Long Life Reliability
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LPA Group Plc

Annual Report & Accounts 2016

www.lpa-group.com

LPA Group Plc

- is a market leading manufacturer of LED lighting and electro-mechanical systems and is a distributor of engineered components
- employs around 170 people at three locations in the UK and is headquartered close to Cambridge
- is quoted on the Alternative Investment Market (AIM) of the London Stock Exchange
- is focussed on transportation (including rail, infrastructure and aviation) and the aerospace & defence markets, with rail accounting for more than 50% of revenue
- anticipates significant investment in the markets it serves over the coming years
- has developed a successful export capability - most notably in Europe, Asia and Australia - with, on average, around a third of turnover being exported to fifty or so countries
- has a reputation for innovation, engineering cost effective solutions (in both benign and hostile environments) to improve reliability and reduce maintenance and life cycle costs
- serves a wide range of blue-chip customers which include Agusta Westland, Airbus, Alstom Transportation, BAA, BAE Systems, Bombardier Transportation, Downer EDI, Eurostar, First Group, Hitachi, ITW, Kinki Sharyo, Knorr Bremse, London Underground, Siemens, SNCF, Stagecoach, Unipart Rail and Wabtec

Electro-mechanical systems

LED lighting systems

Engineered component distribution

FINANCIAL HIGHLIGHTS

For the year ended 30 September 2016

	2016 £'000	2015 £'000
REVENUE	21,422	16,265
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	1,533	291
EXCEPTIONAL PROPERTY GAIN	14	587
EXCEPTIONAL REORGANISATION (COSTS)	-	(42)
PROFIT BEFORE TAX	1,516	793
BASIC EARNINGS PER SHARE	12.30p	5.86p
DIVIDENDS PER SHARE	2.50p	1.70p
GEARING	29.2%	34.0%

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COMPANY INFORMATION

Directors

Michael Rusch (Non-Executive Chairman), 71, 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 Pollock (Chief Executive), 70, is a chartered accountant, with over forty years industrial experience. He joined LPA Group in April 1997. He is a member of Council of the Railway Industry Association and non-executive chairman of Ferrabyrne Ltd. Previous positions include Chairman of Lionheart plc, non-executive director of Mentmore Abbey plc and Menvier Swain plc, Chairman of Valetmatic Ltd, Chief Executive of ML Holdings plc, Finance Director UK of Fisher Controls International Inc. and Financial Director of Hawker Siddeley Power Transformers Ltd.

Stephen Brett (Finance Director), 60, 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 Staehr (Senior Non-Executive Director), 73, is a Danish national with a distinguished international career in the rail, shipping and energy sectors who joined the Board in December 2007. He is currently a director of EIVA A/S (a Danish equipment and software supplier to the subsea survey and maintenance industry). Previously he was Chairman of Bombardier Transportation UK Ltd, Arrow Light Rail Ltd, Chairman of A2SEA A/S (an offshore wind farm installation contractor), Chairman of Euroferries Ltd (a cross channel project company), Chairman of the Rail Media Group, Chairman of the Railway Industry Association, a director of Riegens Lighting Ltd, a director of Trico Marine Services Inc, (a subsea services provider and operator of offshore service vessels), Chairman of the Daniamant Group (a manufacturer of marine survivor lights) and President of Maersk Contractors (an offshore drilling and contracting company).

Len Porter (Non-Executive Director), 64, has specific skills in technical innovation, knowledge based decision making, asset management and sustainable development, and over a successful career has worked in the rail, oil & gas and marine sectors. He joined the Board in August 2014. He is currently non-executive chairman of eAsset Management Ltd (a consultancy specialising in asset management, change management, training and technology), a non-executive director of Angel Trains Group Ltd (a train leasing company) and a non-executive director of Jetwing Symphony Ltd (a Sri Lankan hotel group). Previously he was chief executive of the Rail Safety and Standards Board (from 2003 until March 2014): during this period he was a member of the cross-industry Technical Strategy Steering Group and chaired the committee responsible for the comprehensive Sustainable Rail Programme. Before this he was at Lloyd's Register where he was responsible for developing services in the rail sector.

Secretary	Stephen Brett
Registered office	Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ
Registered number	686429
Nominated adviser	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX
Auditors	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham BR3 4TU
Broker	WH Ireland Limited 11 St James's Square Manchester M2 6WH
Bankers	Barclays Bank Plc PO Box 885 Mortlock House Vision Park, Histon Cambridge CB24 9DE
Solicitors	Eversheds LLP 115 Colmore Row Birmingham B3 3AL

LPA'S BUSINESS AND STRATEGY

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

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

The UK OEM market, which the Group endeavours to serve, has suffered substantial change including, privatisation, administration, closure, acquisition, consolidation and rationalisation. The manufacturing sector has shrunk substantially as a consequence. Parts are foreign owned, parts are strong and parts are weak. In response to historically fragile market conditions in the UK, the Group has successfully committed to becoming a supplier to the multi-national companies supplying and serving the UK and to exporting to selected markets, largely in Europe, Asia and Australia. On average over the last five years around a third (35% in 2016) of Group turnover has been exported to around fifty countries.

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

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

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

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

The Group continues to invest in its technology, products and the rationalisation of its facilities in the UK. It:

- will continue to develop its electro-mechanical design and manufacturing capabilities, which go to market as LPA Connection Systems, LPA Haswell Engineers and LPA Transport+, at its Light & Power House facility in Saffron Walden, which also houses Group headquarters;

- has acquired and is in the process of extending and refurbishing a new facility in Normanton to accommodate the expansion of its LED lighting and electronics design and manufacturing capabilities, which are now marketed as LPA Lighting Systems (formerly LPA Excil Electronics); and

- will continue to develop its engineered component distribution activity, with its focus upon high level customer service, marketed as LPA Channel Electric, at its facility in Thatcham.

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

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

The principal risks and uncertainties confronting the Group Group and the key performance indicators used in assessing the progression of the business are set out on page 10.

CHAIRMAN'S STATEMENT

Overview

As I previously advised, the year to 30 September 2016 started at a gallop, which was sustained throughout the year. I am delighted to report that this progress continued during the first quarter of the current year, with excellent levels of output and order entry continuing. The Group appears to have established itself on a new trading level, which it now takes in its stride, so describing current progress as 'galloping' is perhaps no longer appropriate. We are moving on.

Sales for the year were £21.42m (2015: £16.27m), up 31.7%, and operating profit before exceptional items was £1.533m (2015: £291,000), up 427%. The halves were broadly similar although the second half would have been stronger but for one of our oil and gas sector customers being placed in administration, the impact of which reduced profits by £124,000. Nevertheless sales and profits for the year comfortably exceeded anything the Group has previously achieved.

Profit before tax for the year, after an exceptional gain of £14,000, amounted to £1.516m (2015: £793,000, including a net exceptional gain of £545,000) and basic earnings per share for the year were 12.30p (2015: 5.86p). Gearing was 29.2% (2015: 34.0%).

Order entry, which, as previously reported, appeared to have been affected during the summer by the uncertainty over Brexit, amounted to £20.69m (2015: £26.77m). Order entry during the first few months of the new financial year appears to have recovered to pre-Brexit levels. The Group continues to be selected for new rail project work, the delivery of which has yet to be fully defined and therefore is not included in the order book. The order book at the year-end amounted to £17.96m (2015: £18.69m).

Dividends

The interim dividend was increased to 1.00p (2015: 0.70p). As a consequence of the continuing improved trading performance and our confidence in the future, and subject to shareholder approval at the forthcoming annual general meeting - to be held this year at the offices of Instinctif Partners, 65 Gresham Street, London EC2V 7NQ at noon on Tuesday 14 March 2017 - your Board proposes to increase the final dividend to 1.50p (2015: 1.00p), making a total for the year of 2.50p (2015: 1.70p). The dividend, if approved, will be paid on 24 March 2017 to shareholders registered at the close of business on 3 March 2017.

Board, management and employees

The Board and Group Executive have remained largely unchanged in the year. Stephen Brett intends to retire during the coming year and plans for his succession are in place. Per Staehr, who has completed nine years as a non-executive director, also plans to retire this year.

Our people are our most valuable asset. Staff turnover across the Group remains remarkably low and we are pleased that retirements are now being more closely matched by the appointment of apprentices and trainees and that the growth we are experiencing has allowed us to recruit. Group staffing is back to the level prior to the closure of our Clacton facility in 2015.

Outlook

Our order book and prospects in our home and export markets are very positive indicators. The current financial year has started well.

We look forward to our medium and longer term future with great confidence.

Michael Rusch
Chairman
23 January 2017

CHIEF EXECUTIVE'S REVIEW

Trading results

The year to 30 September 2016 was unlike its predecessors in that it finally demonstrated that the Group has gained positive momentum, now and for the future.

The first half was taken at a gallop and this continued through the second half and into the current year. We suffered a stumble after the year end, when one of our oil and gas customers was placed into administration causing us to provide £124,000 in the year's accounts: the customer's business was subsequently sold to a third party and trading is expected to resume during 2017.

Reflecting the exceptional levels of prior year order entry (£26.77m), Group sales in the year were at a record £21.42m and operating profit before exceptional items increased fivefold to £1.533m (2015: £291,000).

The referendum caused uncertainty and we saw a reluctance in customers placing orders for the period from April to August. As a consequence, order entry at £20.69m (2015: £26.77m) for the year just failed to keep pace with output resulting in a small fall in the order book of £0.73m to £17.96m (2015: £18.69m). The immediate consequence of the Brexit vote was appreciation of the Japanese yen, which reduced the competitiveness of our Japanese customers, and uncertainty over future supply in Europe: both factors were a negative influence on ultimate customers' investment decisions and order entry during that period. However, the subsequent decline in sterling has made us more competitive at home and in export markets and our pipeline of future opportunities is at least recovering to the previous buoyant levels. In addition, the projects for which we have been selected but for which we do not yet have a delivery schedule, continue to be substantial and underpin order entry expectations in the near and medium term.

The current financial year has started at pace. We have moved up to a new level and we are moving on.

This is particularly true of LED lighting where rail project output during the year was at record levels, following exceptional order entry in the previous year. Significant rail projects supplied in the year included Intercity Express Programme (IEP), Queensland New Generation Rail (QNGR), Abellio Greater Anglia, Abellio ScotRail (ASR), West of England (WOE) and Riyadh Metro together with non-rail sales into the commercial, infrastructure and industrial markets. The pipeline for future lighting orders is brimming and the decline in the sterling exchange rate has improved our competitiveness.

Overall our electro-mechanical activities had a satisfactory year:

- Transport+, which provides after sales support for trains in the UK, had a stunning performance through the delivery of a series of contracts associated with the provision of Ethernet backbones, an essential element in making passenger Wi-Fi available on trains, and which were, in large part, won this year;
- fabrication activity was down reflecting the continued withdrawal from third party work; and
- the connector activity made progress on the back of an increase in rail project deliveries, notably, as in the case of lighting, IEP and ASR but also Crossrail. Sales of the standard connection product ranges for industrial and aircraft ground power supply markets were flat.

The electro-mechanical pipeline is strong, and potentially very strong, with many opportunities for connectors and Transport+. Fabrication is now enjoying substantial growth in inter-company demand for its capabilities.

Engineered component distribution supports all Group activities, particularly rail business at depot level, where in addition to distribution it designs and kits systems incorporating Group and third party products for installation on trains. It also distributes product to the aerospace and defence industry. Engineered component distribution had an excellent year on the back of high rail market sales, benefitting in particular from the introduction of USB seat back charging products.

Markets

The Group has been focussed on the UK transportation market, particularly rail, and selected export markets for many years. Rail as a global market has been expanding for several years. Much of this growth has been focussed on

CHIEF EXECUTIVE'S REVIEW

Chinese and Asian markets, where lowest initial cost, rather than whole life cost, has been the driving factor. In developed economies, like Europe and the UK, where rail is also growing fast, maintenance costs and particularly the availability of maintenance engineers are more important factors, and whole life cost is becoming the stronger criterion in supplier selection. The Group's commitment to quality and reliability, together with its innovation and industry-leading technology, is now being more widely recognised. In particular, train builders are now being required to provide maintenance for as long as thirty years, making whole life cost and availability of parts for through-life support, rather than initial cost, the major factors in supplier selection. These various factors are contributing to the Group's strong order entry performance and order books.

The Group has continued to support the train builders and refurbishers supplying the UK market and all of them are customers to a greater or lesser extent. We have continued to support Japanese train builders for their export products and, consequently, we continue to work with Hitachi, now in the UK also, Kinki Sharyo for Asia and Middle East, and Nippon Sharyo for Taiwan. In Taiwan, we also work with Taiwan Rolling Stock Company. In Australia, where the availability of maintenance engineers and whole life cost are major factors, we endeavour to work with all the train builders in Queensland, New South Wales and Victoria. The Group has identified the Gulf Cooperation Council area as being likely to appreciate our commitment to whole life cost and so we have focussed effort on the region and its established suppliers: we have won some business and are presently submitting several significant tenders for product which is to be supplied into the region from elsewhere. Unfortunately, the weak oil price has undermined this market's appetite for investment.

The worldwide air transportation market remains a very significant customer of the Group. This continues to grow with substantial investment in new airports and new larger aircraft, which are particularly demanding of ground power, which benefits our ground power support products.

Design and development

Our design and development effort last year focussed on satisfying the technical requirements of the large rail projects which the Group had won, including IEP, ASR, QNGR and Crossrail. Standard products also received attention including LED lighting products, high fire performance connection systems for use in emergency egress tunnels, enhanced aircraft ground power connectors and systems, Ethernet backbones and USB seat back charging outlets for rail passengers' phones, notebooks and laptops.

Structure and costs

Light & Power House has become the Group's centre of excellence for electro-mechanical design and manufacture.

Our new facility at Normanton in West Yorkshire, which will house our LED lighting centre of excellence, has been extended and is in the process of being refurbished and fitted out: the work is planned to be completed and the lighting operation relocated to the new premises during the first quarter of 2017. The new facility will be called LPA House and the operation will change its name to LPA Lighting Systems. Thereafter our existing lighting facility will be sold: an exceptional gain of £0.3m is anticipated on the disposal.

Outlook

Last year started full bore and continued at a gallop! As expected, business has settled down to a new level significantly higher than that previously achieved. We have orders on hand and projects for which we have been selected which, together with our substantial pipeline of potential new business will provide us with the opportunity to continue to maintain and grow the business further over the next few years. As we win more business, we shall have the very pleasant task of enhancing our capabilities to satisfy this demand.

We look forward to the future with increasing optimism and confidence.

Peter Pollock
Chief Executive
23 January 2017

FINANCIAL REVIEW

Trading performance

Revenue was £21.42m (2015: £16.27m), up 31.7% and £5.15m on the prior year, with increased rail activity, in particular lighting projects, the main factor. The significant volume benefits meant that gross margins improved by 1.9% to 29.3% (2015: 27.4%) producing a gross profit of £6.28m (2015: £4.46m). Other operating expenses were £0.583m above last year at £4.747m (2015: £4.164m) - with higher bonuses at £220,000 (2015: £16,000), bad debt expense at £129,000 (2015: credit of £4,000) and share option related costs at £74,000 (2015: credit of £26,000) - such that an operating profit before exceptional items of £1,533,000 (2015: £291,000) resulted, up £1,242,000.

First half sales were £10.48m (2015: £7.93m), up £2.55m, which produced an operating profit before exceptional items of £782,000 (2015: £45,000), up £737,000. In the second half, sales of £10.94m (2015: £8.34m) delivered an operating profit before exceptional items of £751,000 (2015: £246,000) with sales and profits up on the corresponding period last year by £2.60m and £505,000 respectively. Whilst second half sales were £0.46m in front of those in the first half, second half operating profit before exceptional items trailed by £31,000 although the latter included a bad debt expense of £124,000 in respect of the administration of an oil and gas customer.

Exceptional items

The redevelopment of the Group's former Tudor Works site was completed in the year and a final property disposal gain of £14,000 (2015: £587,000) was recognised: these amounts relate to overage provided for in the original sale contract. In addition, the prior year included net reorganisation costs of £42,000 associated with the Group's electro-mechanical activities.

Finance costs and income

Within finance costs, interest on borrowings rose to £85,000 (2015: £75,000), the consequence of higher average borrowings, although weighted average interest rates were lower year-on-year. Finance income, which comprises the net interest income on the pension asset, was £54,000 (2015: £32,000).

Profit before tax, taxation and earnings per share

Profit before tax was £1,516,000 (2015: £793,000) resulting in a tax charge of £54,000 (2015: £99,000). The profit for the year was £1,462,000 (2015: £694,000) representing basic earnings per share of 12.30p (2015: 5.86p).

Balance sheet

Shareholders' funds rose by £0.70m in the year to £8.69m (2015: £7.99m) giving a net asset value per ordinary share of 72.7p (2015: 67.4p). The tangible net asset value per share (calculated excluding intangibles and pension asset, net of deferred tax, from the calculation) was 57.0p (2015: 47.8p). Net debt decreased by £0.18m over the year to £2.54m with gearing (net debt as a % of total equity) falling to 29.2% (2015: 34.0%).

Property, plant and equipment at 30 September was £5.62m (2015: £4.72m), of which property made up £3.64m (2015: £2.63m) and plant and equipment £1.98m (2015: £2.09m). Additions in the year were £1.34m (2015: £287,000) including £1.05m in respect of the new lighting facility, disposals £nil (2015: £35,000) and the depreciation charge was £442,000 (2015: £440,000).

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were marginally higher at £3.76m (2015: £3.73m) although the prior year included £0.59m in respect of the property gain noted above: excluding this item the increase was £0.62m which is explained by the increased trading activity seen in the year.

Intangible assets, which comprise goodwill and capitalised development costs, were £1.19m (2015: £1.22m). Goodwill, which relates to the Group's investment in Excil Electronics, was unchanged at £1.15m and capitalised development costs, which relate to the development of LED lighting products, were £0.04m (2015: £0.07m).

The IAS19 actuarial surplus recognised as at 30 September 2016 amounted to £841,000 (2015: £1,379,000). Changes over the course of the year comprised an income statement credit of £54,000 (2015: £32,000), employer contributions received of £100,000 (2015: £100,000) less an actuarial loss of £692,000 (2015: gain of £503,000) recognised in the statement of comprehensive income. The actuarial loss resulted from changes in financial assumptions of £2,674,000 (primarily reflecting the lower discount rate applicable at September 2016, 2.4% as opposed to 3.8%) less an experience gain on liabilities of £155,000 less a better than expected return on plan assets of £1,827,000.

FINANCIAL REVIEW

Cash flow

Net cash from operating activities was £1,222,000 (2015: absorbed £714,000) made up of a trading cash inflow of £2,033,000 (2015: £794,000) less an increase in working capital of £711,000 (2015: £825,000), pension contributions of £100,000 (2015: £100,000) and reorganisation costs of £nil (2015: £583,000).

Capital expenditure was much increased at £1,294,000 (2015: £287,000) and included £1,050,000 spent on the new lighting facility; asset disposal proceeds, which all relate to overage on the sale of Tudor Works, were £601,000 (2015: £78,000); and capitalised development expenditure was £11,000 (2015: £45,000).

The Group switched its banking arrangements from Lloyds to Barclays in the year which entailed the drawdown of a new Barclays term loan of £2,475,000 (2015: £nil) and repayment of the existing Lloyds facility. Debt repayments comprised £1,750,000 (2015: £200,000) in respect of term loans together with £40,000 (2015: £35,000) in respect of finance leases. Interest payments on borrowings amounted to £72,000 (2015: £75,000). Dividend payments were higher in the year at £238,000 (2015: £184,000) and £51,000 (2015: £4,000) was received from the exercise of share options.

Overall there was a net increase in the cash position of £944,000 (2015: decrease of £1,458,000).

Net debt

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

	Bank loans £'000	Finance lease obliga-tions £'000	Cash & cash equiva-lents £'000	Net debt £'000
At 1 October 2015	1,700	84	933	2,717
New finance lease obligations	-	51	-	51
Draw down of bank loans	2,475	-	(2,475)	-
Interest and arrangement fee	32	-	-	32
Repayment of borrowings	(1,750)	(40)	1,790	-
Cash generated	-	-	(259)	(259)
At 30 September 2016	2,457	95	(11)	2,541

Banking arrangements

During the year the Group switched its banking arrangements from Lloyds to Barclays. The Group's main bank finance is now a £2.475 million bank loan repayable over 5 years which was drawn down in two tranches: the first of £0.656 million in April 2016 to assist in the purchase of a freehold property to accommodate its lighting operation; and the second of £1.819 million in July 2016 to refinance the Lloyds debt. As at September 2016 the amount outstanding was £2.457 million which is to be repaid through 18 quarterly instalments of £49,800 commencing in October 2016 with the residual balance payable in April 2021: interest is payable at base rate plus 1.95%. The outstanding balance on the Lloyds loan (£1.500 million) was repaid in July 2016: in the year, interest was payable at LIBOR plus 2.75%.

A second £0.500 million bank loan facility, repayable one year after draw down, has been negotiated to assist in the extension of the property noted above although it was not utilised in the current year. Repayment is expected to be made from proceeds of the sale of the Group's existing lighting facility where a sale contract is already in place. Interest is payable at base rate plus 2.15%.

The Barclays overdraft facility has been utilised from the end of July 2016 and interest is payable at base rate plus 2.0%. In the first 10 months of the year interest was payable at 2.5% over base rate.

Treasury

The Group's treasury policy operates within approved Board guidelines and has not changed since 2015. Further details on the Group's borrowings, financial instruments, and its approach to financial risk management are given in notes 14 and 15.

Stephen Brett
Finance Director
23 January 2017

KEY PERFORMANCE INDICATORS

The Group uses the below key performance indicators to assess the progression in its business: factors affecting them are discussed in the Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 5 to 9.

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth rose to 0.97 in the current year (2015: 1.65, 2014: 1.10);
- Sales growth (the increase in year-on-year sales as a percentage of prior year sales) as a measure of current growth showed an increase of 31.7% for the current year (2015: fall of 3.4%, 2014: fall of 4.5%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 29.3% in the current year (2015: 27.4%, 2014: 29.6%); and
- Net cash flow (net increase in cash before the drawdown / repayment of borrowings and issue of equity) as a measure of cash generation being an inflow of £208,000 for the current year (2015: outflow of £1,227,000, 2014: outflow of £898,000).

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.

The Strategic Report on pages 4 to 10 was approved by the Board on 23 January 2017 and signed on its behalf by:

Stephen Brett
Secretary

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 30 September 2016.

Results and dividends

The profit for the year amounted to £1,462,000 (2015: £694,000). The directors recommend the payment of a final ordinary dividend of 1.50p (2015: 1.00p), which together with the interim dividend of 1.00p (2015: 0.70p) makes a total for the year of 2.50p per share (2015: 1.70p).

Principal activities

The principal activity of the Group continues to be the design, manufacture and marketing of industrial electrical and electronic accessories. Descriptions of the Group's development and performance during the year, position at the year end and likely future prospects are reviewed in the Strategic Report on pages 4 to 10.

Going concern

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

Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2016 representing 3 per cent or more of the issued share capital were:

	No. of shares	%
Hargreave Hale Limited	1,170,000	9.60%
Michael Rusch (director)	808,000	6.63%
Ellen Rusch	804,044	6.60%
Peter Pollock (director)	760,000	6.24%
Rights & Issues Investment Trust Plc	650,000	5.33%
Marilyn Porter	531,053	4.36%
Susan Thynne	426,674	3.50%
Stephen Brett (director)	366,000	3.00%

Research and development

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

Employment policies

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

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

Health, safety and the environment

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

Directors and their interests

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

DIRECTORS' REPORT (CONTINUED)

Directors' responsibilities statement

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

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

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

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

The directors confirm that:

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

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

Annual general meeting

The annual general meeting is to be held at 12 noon on Tuesday 14 March 2017 at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ. The Notice of Meeting is set out on pages 71 and 72. Other business includes three resolutions which relate to share capital:

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

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

Auditors

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

By order of the Board
Stephen Brett
Secretary
23 January 2017

LPA Group plc is registered in England No 686429

CORPORATE GOVERNANCE REPORT

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

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

Board composition and responsibility

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

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

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

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

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

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

Board committees

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

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

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

Internal control

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

The Board has assigned day-to-day responsibility for the continuous review of risk management to the executive directors. The Board receives regular updates on risk issues and reviews the effectiveness of the Group's systems of internal controls in relation to financial, operational and compliance controls and risk management. Risk management is discussed formally at each Board meeting.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Internal control (continued)

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 activities, given the size of the Group, the executive directors remain close to the decisions made at each operating unit.

The Group has a system of budgeting, forecasting and reporting which enables the Board to set objectives and monitor performance. A budget is prepared annually, which includes projections for the next two years, for review by the Board. Forecasts are updated twice annually. The Group's performance against budget and forecast is continuously monitored by the executive directors, and by the Board at least quarterly.

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

Shareholder relationships

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

By order of the Board
Stephen Brett
Secretary
23 January 2017

REMUNERATION REPORT

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

Unaudited information

Remuneration policy

The Company's policy is to design executive remuneration packages to attract, motivate and retain directors of a high calibre and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Remuneration Committee.

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

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

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

Executive directors' remuneration and terms of appointment

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

Peter Pollock has a service contract dated 19 January 2007 (amended in 2011 and 2016), with a rolling notice period of six months and which provides that employment under the agreement will automatically terminate at the conclusion of the Company's annual general meeting to be held in the spring of 2018. As at 1 January 2017 Peter Pollock's annual salary was £189,910 (January 2016: £184,380) and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme.

Stephen Brett has a service contract dated 19 January 2007 (amended in January 2016 and January 2017) which provides that employment under the agreement will automatically terminate on his 61st birthday in April 2017. As at 1 January 2017 his annual salary was £143,150 (January 2016: £138,980) 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.

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.

REMUNERATION REPORT (CONTINUED)

Non-executive directors' remuneration and terms of appointment (continued)

Michael Rusch (non-executive chairman) has a three-year term of office, as set out in his letter of re-appointment dated 19 January 2016, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2019. As at 1 January 2017 he receives fees of £28,850 per annum (January 2016: £28,010) and he is entitled to the provision of a car or allowance and private health insurance.

Per Staehr (non-executive director) has a term of office, as set out in his letter of re-appointment dated 21 January 2014, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2017. As at 1 January 2016 he receives fees of £25,000 per annum (January 2016: £24,270).

Len Porter (non-executive director) has a term of office, as set out in his letter of appointment dated 27 August 2014, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2018. As at 1 January 2017 he receives fees of £25,000 per annum (January 2016: £24,270).

Information subject to audit

Directors' remuneration

Directors' remuneration for the year was as follows:

	Salaries and fees £'000	Bonus £'000	Benefits £'000	Total 2016 £'000	Total 2015 £'000
Peter Pollock	183	67	27	277	222
Stephen Brett	138	50	16	204	162
	321	117	43	481	384
Michael Rusch	28	-	21	49	50
Per Staehr	24	-	-	24	23
Len Porter	24	-	-	24	23
	397	117	64	578	480

Directors' pension arrangements

During the year ending 30 September 2016 both Peter Pollock and Stephen Brett were in receipt of a pension from the LPA Industries Limited Pension Scheme: no future pension benefits are being accrued.

REMUNERATION REPORT (CONTINUED)

Directors' shareholdings

Shareholdings of those serving at the year end were:

	Number of ordinary shares		
	1 October 2015	**30 September 2016**	**31 December 2016**
Michael Rusch	808,000	808,000	808,000
Peter Pollock	725,000	725,000	760,000
Stephen Brett	172,500	172,500	366,000
Per Staehr	185,500	185,500	185,500
Len Porter	25,000	25,000	25,000
	1,916,000	1,916,000	2,144,500

There were no director share dealings in the period. Subsequent to the year end Stephen Brett purchased 193,500 shares in the Company at an average price of 39.2p through the exercise of share options and Peter Pollock purchased 35,000 shares in the Company at a price of 39.0p also through the exercise of share options.

REMUNERATION REPORT (CONTINUED)

Directors' interests in share options

	Date of grant	Option price	Earliest exercise date	Latest exercise date	At 1 October 2015	At 30 September 2016	At 31 December 2016
Peter Pollock							
1997 Scheme	Mar 2007	39p	8 Mar 2010	7 Mar 2017	35,000	35,000	-
2007 Scheme	Jul 2007	36p	31 Jul 2010	30 Jul 2017	540,000	540,000	540,000
2007 Scheme	Apr 2011	32p	1 Apr 2014	31 Mar 2021	100,000	100,000	100,000
2007 Scheme	Feb 2012	49p	8 Feb 2015	7 Feb 2022	150,000	150,000	150,000
					825,000	825,000	790,000
Stephen Brett							
1997 Scheme	Mar 2007	39p	8 Mar 2010	7 Mar 2017	15,000	15,000	-
2007 Scheme	Jul 2007	36p	31 Jul 2010	30 Jul 2017	235,000	235,000	231,500
2007 Scheme	Apr 2011	32p	1 Apr 2014	31 Mar 2021	100,000	100,000	-
2007 Scheme	Feb 2012	49p	8 Feb 2015	7 Feb 2022	75,000	75,000	-
					425,000	425,000	231,500

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

Per Staehr
Director
23 January 2017

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 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
23 January 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Revenue	2	21,422	16,265
Cost of sales		(15,142)	(11,810)
Gross profit		6,280	4,455
Distribution costs		(1,697)	(1,557)
Administrative expenses		(3,050)	(2,607)
Operating profit before exceptional items		1,533	291
Gain on property disposal	6	14	587
Reorganisation costs	6	-	(42)
Operating profit		1,547	836
Finance costs	4	(85)	(75)
Finance income	5	54	32
Profit before tax attributable to equity holders of the parent	6	1,516	793
Taxation	7	(54)	(99)
Profit for the year		1,462	694
Attributable to:			
- Equity holders of the parent		1,462	694
Earnings per share	8		
Basic		12.30p	5.86p
Diluted		11.35p	5.48p

All activities are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Profit for the year		1,462	694
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on pension scheme	20	(692)	503
Tax on actuarial loss / gain	17	119	(121)
Other comprehensive (expense) / income net of tax		(573)	382
Total comprehensive income for the year		889	1,076
Attributable to:			
- Equity holders of the parent		889	1,076

CONSOLIDATED BALANCE SHEET

At 30 September 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	9	1,194	1,222
Property, plant and equipment	10	5,624	4,721
Retirement benefits	20	841	1,379
		7,659	7,322
Current assets			
Inventories	11	3,030	2,658
Trade and other receivables	12	4,678	4,101
Cash and cash equivalents		149	5
		7,857	6,764
Total assets		15,516	14,086
Current liabilities			
Bank overdraft	14	(138)	(938)
Bank loans and other borrowings	14	(247)	(236)
Current tax payable		(122)	(30)
Trade and other payables	13	(3,803)	(2,977)
		(4,310)	(4,181)
Non-current liabilities			
Bank loans and other borrowings	14	(2,305)	(1,548)
Deferred tax liabilities	17	(193)	(350)
Other payables	13	(19)	(20)
		(2,517)	(1,918)
Total liabilities		(6,827)	(6,099)
Net assets		8,689	7,987
Equity	18		
Share capital		1,196	1,185
Share premium account		504	464
Un-issued shares reserve		183	197
Merger reserve		230	230
Retained earnings		6,576	5,911
Equity attributable to shareholders of the parent		8,689	7,987

The financial statements were approved by the Board on 23 January 2017 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 2016

2016	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2015	1,185	464	197	230	5,911	7,987
Profit for the year	-	-	-	-	1,462	1,462
Actuarial loss on pension scheme	-	-	-	-	(573)	(573)
Total comprehensive income attributable to equity holders of the parent	-	-	-	-	889	889
Dividends	-	-	-	-	(238)	(238)
Proceeds from issue of shares	11	40	-	-	-	51
Transfer	-	-	(14)	-	14	-
Transactions with owners	11	40	(14)	-	(224)	(187)
At 30 September 2016	1,196	504	183	230	6,576	8,689

2015	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2014	1,184	461	192	230	5,018	7,085
Profit for the year	-	-	-	-	694	694
Actuarial gain on pension scheme	-	-	-	-	382	382
Total comprehensive income attributable to equity holders of the parent	-	-	-	-	1,076	1,076
Dividends	-	-	-	-	(184)	(184)
Proceeds from issue of shares	1	3	-	-	-	4
Share-based payments	-	-	6	-	-	6
Transfer	-	-	(1)	-	1	-
Transactions with owners	1	3	5	-	(183)	(174)
At 30 September 2015	1,185	464	197	230	5,911	7,987

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2016

	2016 £'000	2015 £'000
Profit before tax	1,516	793
Finance costs	85	75
Finance income	(54)	(32)
Operating profit	1,547	836
Adjustments for:		
Depreciation	442	440
Amortisation of intangible assets	39	58
(Gain) / loss on sale of property, plant and equipment	(14)	(43)
Non-cash charge for equity-settled share-based payments	-	6
Loan arrangement fees	19	-
	2,033	1,297
Movements in working capital and provisions:		
Change in inventories	(372)	(513)
Change in trade and other receivables	(1,212)	(628)
Change in trade and other payables	873	(203)
Change in provisions	-	(567)
Cash generated / (absorbed) from operations	1,322	(614)
Retirement benefits (pension contributions)	(100)	(100)
Net cash from operating activities	1,222	(714)
Purchase of property, plant and equipment	(1,294)	(287)
Proceeds from sale of property, plant and equipment	601	78
Capitalised development expenditure	(11)	(45)
Net cash used in investing activities	(704)	(254)
Drawdown of bank loans	2,475	-
Repayment of bank loans	(1,750)	(200)
Repayment of obligations under finance leases	(40)	(35)
Interest paid	(72)	(75)
Proceeds from issue of share capital	51	4
Dividends paid	(238)	(184)
Net cash from / (used in) financing activities	426	(490)
Net increase / (decrease) in cash and cash equivalents	944	(1,458)
Cash and cash equivalents at start of the year	(933)	525
Cash and cash equivalents at end of the year	11	(933)

Reconciliation of cash and cash equivalents	2016 £'000	2015 £'000
Cash and cash equivalents in current assets	149	5
Bank overdraft in current liabilities	(138)	(938)
Cash and cash equivalents at end of the year	11	(933)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and applicable law (IFRS) and in accordance with the provisions of the Companies Act 2006 applicable to companies applying IFRS. The financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value, as disclosed in the accounting policies below. The measurement bases and principal accounting policies of the Group are set out below.

The financial statements are presented in pounds sterling (the Company's functional currency), rounded to the nearest thousand (£'000).

B. Going concern

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

In assessing going concern the directors note that whilst current economic conditions create uncertainty as the Group: (i) has traded profitably in the current year and is expected to continue to do so in the near term; (ii) has in place adequate working capital facilities for its forecast needs; (iii) has a strong current order book with significant further opportunities in its market place; and (iv) has proven adaptable in past periods of adversity, the directors believe that it is well placed to manage its business risks successfully.

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

C. 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 2016 and have not been adopted early:

- IFRS 9 - Financial Instruments (effective 1 January 2018)
- IFRS15 - Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS16 - Leases (effective date 1 January 2019)
- Amendments to IFRS10, IFRS12 and IAS28 - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)
- Clarifications to IFRS15 - Revenue from Contracts with Customers (effective 1 January 2018)
- Amendments to IAS7 (Disclosure Initiative) - Statement of Cashflows (effective 1 January 2017)
- Amendments to IAS12 - Recognition of Deferred Assets for Unrealised Losses (effective 1 January 2017)

IFRS16 will require that operating leases be accounted for 'on balance sheet' in a manner similar to current finance lease accounting, with the asset and associated lease liability both being disclosed. The asset will be subject to depreciation and lease payments will be apportioned between interest expense and reduction of the lease liability. The net cost recognised in the income statement will not be materially different from at present.

The adoption of the other standards and interpretations above will not have a significant impact on the financial statements. Of note the manner in which revenue is recognised is not expected to be significantly different under IFRS15.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

D. Basis of consolidation

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

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

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

E. Intangible assets

Goodwill

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

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

Research and development

Research expenditure is expensed in the income statement as incurred.

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

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

Any subsequent development costs are capitalised and are amortised, within cost of sales, from the date the product or process is available for use, on a straight line basis over its estimated useful life. The useful life for the development costs capitalised at the current year-end is 3 years.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

F. Property, plant and equipment

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

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.

G. 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)**

H. 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.

I. 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.

J. Cash and cash equivalents

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

K. 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.

1. Accounting Policies (continued)

K. 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 discounted at the original effective interest rate. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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

Derivative financial instruments and hedging activities

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

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

To qualify for hedge accounting the cash flow hedge must be formally designated and documented as such at inception, be expected to be highly effective, have its effectiveness regularly tested, and the forecast transaction to which it relates must be highly probable.

The effective portion of changes in the fair value of derivatives that qualify as a cash flow hedge are recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion of a cash flow hedge is recognised in the income statement. Amounts accumulated in equity are reclassified from equity to the income statement in the periods when the hedged item affects the profit or loss. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss.

L. 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)

M. Taxation

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

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

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

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

N. Revenue

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

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

O. Employee benefits

Short-term compensated absences

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

Equity-settled share-based payments

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

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

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

Defined contribution pension plans

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

1. Accounting Policies (continued)

O. Employee benefits (continued)

Defined benefit pension scheme

The Group's defined benefit pension scheme is closed to future accrual. The ongoing net liability or asset is calculated by estimating the amount of future benefit that employees earned in return for their service in prior periods; that benefit is discounted to determine its present value and then deducted from the fair value of plan assets. The discount rate is the yield on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by an independent actuary using the projected unit method.

A retirement benefit liability is shown within non-current liabilities and the related deferred tax asset within non-current assets on the balance sheet. A retirement benefit asset is only recognised to the extent that the Group can benefit from a reduction in future contributions or refunds and is shown within non-current assets and the related deferred tax liability within non-current liabilities on the balance sheet.

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

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

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

P. Provisions

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

Q. Exceptional items

Exceptional items are material items of income and expense which by virtue of their size or nature are separately disclosed to assist in the better understanding of the Group's performance. The gain on the sale of the Group's Tudor Works property was the only item considered to be exceptional in these financial statements.

R. Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements on the application of the Group's accounting policies and make estimates about the future. Actual results may differ from these assumptions. The critical judgements made in arriving at the amounts included in these financial statements and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

Impairment of goodwill

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

Defined benefit pension scheme

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

NOTES TO THE FINANCIAL STATEMENTS

2. Operating Segments

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom and for management purposes comprise a single operational segment (being the design, manufacture and marketing of industrial electrical and electronic accessories) less centre costs. It is on this basis that the Chief Operating Decision Maker assesses Group performance. The split is as follows:

	2016 £'000	2015 £'000
Operational revenue	21,422	16,265
Operational profit	2,627	1,054
Corporate costs	(1,094)	(763)
Operating profit before exceptional items	1,533	291

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

	2016 £'000	2015 £'000
United Kingdom	13,985	13,012
Rest of Europe	2,487	1,796
Rest of World	4,950	1,457
	21,422	16,265

Two individual customers (2015: none) represented more than 10% of Group revenue.

3. Employee Information

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

	2016 Number	2015 Number
Production	115	111
Sales and distribution	24	25
Administration	22	22
	161	158

3. Employee Information (continued)

The employee benefit expense for the year amounted to:

	2016 £'000	2015 £'000
Wages and salaries	5,199	4,680
Social security costs	623	470
Pension costs - defined contribution arrangements (note 20)	138	117
Pension costs - death in service insurance premiums	29	35
Share-based payments (note 19)	-	6
	5,989	5,308

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

4. Finance Costs

	2016 £'000	2015 £'000
Bank loans and overdrafts	81	70
Hire purchase contracts	4	5
Finance costs	85	75

5. Finance Income

	2016 £'000	2015 £'000
Net pension interest income (note 20)	54	32

6. Profit before Tax

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

A. Within operating profit before exceptional items	2016 £'000	2015 £'000
Depreciation	442	440
Amortisation of intangible assets	39	58
Gain on sale of property, plant and equipment	-	(1)
Operating lease rentals - plant and equipment	140	149
Foreign exchange gain	(35)	(78)
Research and development expenditure	572	422
Fees payable to the Company's auditor for the audit of the Company's annual accounts	19	18
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the Company's subsidiaries pursuant to legislation	32	31
- tax services	25	26

NOTES TO THE FINANCIAL STATEMENTS

6. Profit before Tax (continued)

B. Within exceptional items	2016 £'000	2015 £'000
Business relocation	-	39
Closure costs	-	6
Impairment of stock	-	39
Gain on sale of plant and equipment	-	(42)
Reorganisation costs	-	42
Gain on sale of property	(14)	(587)
	(14)	(545)

7. Taxation

A. Recognised in the income statement	2016 £'000	2015 £'000
Current tax expense		
UK coporation tax	122	30
Adjustment in respect of prior years	(30)	-
Deferrred taxation		
Net origination and reversal of temporary differences	(38)	69
Total income tax expense	54	99

B. Reconciliation of effective tax rate	2016 £'000	2015 £'000
Profit before tax	1,516	793
Tax at the UK corporation tax rate of 20.0% (2015: 20.5%)	303	163
Effects of:		
- Utilisation of tax losses	33	-
- Retirement benefits	(20)	(21)
- Share costs	(15)	-
- Enhanced development expenditure	(256)	(49)
- Other differences	9	6
Total income tax expense	54	99

C. Deferred tax recognised in other comprehensive income	2016 £'000	2015 £'000
On actuarial (losses) / gains	(119)	121

8. Earnings Per Share

The calculation of earnings per share is based upon the profit for the year of £1,462,000 (2015: £694,000) and the weighted average number of ordinary shares in issue during the year of 11.884m (2015: 11.846m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 12.887m (2015: 12.664m).

	Earnings	2016 Weighted average number of shares	Earnings per share	Earnings	2015 Weighted average number of shares	Earnings per share
	£'000	Million	Pence	£'000	Million	Pence
Basic earnings per share	1,462	11.884	12.30	694	11.846	5.86
Effect of share options	-	1.003	(0.95)	-	0.818	(0.38)
Diluted earnings per share	1,462	12.887	11.35	694	12.664	5.48

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible Assets

	Goodwill			Capitalised development costs			Total
	Cost	Accumu-lated impair-ment losses	Carrying amount	Cost	Amorti-sation	Carrying amount	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2014	1,234	(85)	1,149	232	146	86	1,235
Additions	-	-	-	45	-	45	45
Amortisation for year	-	-	-	-	58	(58)	(58)
At 1 October 2015	1,234	(85)	1,149	277	204	73	1,222
Additions	-	-	-	11	-	11	11
Amortisation for year	-	-	-	-	39	(39)	(39)
At 30 September 2016	1,234	(85)	1,149	288	243	45	1,194

Goodwill

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

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

Initial cash flows reflect the most recent plans approved by management. They are based on past experience and take into account management expectations of future developments in markets and operations. The initial cash flows covered the first two years of the projections: thereafter cash flow projections were extrapolated into perpetuity at a growth rate of 2.0% (2015: 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% (2015: 12.0%), a pre-tax rate that reflects an assessment of the time value of money and the risks specific to the cash-generating units concerned. No impairment arose in the year.

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

Goodwill on acquisitions prior to January 1998

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

10. Property, Plant and Equipment

	Freehold land & buildings £'000	Plant, vehicles & equipment £'000	Total £'000
Cost			
At 1 October 2014	2,863	6,860	9,723
Additions	-	287	287
Disposals	-	(1,271)	(1,271)
At 1 October 2015	2,863	5,876	8,739
Additions	1,050	295	1,345
Disposals	-	-	-
At 30 September 2016	3,913	6,171	10,084
Depreciation			
At 1 October 2014	188	4,626	4,814
Charge for the year	41	399	440
Disposals	-	(1,236)	(1,236)
At 1 October 2015	229	3,789	4,018
Charge for the year	42	400	442
Disposals	-	-	-
At 30 September 2016	271	4,189	4,460
Net carrying amount			
At 30 September 2016	3,642	1,982	5,624
At 30 September 2015	2,634	2,087	4,721

Included within plant, vehicles and equipment is £190,000 (2015: £158,000) in respect of assets acquired under finance leases. Depreciation for the year in respect of these assets was £25,000 (2015: £22,000).

NOTES TO THE FINANCIAL STATEMENTS

11. Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	901	942
Work in progress	1,028	922
Finished goods and goods for resale	1,101	794
	3,030	2,658

In 2016 the cost of inventories recognised as an expense within cost of sales amounted to £15,163,000 (2015: £12,057,000). This included the write-down of inventories to net realisable value of £96,000 (2015: £137,000), and write-down utilisation of £65,000 (2015: £106,000).

12. Trade and Other Receivables

	2016 £'000	2015 £'000
Trade receivables	4,407	3,231
Other receivables	9	18
Prepayments and accrued income	262	852
	4,678	4,101
Trade receivables are stated after an allowance for impairment of:	164	10

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 together with an analysis of the movement in the allowance for impairment are disclosed in note 15.

13. Trade and Other Payables

	2016 £'000	2015 £'000
Current		
Trade payables	2,387	1,985
Social security and other taxes	422	342
Other payables	40	36
Accruals and deferred income	954	614
	3,803	2,977
Non-current		
Other payables	19	20

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

14. Borrowings

This note provides information about the contractual terms of the Group's borrowings: further information is given in note 15.

	2016 £'000	2015 £'000
Current		
Bank loan	199	200
Finance lease obligations	48	36
Overdraft	138	938
Bank loans and other borrowings	385	1,174
Non-current		
Bank loan	2,258	1,500
Finance lease obligations	47	48
Bank loans and other borrowings	2,305	1,548
Total borrowings	2,690	2,722

NOTES TO THE FINANCIAL STATEMENTS

14. Borrowings (continued)

Bank loans and overdraft

The Group switched its banking arrangements in the year from Lloyds to Barclays, details of which are given in the Financial Review, and as a result the Group's main bank finance is now a £2.475 million term loan repayable over 5 years. As at September 2016 the amount outstanding was £2.457 million which is to be repaid through 18 quarterly instalments of £49,800 commencing in October 2016 with the residual balance payable in April 2021. Interest is payable at base rate plus 1.95%.

A second £0.500 million bank loan facility, repayable one year after draw down, has been negotiated to assist in the extension of the property noted above although it was not utilised in the current year. Repayment is expected to be made from proceeds of the sale of the Group's existing lighting facility where a sale contract is already in place. Interest is payable at base rate plus 2.15%.

The Barclays overdraft agreement provides for a facility limited to 1/3 of the value of under 90 day external trade debtors, up to a maximum of £1.50m: The facility has been utilised from the end of July 2016 and interest is payable at base plus 2.0%. At the year-end the Group had an overdraft of £0.14m with Barclays and had a further £1.18m of un-drawn facility available.

The following security is provided to the bank in respect of the above facilities: (i) a legal charge over the freehold property owned by the Group; (ii) a debenture from each Group company; and (iii) a composite guarantee by each Group company as guarantor in favour of the Bank.

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	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Within one year	51	40	48	36
Within two to five years	51	49	47	48
	102	89	95	84
Future finance charges	(7)	(5)		
Present value of finance lease obligations	95	84		

15. Financial Instruments

A. Financial risk management

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

B. Capital management

The Group's policy is to minimise its cost of capital, by optimising the balance between equity and debt, whilst ensuring its ability to continue as a going concern, to provide returns to shareholders and benefits for other stakeholders. In practice decisions to fund transactions through either equity or debt are made on a case by case basis and are based upon circumstances at the time.

The Group's capital structure is as follows:

	2016 £'000	2015 £'000
Equity	8,689	7,987
Net debt	2,541	2,717
Overall financing	11,230	10,704
Gearing (net debt as a % of total equity)	29.2%	34.0%

Gearing is the principal measure used by the Group to monitor its capital structure: largely as a consequence of the strength of trading in the current year gearing improved from 34.0% to 29.2%.

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

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

C. Currency risk

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

15. Financial Instruments (continued)

C. Currency risk (continued)

Currency exposures

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

	2016			2015		
	Cash and cash equivalents £'000	Other net monetary assets and liabilities £'000	Total net monetary assets and liabilities £'000	Cash and cash equivalents £'000	Other net monetary assets and liabilities £'000	Total net monetary assets and liabilities £'000
Euro	103	94	197	89	59	148
US Dollar	6	(9)	(3)	7	(6)	1
	109	85	194	96	53	149

Derivative financial instruments

At 30 September 2016 the Group had no commitments under non-cancellable forward exchange contracts (2015: £Nil) taken out to hedge foreign currency sales and purchases.

Sensitivity

At 30 September 2016 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:

	2016		2015	
	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	22	-	16	-
Sterling strengthens by 10% against the euro	(18)	-	(13)	-

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.

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 and in the year their weighted average interest rate was 2.9% (2015: 3.3%). Fixed rate liabilities comprise finance leases which bear interest at the negotiated market rate prevailing at the time the commitment is made: in the year the weighted average interest rate of the fixed rate financial liabilities was 5.1% (2015: 5.0%).

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

	2016 £'000	2015 £'000
Floating rate		
Cash and cash equivalents	149	5
Overdraft	(138)	(938)
Bank loan	(2,457)	(1,700)
	(2,446)	(2,633)
Fixed rate		
Finance lease obligations	(95)	(84)

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 2016 and 2015, with all other variables held constant the pre-tax profit would have been lower by £28,000 (2015: £22,000).

E. Liquidity risk

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

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

Un-drawn committed facilities

The Group's un-drawn committed borrowing facilities at 30 September 2016 comprise its bank overdraft expiring in one year or less at £1.18m (2015: £0.56m).

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.

2016	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
Overdraft	138	-	-	-	-	-	138
Bank loan	199	199	199	199	1,874	-	2,670
Finance lease obligations	51	22	12	11	6	-	102
Borrowings	388	221	211	210	1,880	-	2,910
Trade and other payables	3,327	-	-	-	-	-	3,327
	3,715	221	211	210	1,880	-	6,237

2015	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
Overdraft	938	-	-	-	-	-	938
Bank loan	254	248	240	235	227	744	1,948
Finance lease obligations	40	39	10	-	-	-	89
Borrowings	1,232	287	250	235	227	744	2,975
Trade and other payables	2,574	-	-	-	-	-	2,574
	3,806	287	250	235	227	744	5,549

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.

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 2016 these totalled £4.41m (2015: £3.23m). The Group held no collateral as security against any trade receivables.

The concentration of credit risk is sensitive to the timing of larger projects. The Group's most significant customer accounted for 20.9% of trade receivables at September 2016 (2015: 12.6%).

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:

	2016		2015	
	Gross	**Impairment**	**Gross**	**Impairment**
	£'000	**£'000**	**£'000**	**£'000**
Not past due	2,904	(70)	2,288	(6)
Past due 1-30 days	1,112	(42)	784	(2)
Past due 31-90 days	511	(42)	149	(1)
Past due 91 days to less than a year	44	(10)	20	(1)
	4,571	(164)	3,241	(10)

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

	2016	**2015**
	£'000	**£'000**
Balance at start of the year	10	14
Charged to the income statement	154	1
Released	-	(1)
Utilised	-	(4)
Balance at end of the year	164	10

The impairment charge of £154,000 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.

2016	**Amortised cost**	**Total carrying value**	**Fair value**
	£'000	**£'000**	**£'000**
Financial assets - loans and receivables			
Trade and other receivables	4,407	4,407	4,407
Cash and cash equivalents	149	149	149
	4,556	4,556	4,556
Financial liabilities - at amortised cost			
Borrowings - overdraft	(138)	(138)	(138)
Borrowings - bank loan	(2,457)	(2,457)	(2,457)
Trade and other payables	(3,327)	(3,327)	(3,327)
	(5,922)	(5,922)	(5,922)
Net financial liabilities	(1,366)	(1,366)	(1,366)

2015	**Amortised cost**	**Total carrying value**	**Fair value**
	£'000	**£'000**	**£'000**
Financial assets - loans and receivables			
Trade and other receivables	3,231	3,231	3,231
Cash and cash equivalents	5	5	5
	3,236	3,236	3,236
Financial liabilities - at amortised cost			
Borrowings - overdraft	(938)	(938)	(938)
Borrowings - bank loan	(1,700)	(1,700)	(1,700)
Trade and other payables	(2,574)	(2,574)	(2,574)
	(5,212)	(5,212)	(5,212)
Net financial liabilities	(1,976)	(1,976)	(1,976)

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

	2016 £'000	2015 £'000
Current		
At 1 October 2015	-	567
Arising during the year	-	-
Transferred from non-current	-	-
Released to income statement (within exceptional items)	-	(23)
Utilised in the year	-	(544)
At 30 September 2016	-	-

NOTES TO THE FINANCIAL STATEMENTS

17. Deferred Tax

	Property, plant and equipment £'000	Retirement benefits £'000	Tax losses £'000	Other £'000	Total £'000
At 1 October 2014	(52)	(149)	31	10	(160)
Recognised in income statement	(82)	(6)	20	(1)	(69)
Recognised in other comprehensive income	-	(121)	-	-	(121)
At 1 October 2015	(134)	(276)	51	9	(350)
Recognised in income statement	74	(11)	(35)	10	38
Recognised in other comprehensive income	-	119	-	-	119
At 30 September 2016	(60)	(168)	16	19	(193)

Deferred tax assets of £311,000 (2015: £321,000) have not been recognised in respect of unrelieved tax losses of £1,554.000 (2015: £1,604,000) because of uncertainty over the timing of their recoverability. The tax losses have no expiry date.

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

	Property, plant and equipment £'000	Retirement benefits £'000	Tax losses £'000	Other £'000	Total £'000
At 30 September 2016					
Deferred tax assets	29	-	16	28	73
Deferred tax liabilities	(89)	(168)	-	(9)	(266)
	(60)	(168)	16	19	(193)
At 30 September 2015					
Deferred tax assets	6	-	51	23	80
Deferred tax liabilities	(140)	(276)	-	(14)	(430)
	(134)	(276)	51	9	(350)

18. Equity

Share capital

	2016		2015	
	Number	£'000	Number	£'000
Authorised	15,000,000	1,500	15,000,000	1,500
Issued and fully paid				
In issue at the start of the year	11,848,229	1,185	11,838,229	1,184
Allotted under share plans	110,000	11	10,000	1
In issue at the start and end of the year	11,958,229	1,196	11,848,229	1,185

During the year 110,000 options were exercised at a weighted average option price of 46.6p.

The market price of the Company's shares on 30 September 2016 was 140.0p per share (2015: 66.0p per share) and the price range during the year was 65.0p to 154.0p (2015: 58.0p to 112.0p).

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.

	2016 £'000	2015 £'000
Proposed - final 1.50p per share (2015: 1.00p)	183	118

Dividends

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

	2016 £'000	2015 £'000
Final - in respect of preceding year 1.00p per share (2015: 0.85p)	119	101
Interim - in respect of current year 1.00p per share (2015: 0.70p)	119	83
	238	184

Share premium account

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

Un-issued shares reserve

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

Merger reserve

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

19. Share Based Payments

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

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

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

Outstanding options to subscribe for ordinary shares of 10p each at 30 September 2016 are as follows:

Scheme	Date of grant	Price	Dates when exercisable	Number of options 2016	2015
1997 Unapproved Share Option scheme	Mar 2007	39p	08 Mar 2010 to 07 Mar 2017	125,000	130,000
2007 Employee Share Option scheme	Jul 2007	36p	31 Jul 2010 to 30 Jul 2017	845,000	865,000
	Apr 2011	32p	1 Apr 2014 to 31 Mar 2021	200,000	200,000
	Feb 2012	49p	8 Feb 2015 to 7 Feb 2022	355,000	445,000
				1,400,000	1,510,000

NOTES TO THE FINANCIAL STATEMENTS

19. Share Based Payments (continued)

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

	2016		2015	
	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)	Number of options
Outstanding at the beginning of the year	39.3	1,640,000	39.3	1,650,000
Granted during the year	-	-	-	-
Exercised during the year	46.6	(110,000)	39.0	(10,000)
Lapsed during the year	39.0	(5,000)	-	-
Outstanding at the end of the year	38.7	1,525,000	39.3	1,640,000
Exercisable at the end of the year	38.7	1,525,000	39.3	1,640,000

The options outstanding at the end of the year have an exercise price in the range of 32p to 49p and a weighted average contractual life of 2.4 years (2015: 3.6 years).

The weighted average share price at the date of exercise of share options exercised during the year was 114.0p per share (2015: 80.3p).

The Group's share-based remuneration expense recognised in the year was £Nil (2015: £6,000).

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 £138,000 (2015: £117,000).

B. Defined benefit scheme

The Group also sponsors a funded defined benefit pension arrangement. There is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 172 past employees as at 31 March 2015. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

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

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

A full actuarial valuation was carried out as at 31 March 2015 in accordance with the scheme funding requirements of the Pension Act 2004 and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a surplus of £355,000. The Group has agreed with the trustees that it will meet the expenses of the plan and levies to the Pension Protection Fund. In addition the Group has agreed with the trustees that regardless of the Scheme being in surplus at the valuation date the payment of annual contributions of £100,000 will continue to be made until the year ended 31 March 2018.

For the purposes of IAS19 the actuarial valuation as at 31 March 2015, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2016. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

NOTES TO THE FINANCIAL STATEMENTS

20. Employee Benefits (continued)

Amounts included in the balance sheet

	2016 £'000	2015 £'000	2014 £'000
Fair value of scheme assets	14,796	13,084	13,077
Present value of defined benefit obligations	(13,955)	(11,705)	(12,333)
Asset to be recognised	841	1,379	744

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

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

Reconciliation of the impact of the asset ceiling

The Group has reviewed implications of the guidance provided by IFRIC14 and has concluded that it is not necessary to make any adjustments to the IAS19 figures in respect of an asset ceiling or Minimum Funding Requirement as at 30 September 2016.

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

	2016 £'000	2015 £'000
Defined benefit obligation at start of the year	11,705	12,333
Interest cost	432	484
Actuarial (gains) / losses due to scheme experience	(155)	(230)
Actuarial (gains) due to changes in demographic assumptions	-	(535)
Actuarial losses due to changes in financial assumptions	2,674	118
Benefits paid	(701)	(465)
Defined benefit obligation at end of the year	13,955	11,705

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

20. Employee benefits (continued)

Reconciliation of opening and closing values of the fair value of plan assets

	2016 £'000	2015 £'000
Fair value of scheme assets at start of the year	13,084	13,077
Interest income	486	516
Return on plan assets (excluding amounts included in interest income)	1,827	(144)
Contributions by the Group	100	100
Benefits paid	(701)	(465)
Fair value of scheme assets at end of the year	14,796	13,084

The actual return on the plan assets over the period ending 30 September 2016 was £2,313,000 (2015: £372,000).

Defined benefit costs recognised in profit or loss

	2016 £'000	2015 £'000
Net interest income	54	32

Defined benefit costs recognised in the statement of other comprehensive income

	2016 £'000	2015 £'000
Return on plan assets (excluding amounts included in interest income) - gain / (loss)	1,827	(144)
Experience gains arising on the defined benefit obligation	155	230
Effect of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	-	535
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligations - (loss)	(2,674)	(118)
Amount recognised in other comprehensive income – (loss) / gain	(692)	503

20. Employee benefits (continued)

Assets

	2016 £'000	2015 £'000	2014 £'000
Equities	4,434	3,809	3,962
Corporate bonds	8,596	7,197	7,070
Diversified growth funds	1,766	1,971	1,973
Cash and net current assets	-	107	72
Total assets	14,796	13,084	13,077

None of the fair value of the assets shown above include any direct investments in the Group's own financial instruments or any property occupied by, or other assets used by, the Group. All of the scheme assets have a quoted market price in an active market with the exception of the trustee's bank account balance.

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

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

Significant actuarial assumptions

	2016 % per annum	2015 % per annum	2014 % per annum
Rate of discount	2.4	3.8	4.0
Inflation (RPI)	3.0	2.9	3.1
Inflation (CPI)	2.3	2.2	2.4
Allowance for revaluation of deferred pensions of CPI or 5.0% pa if less	2.3	2.2	2.4
Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less	2.3	2.2	2.4
Allowance for pension in payment increases of RPI or 5.0% pa if less	3.0	2.9	3.1
Allowance for pension in payment increases of CPI or 3.0% pa if less	2.3	2.2	2.4
Allowance for commutation of pension for cash at retirement	80% of post A Day	80% of post A Day	80% of post A Day

The mortality assumptions adopted at 30 September 2016 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2015 converging to 1.25% p.a. These imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2016:	22.2
Female retiring in 2016:	24.2
Male retiring in 2036:	23.9
Female retiring in 2036:	26.1

20. Employee Benefits (continued)

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

Assumption	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.0%
Rate of inflation	Increase of 0.25% p.a.	Increase by 2.6%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.3%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.5%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 30 September 2016 is 16 years.

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

The best estimate of contributions to be paid by the Group to the plan for the period commencing 1 October 2016 is £100,000.

NOTES TO THE FINANCIAL STATEMENTS

21. Financial Commitments

Operating lease commitments

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

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

	Plant and equipment	
	2016	**2015**
	£'000	**£'000**
Within one year	100	108
Within two to five years	70	93
	170	201

Capital commitments

Contracted for but not provided in the accounts amounted to £267,000 (2015: £Nil).

22. Related Party Transactions

Remuneration of key management personnel

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

	2016	**2015**
	£'000	**£'000**
Short-term employee benefits	660	541
Post employment benefits	3	4
Share-based payments	-	3
	663	548
Dividends	38	30

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 (2015: none).

COMPANY BALANCE SHEET

As at 30 September 2016

	Note	2016 £'000	Restated 2015 £'000
Fixed assets			
Investment property	C5	3,066	3,066
Tangible assets	C6	559	630
Investments	C7	5,411	5,411
		9,036	9,107
Current assets			
Debtors	C8	1,825	2,210
Cash at bank and in hand		4	3
		1,829	2,213
Creditors: Amounts falling due within one year	C9	(3,806)	(4,050)
Net current liabilities		(1,977)	(1,837)
Total assets less current liabilities		7,059	7,270
Creditors: Amounts falling due after more than one year	C10	(2,958)	(2,200)
Net assets		4,101	5,070
Capital and reserves	C14		
Called up share capital		1,196	1,185
Share premium account		504	464
Un-issued shares reserve		183	197
Merger reserve		784	784
Revaluation reserve		698	698
Profit and loss reserve		736	1,742
Total equity shareholders' funds		4,101	5,070

The financial statements were approved by the Board on 23 January 2017 and signed on its behalf by:

S K BRETT Director

P G POLLOCK Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Merger reserve £'000	Revaluation reserve £'000	Profit & loss reserve £'000	Total £'000
At 1 October 2014 - reported	1,184	461	192	784	-	520	3,141
Transition to FRS102 (see note C18)	-	-	-	-	698	(2)	696
At 1 October 2014 - restated	1,184	461	192	784	698	518	3,837
Profit for the year - restated	-	-	-	-	-	1,407	1,407
Dividends	-	-	-	-	-	(184)	(184)
Issue of shares	1	3	-	-	-	-	4
Share based payments	-	-	6	-	-	-	6
Transfer	-	-	(1)	-	-	1	-
At 30 September 2015 - restated	1,185	464	197	784	698	1,742	5,070
Loss for the year	-	-	-	-	-	(782)	(782)
Dividends	-	-	-	-	-	(238)	(238)
Issue of shares	11	40	-	-	-	-	51
Transfer	-	-	(14)	-	-	14	-
At 30 September 2016	1,196	504	183	784	698	736	4,101

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C1. Company Information

LPA Group plc is a public limited company incorporated in England. The address of its registered office is Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ.

C2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. This is the first year in which the financial statements have been prepared under FRS102. Refer to note C18 for an explanation of the transition.

The financial statements are presented in Sterling (£).

The loss dealt with in the accounts of the Company is £782,000 (2015 restated: profit of £1,407,000). The Company has not presented a separate profit and loss account as permitted by Section 408 of the Companies Act 2006.

The Company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

C3. Accounting Policies

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

A. Investment properties

An investment property is one held under a finance lease to earn rentals or for capital appreciation. They are initially measured at cost and are subsequently measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Depreciation is not charged on investment properties.

B. Tangible fixed assets

Tangible fixed assets are measured at cost, 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:

Plant and machinery	10%

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.

C. Investments

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

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C3. Accounting Policies (continued)

D. Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

E. Defined contribution pension schemes

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

F. Equity-settled share-based payments

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

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

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

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C4. Employee Information

With the exception of the directors the number of people employed by the Company was Nil (2015: Nil). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

C5. Investment Property

	Fair value £'000
At 1 October 2015 and 30 September 2016	3,066

The fair value included is based upon a valuation provided by an independent external valuer, with a recognised and relevant professional qualification, as at September 2016. The valuation was prepared on the basis of fair value in accordance with the RICS Valuation - Professional Standards 2014 - including the International Valuation Standards (the Red Book). In the opinion of the directors the fair value of the investment property is not materially different from that on adoption of FRS102 as at 1 October 2014.

C6. Tangible Fixed Assets

	Plant and machinery £'000
Cost	
At 1 October 2015	716
Additions	-
At 30 September 2016	716
Depreciation	
At 1 October 2015	86
Charged in year	71
At 30 September 2016	157
Net book value	
At 30 September 2016	559
At 1 October 2015	630

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C7. Investments

Investments in subsidiary undertakings

	Cost	Provision for impairment	Carrying amount
	£'000	£'000	£'000
At 1 October 2015 and 30 September 2016	6,459	(1,048)	5,411

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

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

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

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

C8. Debtors

	2016	2015
	£'000	£'000
Amounts due from subsidiary undertakings	1,774	1,553
Other debtors	11	1
Prepayments and accrued income	22	656
Deferred taxation (note C12)	18	-
	1,825	2,210

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C9. Creditors: Amounts Falling Due Within One Year

	2016 £'000	Restated 2015 £'000
Bank overdraft	349	354
Bank loans	199	200
Debt	548	554
Trade creditors	32	4
Amounts owed to subsidiary undertakings	2,871	3,284
Other creditors	3	31
Accruals	352	177
	3,806	4,050

C10. Creditors: Amounts Falling Due After More Than One Year

	2016 £'000	2015 £'000
Debt - bank loans	2,258	1,500
Amounts owed to subsidiary undertakings	700	700
Debt - bank loans	2,958	2,200

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C11. Borrowings

	2016 £'000	2015 £'000
Due within one year		
Bank overdraft	349	354
Bank loan	199	200
	548	554
Non-current		
Bank loan	2,258	1,500
Total borrowings	2,806	2,054
Repayable		
Within one year	548	554
Between one and two years	199	200
Between two and five years	2,059	600
Over five years	-	700
	2,806	2,054

Bank loan and overdraft

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

C12. Provisions for Liabilities

Deferred tax

	£'000
At 1 October 2015 (restated)	-
Credit to the profit and loss account in the year	(18)
At 30 September 2016	(18)

Recognised deferred tax assets and liabilities

Deferred taxation provided in the accounts is as follows:

	2016 £'000	Restated 2015 £'000
Accelerated capital allowances	(16)	12
Other timing differences	(2)	(1)
Unutilised losses	-	(11)
	(18)	-

Deferred tax assets are disclosed in note C8.

Unrecognised deferred tax assets

A deferred tax asset of £166,000 (2015: £181,000) has not been recognised in respect of unrelieved management expenses of £829,000 (2015: £907,000). The unrelieved management expenses have no expiry date, and have not been recognised because of uncertainty over the timing of their recoverability.

C13. Share Capital

	2016		2015	
	Number	£'000	Number	£'000
Authorised	15,000,000	1,500	15,000,000	1,500
Issued and fully paid				
In issue at the start of the year	11,848,229	1,185	11,838,229	1,184
Allotted under share plans	110,000	11	10,000	1
In issue at the start and end of the year	11,958,229	1,196	11,848,229	1,185

During the year 110,000 options were exercised at a weighted average option price of 46.6p.

Dividends

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

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C14. Reserves

Called-up share capital
Called up share capital represents the nominal value of shares that have been issued.

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

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

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

Revaluation reserve
This reserve records the fair value gains or losses on investment property.

Profit and loss reserve
This reserve includes all current and prior period retained profits and losses.

C15. Share Based Payments

Details of the Company's share option schemes, a reconciliation of movements therein and options granted in the year are given in note 19 to the Group Financial Statements. The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The Company recognised a share-based remuneration expense in the year of £Nil (2015: £6,000).

C16. Related Party Transactions

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

C17. Financial Commitments

Operating lease commitments

Future minimum operating lease payments are as follows:

	2016 £'000	2015 £'000
Within one year	3	8
Within two to five years	-	3
	3	11

Capital commitments

Contracted for but not provided in the accounts amounted to £Nil (2015: £Nil).

C18. Transition to FRS102

The company has adopted FRS102 for the year ended 2016 and has restated the comparative prior year amounts. There are two changes affecting the Company's results following the adoption of FRS102:

- short term compensated absences (specifically holiday pay) are now recognised as an expense in the period in which they are incurred: they were previously unrecognised.
- the Company's freehold land and buildings meets the definition of an investment property under FRS102. An investment property is included in the balance sheet at fair value, with changes in fair value recognised in profit or loss: depreciation is not charged on investment properties. The property was previously included within tangible fixed assets at cost less depreciation.

Transition to FRS102 - reconciliations

Restated balance sheet	**30 September 2015 £'000**	**1 October 2014 £'000**
Original shareholders' funds	4,340	3,141
Investment property	732	698
Short term compensated absences (holiday pay)	(2)	(2)
Deferred tax on short term compensated absences	-	-
Restated shareholders' funds	5,070	3,837

Restated profit for the year ended 30 September 2015	**£'000**
Original profit for the financial year	1,373
Short term compensated absences (holiday pay)	-
Investment property - depreciation adjustment	34
Deferred tax	-
Restated profit for the financial year	1,407

FIVE YEAR SUMMARY

Unaudited information

Summary income statement	**Restated 2012 £'000**	**Restated 2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**
Revenue	18,352	17,630	16,835	16,265	21,422
EBITDA †	1,211	974	987	795	2,014
Depreciation, amortisation, share payments	(290)	(365)	(351)	(504)	(481)
Operating profit before exceptional items	921	609	636	291	1,533
Exceptional items	-	1,168	(319)	545	14
Net finance costs	(22)*	(60)*	(22)	(43)	(31)
Profit before taxation	899*	1,717*	295	793	1,516
Taxation	(145)*	57*	-	(99)	(54)
Profit for the year	754*	1,774*	295	694	1,462

Summary balance sheet	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**
Property, plant and equipment	3,043	2,669	4,909	4,721	5,624
Net trading assets	2,944	3,863	2,418	3,732	3,764
Net operating assets	5,987	6,532	7,327	8,453	9,388
Net debt	(2,366)	(612)	(1,494)	(2,717)	(2,541)
Provisions	(5)	(668)	(567)	-	-
Deferred taxation	(22)	(20)	(11)	(74)	(25)
Net assets before pension and intangibles	3,594	5,232	5,255	5,662	6,822
Intangible assets	1,317	1,236	1,235	1,222	1,194
Pension asset net of deferred tax	733	768	595	1,103	673
Net assets	5,644	7,236	7,085	7,987	8,689

Other information	**2012**	**2013**	**2014**	**2015**	**2016**
EBITDA to sales	6.6%	5.5%	5.9%	4.9%	9.4%
Basic earnings per share	6.52p*	15.05p*	2.50p	5.86p	12.30p
Dividends per ordinary share	1.10p	1.35p	1.55p	1.70p	2.50p
Net assets per ordinary share	48.1p	61.3p	59.8p	67.4p	72.7p
Net debt / EBITDA	1.95	0.63	1.51	3.42	1.26
Gearing (net debt as a % of total equity)	41.9%	8.5%	21.1%	34.0%	29.2%

† - earnings before interest, tax, depreciation, amortisation of intangible assets, non-cash charges for equity-settled share-based payments and exceptional items.

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifty Fifth Annual General Meeting of LPA Group plc ("the Company") will be held at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ on Tuesday 14 March 2017 at 12.00 noon for the following purposes:

Routine business

1. To receive the accounts for the year ended 30 September 2016, together with the reports of the directors and the auditors thereon.
2. To declare a final dividend of 1.50p per ordinary share of 10p each ("Ordinary Share") for the year ended 30 September 2016, payable on 24 March 2017 to shareholders on the register at the close of business on 3 March 2017.
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 £281,327 provided that this authority shall expire on the date of the next annual general meeting or the date falling 15 months after the date of the passing of this resolution, whichever is earlier, 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 £121,867 (representing 10% of the present issued share capital),

and shall expire on the date of the next annual general meeting or the date falling 15 months after the date of the passing of this resolution, whichever is earlier, 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 1,218,670 representing 10% of the issued share capital;
   b. The minimum price (excluding expenses) which may be paid for an Ordinary Share is 10p;
   c. The maximum price (excluding expenses) which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the AIM appendix to London Stock Exchange Daily Official List at the end of each of the five business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased;
   d. The authority hereby conferred shall, unless renewed prior to such time, expire on the date of the next annual general meeting.

By order of the Board	Registered office:
Stephen Brett	Light & Power House, Shire Hill
Secretary	Saffron Walden, Essex
23 January 2017	CB11 3AQ

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him/her. A proxy need not be a member of the Company. Any instrument appointing a proxy must be received at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, not less than forty-eight hours before the time fixed for the meeting. A Form of Proxy is attached.

2. The register of the interests of the directors and their families in the share capital of the Company, together with the service contracts of directors, will be available for inspection at the venue of the annual general meeting from 11.45 am until the meeting is concluded. The same documents are available for inspection at the Company's registered office during normal business hours from the date of despatch of this document until the date of the annual general meeting.

3. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representatives in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the Company as at 12.00 noon on 12 March 2017 or, if the meeting is adjourned, in the register of members at close of business 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 close of business on 12 March 2017 or, if the meeting is adjourned, in the register of members after close of business 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 Tuesday 14 March 2017 at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ.

I/We ....

of ....

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

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

Signed ....Dated 2017

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

Resolution		**For**	**Against**	**Vote witheld**	**Discreti-onary**
1.	To receive the accounts for the year ended 30 September 2016.				
2.	To declare a final dividend of 1.50p per Ordinary Share for the year ended 30 September 2016.				
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.				

LPA GROUP PLC - FORM OF PROXY (CONTINUED)

Notes:

1. If you wish to appoint as your proxy any person(s) other than the Chairman of the meeting, please insert the full name(s) of the proxy or proxies (in block capitals) in the space above. A proxy need not be a member of the Company and may attend the meeting in person and vote on a show of hands and on a poll.

2. To be effective a form of proxy must be in writing and signed by the member or his duly authorised attorney or, if the member is a corporation under its common seal or signed by a duly authorised officer or attorney. A corporation may appoint a representative to attend and vote at the meeting.

3. To be valid this proxy, together with any power of attorney under which it is signed, must be received at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours (excluding any part of a day that is a non-working day) 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.

Group Directory

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LED lighting systems

LPA Lighting Systems
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

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

Electro-mechanical systems

LPA Connection Systems, LPA Transport+®, LPA Haswell Engineers
Light & Power House, Shire Hill,
Saffron Walden, Essex, CB11 3AQ
Tel: +44 (0)1799 512800
Fax: +44 (0)1799 512826
Email: sales@lpa-connect.com
Website: www.lpa-group.com

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

Engineered component distribution

LPA Channel Electric
Bath Road, Thatcham,
Berkshire, RG18 3ST. UK
Tel: +44 (0)1635 864866
Fax: +44 (0)1635 869178
Email: enquiries@lpa-channel.com
Website: www.lpa-group.com

· Connectors
· Relays & contactors
· Circuit breakers
· Fans & motors
· Switches
· USB charging

Long Life Reliability
does not cost the earth

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