u>1,224</u>

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C6. Creditors: Amounts Falling Due Within One Year

	2010	2009
	£'000	£'000
Bank overdraft	961	142
Bank loans	291	283
Debt	<u>1,252</u>	<u>425</u>
Trade creditors	27	81
Amounts owed to subsidiary undertakings	26	38
Other creditors	2	2
Accruals	53	55
	<u>1,360</u>	<u>601</u>

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

	2010	2009
	£'000	£'000
Debt - bank loans	364	655
Amounts owed to subsidiary undertakings	700	700
	<u>1,064</u>	<u>1,355</u>

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C8. Borrowings

	2010	2009
	£'000	£'000
Due within one year		
Bank overdraft	961	142
Bank loan	291	283
	<u>1,252</u>	<u>425</u>
Non-current		
Bank loan	<u>364</u>	<u>655</u>
Total borrowings	1,616	1,080
Add: Loan issue costs	-	8
	<u>1,616</u>	<u>1,088</u>
Repayable		
Within one year	1,252	433
Between one and two years	291	291
Between two and five years	73	364
	<u>1,616</u>	<u>1,088</u>

Bank loan and overdraft

The £0.65 million bank loan is repayable in 9 quarterly instalments of £73,000 commencing in October 2010. The bank loan is stated net of £Nil (2009: £8,000) of issue costs. In the year interest was payable at 1.50% over base rate.

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

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

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C9. Provisions for Liabilities**Recognised deferred tax assets and liabilities**

Deferred taxation provided in the accounts is as follows:

	2010 £'000	2009 £'000
Capital allowances in advance of depreciation	7	8
Unutilised management expenses	(7)	(8)
	-	-

Unrecognised deferred tax assets

A deferred tax asset of £38,000 (2009: £34,000) has not been recognised in respect of unrelieved management expenses of £142,000 (2009: £121,000). The unrelieved management expenses have no expiry date, and have not been recognised because of uncertainty over the timing of their recoverability.

C10. Share Capital and Reserves

	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Revalu- ation reserve £'000	Merger reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 October 2008	1,145	365	81	310	784	3,365	6,050
Loss for the year	-	-	-	-	-	(95)	(95)
Dividends	-	-	-	-	-	(103)	(103)
Share-based payments	-	-	64	-	-	-	64
Transfer	-	-	-	(1)	-	1	-
At 1 October 2009	1,145	365	145	309	784	3,168	5,916
Loss for the year	-	-	-	-	-	(866)	(866)
Dividends	-	-	-	-	-	(46)	(46)
Share-based payments	-	-	47	-	-	-	47
Transfer	-	-	-	(1)	-	1	-
At 30 September 2010	1,145	365	192	308	784	2,257	5,051

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C10. Share Capital and Reserves (continued)**Share capital**

	2010		2009	
	Number	£'000	Number	£'000
Authorised	15,000,000	1,500	15,000,000	1,500
Issued and fully paid				
In issue at the start and end of the year	11,448,229	1,145	11,448,229	1,145

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 and a reconciliation of movements therein are given in note 19 to the Group Financial Statements.

No options were granted during the year.

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 estimate of the fair value of the services received is measured using the Black-Scholes pricing model.

The Company recognised a share-based remuneration expense in the year of £47,000 (2009: £64,000).

C12. Financial Commitments**Operating lease commitments**

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

	2010 £'000	2009 £'000
Operating leases which expire:		
Within one year	4	-
Within two to five years	-	9
	4	9

FIVE YEAR SUMMARY

Unaudited information

	UK GAAP 2006 £'000	IFRS 2007 £'000	IFRS 2008 £'000	IFRS 2009 £'000	IFRS 2010 £'000
Summary income statement					
Revenue	13,737	16,650	15,082	13,715	14,716
Operating profit / (loss) before amortisation	(112)	366	273	206	(366)
Amortisation of intangibles	(93)	-	-	(1)	(5)
Operating profit / (loss)	(205)	366	273	205	(371)
Net finance income / (costs)	62	97	109	(18)	(87)
Profit / (loss) before taxation	(143)	463	382	187	(458)
Taxation	6	(97)	(11)	(45)	75
Profit / (loss) for the year	(137)	366	371	142	(383)

	UK GAAP 2006 £'000	IFRS 2007 £'000	IFRS 2008 £'000	IFRS 2009 £'000	IFRS 2010 £'000
Summary balance sheet					
Property, plant and equipment	2,100	2,256	2,191	2,031	1,791
Net trading assets	2,864	2,861	2,878	2,616	2,839
Net operating assets	4,964	5,117	5,069	4,647	4,630
Net debt	(2,221)	(2,091)	(1,842)	(1,399)	(1,884)
Deferred taxation	3	4	21	24	87
Net assets before pension and intangibles	2,746	3,030	3,248	3,272	2,833
Intangible assets - goodwill / dev costs	1,234	1,234	1,234	1,293	1,330
Pension asset /(liability) - net of deferred tax	1,743	1,245	378	(97)	(199)
Net assets	5,723	5,509	4,860	4,468	3,964

Ratios	2006	2007	2008	2009	2010
Operating profit, before goodwill, to sales	(0.8%)	2.2%	1.8%	1.5%	(2.5%)
Net assets per ordinary share	52.5p	48.5p	42.5p	39.0p	34.6p
Dividends per ordinary share	0.50p	0.60p	0.65p	0.90p	0.40p
Basic earnings per share	(1.26p)	3.29p	3.25p	1.24p	(3.35p)
Earnings, before goodwill, per share	(0.40p)	3.29p	3.25p	1.24p	(3.35p)
Gearing (net debt as a % of total equity)	38.8%	38.0%	37.9%	31.3%	47.5%

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Ninth Annual General Meeting of LPA Group plc ("the Company") will be held at the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London EC3N 4QN on Thursday 3 March 2011 at 12.00 noon for the following purposes:

Routine business

1. To receive the accounts for the year ended 30 September 2010, together with the reports of the directors and the auditors thereon.
2. To declare a final dividend of 0.40p per ordinary share of 10p each ("Ordinary Share") for the year ended 30 September 2010, payable on 25 March 2011 to shareholders on the register at the close of business on 4 March 2011.
3. To re-elect as a director Michael Rusch, who retires by rotation, in accordance with the Company's Articles of Association.
4. To re-appoint the auditors and to authorise the directors to fix the auditors' remuneration.

Other business*Share capital*

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

5. That the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £355,000 provided that this authority shall expire on the date of the next annual general meeting save that the Company may before such expiry make an offer or agreement which

would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or arrangement as if the authority conferred hereby had not expired.

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

6. That subject to the passing of resolution 5 above, the directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the said Act) for cash pursuant to the authority conferred by resolution 5 above as if section 561(1) of the said Act did not apply to any such allotment provided that this power shall be limited:
 - a. to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them; and
 - b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £114,400 (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 7 as a special resolution:

7. That, subject to and in accordance with the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Companies Act 2006) of any of its Ordinary Shares provided that:
 - a. The maximum number of Ordinary Shares hereby authorised to be purchased is 1,144,000 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
 27 January 2011

Registered office:
 Tudor Works,
 Debden Road
 Saffron Walden, CB11 4AN

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him/her. A proxy need not be a member of the Company. Any instrument appointing a proxy must be received at Capita Registrars, 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 1 March 2011 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 1 March 2011 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 3 March 2011 at the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London EC3N 4QN.

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 2011

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 2010.				
2.	To declare a final dividend of 0.40p per Ordinary Share for the year ended 30 September 2010.				
3.	To re-appoint Michael Rusch as a director of the Company.				
4.	To re-appoint the auditors and to authorise the directors to fix the auditor's remuneration.				
5.	To authorise the directors to allot shares (as defined in section 551 of the Companies Act 2006) in the Company.				
6.	To authorise the directors (pursuant to section 570 of the Companies Act 2006) to allot shares in the Company for cash.				
7.	To authorise the Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.				

Notes:

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

THIRD FOLD AND TUCK IN OPPOSITE

Business Reply
Licence Number
RSBH-UXKS-LRBC



FIRST FOLD

PXS
34 Beckenham Road
BECKENHAM
BR3 4TU

SECOND FOLD

LPA Group plc

Tudor Works, Debden Road
Saffron Walden, Essex, CB11 4AN. UK
Tel: +44 (0)1799 512800
Fax: +44 (0)1799 526793
Website: www.lpa-group.com

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
Website: www.lpa-group.com

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

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
Website: www.lpa-group.com

- . Lighting systems (LED, dichroic & fluorescent)
 - . Emergency lighting systems
 - . Power supply units
 - . Inverters
 - . Electronic control & monitoring
 - . Contract electronics manufacturing
-

LPA Haswell Engineers

Oakwood Business Park, Stephenson Road West,
Clacton-on-Sea, Essex CO15 4TL. UK
Tel: +44 (0)1255 253900
Fax: +44 (0)1255 432963
Email: enquiries@lpa-haswell.com
Website: www.lpa-group.com

- . Enclosures
 - . Fabrications
 - . Laser cutting
 - . Punch, form & weld
 - . Wet paint, powder coating & screenprint
-

LPA Niphan Systems

Tudor Works, Debden Road,
Saffron Walden, Essex,
CB11 4AN. UK
Tel: +44 (0)1799 512800
Fax: +44 (0)1799 512828
Email: enquiries@lpa-niphan.com
Website: www.lpa-group.com

- . Rail, aircraft & industrial connectors
 - . Auxiliary battery power systems
 - . Control panels & boxes
 - . Shore supply systems
 - . Terminal assemblies
-