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30 June 2008 - Interim Results

Interim Unaudited Group Results for the Six Months ended 31 March 2008

LPA Group PLC ("LPA" or "the Group"), the lighting, power and electronics system manufacturer and distributor, announces interim results for the six months to 31 March 2008.

KEY POINTS

- Turnover down 11% to £7.7m (2007: £8.6m)
- Profit before taxation of £173,000 (2007: £193,000)
- Diluted earnings per share of 1.13p (2007: 1.39p)
- Interim dividend increased 25% to 0.25p (2007: 0.20p)
- Special additional interim dividend of 0.25p per share to mark the Group's centenary
- Results presented under IFRS for the first time - comparatives restated

Michael Rusch, Chairman, comments:

"We expect steady progress over the rest of this year and a quickening of pace during next year, as the long term orders already on hand start to production. These, together with other prospects where the Group has been selected, give the Board considerable confidence for the future."

30 June

ENQUIRIES:

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CHAIRMAN'S STATEMENT

As anticipated in my comments at the Annual General Meeting ("AGM"), the second quarter of our financial year proved stronger than expected. Although sales in the first half amounted to £7.7m (2007: £8.6m), a profit before tax of £173,000 (2007: £193,000) was achieved.

These results would have been significantly better but for trading issues at Haswell Engineers, our sheet metal forming business, which has an exposure to the new housing market through the manufacture of boiler parts. After a good 2007, and a strong start to this financial year, orders from this sector dried up, reducing Haswell's output by 21% and causing a loss in the period. Remedial action has been taken, with costs reduced and management strengthened.

Basic earnings per share amounted to 1.13p (2007: 1.40p), while diluted earnings per share were 1.13p (2007: 1.39p). Net cash generated from operating activities was very strong in the first half, amounting to £1.1m (2007: £94k) and net debt remains significantly better than expectation.

As a reflection of its confidence in future prospects, the Board is declaring an interim dividend of 0.25p (2007 0.20p), payable on 26 September 2008 to shareholders registered as at the close of business on 5 September 2008.

At the AGM I announced that the Board hoped to be able to mark 2008, the Group's Centenary year, in a tangible way for the benefit of shareholders. The Board is now proposing an additional Special Interim Dividend of 0.25p per share, to be paid with the normal interim dividend on 26 September to shareholders on the register at close of business on 5 September 2008.

Apart from Haswell, all business units are trading in line with, or ahead of, expectations, a pattern which has continued in to the third quarter. Routine orders have continued to flow and these should underpin performance in the second half. Other long term projects should start to contribute during the final quarter of the calendar year. The Group continues to develop its low-cost country sourcing, which has become an essential part of our overall offering.

The Group has continued to make progress in the supply of electronic and electromechanical equipment for transportation markets at home and abroad, although the gestation period for some of these contracts runs to many months, if not years. I am pleased to announce that one such contract has finally come to fruition, for the provision of electrical supply equipment, for both Sub Surface Lines and Victoria Line Upgrade for London Underground, and worth a total of £0.8m.

We also welcome the news that the Department for Transport has issued a notice to proceed in relation to the acquisition of extra coaches for the West Coast Main Line. The Group was much involved in the supply of equipment for the original coaches.

Much effort has been expended in developing the strategy for dealing with the Group's property in Saffron Walden and relocation opportunities. I will keep shareholders informed of progress. The current hiatus in the housing market will be taken into account in the process.

We expect steady progress over the rest of this year and a quickening of pace during next year, as the long term orders already on hand start to enter production. These, together with other prospects where the Group has been selected, give the Board considerable confidence for the future.

MICHAEL RUSCH
Chairman
30 June 2008

LPA GROUP PLC
Interim Unaudited Group Results for the Six Months ended 31 March 2008

CONSOLIDATED INCOME STATEMENT

	6 months to 31 March 2008 Unaudited £000's	6 months to 31 March 2007 Unaudited £000's	Year to 30 Sept 2007 Unaudited £000's
Revenue	7,685	8,602	16,650
Operating profit	155	165	366
Finance costs	(337)	(322)	(607)
Finance income	355	350	627
Profit before tax	173	193	386
Taxation	(44)	(40)	(70)
Profit for the period	129	153	316
Earnings per share (see note 2)			
- Basic earnings per share	1.13p	1.40p	2.84p
- Diluted earnings per share	1.13p	1.39p	2.82p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	6 months to 31 March 2008 Unaudited £000's	6 months to 31 March 2007 Unaudited £000's	Year to 30 Sept 2007 Unaudited £000's
Cash flow hedges:			
Gains taken to equity	28	-	-
Tax on cash flow hedges	(8)	-	-
Actuarial (loss) / gain on pension scheme	(39)	79	(846)
Tax on actuarial (loss) / gain	11	(24)	294
Net (loss) / income recognised directly in equity	(8)	55	(552)
Profit for the period	129	153	316
Total recognised income / (expense)	121	208	(236)

LPA GROUP PLC**Interim Unaudited Group Results for the Six Months ended 31 March 2008****CONSOLIDATED BALANCE SHEET**

	As at 31 March 2008 Unaudited £000's	As at 31 March 2007 Unaudited £000's	As at 30 Sept 2007 Unaudited £000's
Non-current assets			
Intangible assets	1,234	1,234	1,234
Property, plant and equipment	2,149	1,984	2,256
Retirement benefits	1,729	2,601	1,729
Deferred tax assets	48	33	141
	5,160	5,852	5,360
Current assets			
Inventories	2,063	2,569	2,448
Trade and other receivables	2,629	3,531	3,274
Cash and cash equivalents	893	3	3
	5,585	6,103	5,725
Total assets	10,745	11,955	11,085
Current liabilities			
Bank overdraft	(278)	(476)	(208)
Bank loans and other borrowings	(359)	(318)	(366)
Trade and other payables	(2,541)	(3,122)	(2,856)
	(3,178)	(3,916)	(3,430)
Non-current liabilities			
Bank loans and other borrowings	(1,340)	(1,423)	(1,520)
Provisions	(5)	(5)	(5)
Deferred tax liabilities	(569)	(801)	(621)
Other payables	(28)	-	-
	(1,942)	(2,229)	(2,146)
Total liabilities	(5,120)	(6,145)	(5,576)
Net assets	5,625	5,810	5,509

Capital and reserves			
Share capital	1,145	1,096	1,137
Share premium account	365	256	363
Un-issued shares reserve	49	-	18
Revaluation reserve	311	312	311
Merger reserve	230	230	230
Profit and loss reserve	3,525	3,916	3,450
Total equity	5,625	5,810	5,509

LPA GROUP PLC**Interim Unaudited Group Results for the Six Months ended 31 March 2008****CONSOLIDATED CASH FLOW STATEMENT**

	6 months to 31 March 2008 Unaudited £000's	6 months to 31 March 2007 Unaudited £000's	Year to 30 Sept 2007 Unaudited £000's
Profit after tax	129	153	316
Depreciation	164	168	322
Foreign exchange (gain) / loss	(1)	1	6
Finance costs	337	322	607
Finance income	(355)	(350)	(627)
Income tax expense	44	40	70
Change in inventories	385	63	184
Change in trade and other receivables	673	(420)	(163)
Change in trade and other payables	(286)	142	(129)
Equity-settled share-based payments	31	-	18
Retirement benefits	66	67	93
Cash generated from operations	1,187	186	697
Interest paid	(82)	(92)	(173)
Net cash generated from operating activities	1,105	94	524
Purchase of property, plant and equipment	(57)	(34)	(156)
Proceeds from sale of property, plant and equipment	-	-	9
Net cash outflow from investing activities	(57)	(34)	(147)
Proceeds from issue of share capital	10	8	156
(Repayment)/drawdown of bank loans	(146)	452	306
Repayment of obligations under finance leases	(46)	(18)	(46)
Dividends paid	(46)	(38)	(61)
Net cash used in financing activities	(228)	404	355
Net increase in cash and cash equivalents	820	464	732
Cash and cash equivalents at start of the period	(205)	(937)	(937)
Cash and cash equivalents at end of the period	615	(473)	(205)

LPA GROUP PLC**NOTES****1 - ACCOUNTING POLICIES****A. Basis of preparation**

The consolidated interim financial statements have been prepared using the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU and applicable law (IFRS) in issue and effective at 30 September 2008 or expected to be adopted and effective at that date. They have been prepared taking into account the requirements of IFRS1 "First Time Adoption of International Financial Reporting Standards".

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 policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with IFRS. The changes to accounting policies are explained in note 5, together with the reconciliation of opening balances. The date of transition to IFRS was 1 October 2006.

The Group has taken the optional exemption available under FRS1 and has elected not to apply IFRS3 "Business Combinations" retrospectively to business combinations that took place before 1 October 2006.

The financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The Group's consolidated financial statements for the year ended 30 September 2007, prepared under UK GAAP, have been filed and the audit report was not qualified and did not contain a statement under section 237(2) of the Companies Act 1985.

B. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together the "Group"). Subsidiaries are those entities the Company has power to control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to until the date that control ceases.

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

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

C. Intangible assets*Goodwill*

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

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

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

Research and development

Research expenditure is expensed in the income statement as incurred.

Development expenditure on a project for the production of a new, or substantially new product, is capitalised provided benefits are probable, costs can be reliably measured, the product is technically and commercially feasible, and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and directly attributable overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development costs are amortised from the date the product is available for use, on a straight line basis over its estimated useful life. There have been no development costs that meet the criteria necessary for capitalisation.

Other development expenditure is expensed in the income statement as incurred.

D. Property, plant and equipment

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

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

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%

E. Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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.

F. 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.

G. 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.

H. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with a maturity period of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, otherwise they are classified as borrowings.

I. Financial instruments

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. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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

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.

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. They are classified as fair value through profit or loss unless designated as hedges.

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

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

The effective portion of changes in the fair value of derivatives that qualify as a cash flow hedge are recognised directly in equity (through the profit and loss reserve). The gain or loss relating to the ineffective portion of a cash flow hedge is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects the profit or loss. When the hedged transaction results in the recognition of a non-financial asset or liability, the gains and losses previously shown in equity are transferred and included in the initial measurement of the cost of the asset or liability.

When a cash flow hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

J. 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.

K. Taxation

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

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

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

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income

statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

L. Revenue

Revenue represents the fair value of consideration received or receivable for the sale of goods, excluding value added tax and trade 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.

M. Employee benefits

Defined contribution pension plans

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

Defined benefit pension scheme

The Group's net benefit in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and this is deducted from any unrecognised past service costs and the fair value of any 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. The retirement benefit asset is recognised to the extent that the Group can benefit from a reduction in future contributions and is presented within non-current assets on the balance sheet. The related deferred tax is shown with other deferred tax balances.

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

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

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

Equity-settled share-based payments

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

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

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

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

Short-term compensated absences

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

2 - EARNINGS PER SHARE

The calculations of earnings per share are based upon the profit after tax attributable to ordinary equity shareholders and the weighted average number of ordinary shares in issue during the period. Details are as follows:

	6 months to 31 March 2008 Unaudited	6 months to 31 March 2007 Unaudited	Year to 30 Sept 2007 Unaudited
Profit for the period - £000's	129	153	316
Weighted average number of ordinary shares in issue during the period	11.389m	10.945m	11.125m
Dilutive effect of share options	0.050m	0.101m	0.101m
Number of shares for diluted earnings per share	11.439m	11.046m	11.226m
Basic earnings per share	1.13p	1.40p	2.84p
Diluted earnings per share	1.13p	1.39p	2.82p

3 - CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 months to 31 March 2008 Unaudited £000's	6 months to 31 March 2007 Unaudited £000's	Year to 30 Sept 2007 Unaudited £000's
Opening equity shareholders' funds	5,509	5,632	5,632
Total recognised income / (expense)	121	208	(236)
Dividends	(46)	(38)	(61)
Equity-settled share-based payments	31	-	18
Issue of share capital	10	8	156
Closing equity shareholders' funds	5,625	5,810	5,509

4 - RETIREMENT BENEFITS

	6 months to 31 March 2008 Unaudited £000's	6 months to 31 March 2007 Unaudited £000's	Year to 30 Sept 2007 Unaudited £000's
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The pension cost charged to operating profit was as follows:

Current service cost	105	122	204
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The analysis of amounts included within finance costs and finance income were as follows:

Expected return on pension scheme assets	350	350	627
Interest on pension scheme liabilities	(245)	(225)	(423)
Net pension return	105	125	204

Included within profit before tax	-	3	-
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The movement in the retirement benefit asset is as below:

Surplus at beginning of period	1,729	2,464	2,464
Included within profit before tax	-	3	-
Included in statement of recognised income and expense	(39)	79	(846)
Contributions	39	55	111
Surplus at end of period	1,729	2,601	1,729

The movement in the related deferred tax liability is as below:

Deferred tax at liability beginning of period	484	739	739
Included within income statement	11	17	39
Included in statement of recognised income and expense	(11)	24	(294)
Deferred tax liability at end of period	484	780	484

5 – TRANSITION TO IFRS

The consolidated interim financial statements have been prepared using the recognition and measurement principles of IFRS as adopted.

The changes to accounting policies and their effect on restated comparatives are explained in A to E below; the financial impact upon equity and the profit for the period are summarised in 5.1 and 5.2 respectively; and the changes between the comparative UK GAAP and IFRS income statements and balance sheets are given in 5.3 to 5.6.

A. Intangible assets - goodwill

Under UK GAAP, goodwill was treated in two ways. Prior to 1 July 1998, goodwill arising under the acquisition accounting method was written off directly to equity and recycled to the profit and loss account as part of the profit or loss on disposal of the acquired entity. Subsequent to that date, goodwill was capitalised and amortised over its useful economic life, up to a maximum period of 20 years.

The Group has taken the exemption in IFRS 1 for business combinations. As a result, the net book value of goodwill under UK GAAP at 1 October 2006 became the deemed cost of goodwill at the date of transition to IFRS. Under IFRS, this balance is no longer amortised but is subject to impairment testing on an annual basis, or more frequently if there is an indication of impairment. Goodwill previously written off directly to equity is not recycled to the income statement following a disposal of a previously acquired entity.

The effect of adopting IFRS was to reverse the goodwill amortisation recognised under UK GAAP and to maintain the carrying value of goodwill in the balance sheet at the 1 October 2006 value.

B. Employee benefits - defined benefit pension scheme

Pension scheme assets

The principal change in adopting IAS19 "Employee benefits" is that pension scheme assets are required to be carried at bid value as opposed to mid market value under FRS17.

The effect was to decrease the retirement benefit asset at 31 March 2007. The restriction to the pension surplus meant there was no impact at 30 September 2007. There was no material affect on the return on pension assets.

Pension scheme return

In addition the components of the net pension scheme return have been separated into their respective categories, with the interest on pension scheme liabilities being included within finance costs and the expected return on pension scheme assets included within finance income. The net finance cost / income is unaffected.

C. Employee benefits - holiday pay

The Group's UK GAAP accounting policy was to only accrue for payments expected to be made to leavers for holiday entitlement not used prior to leaving. IAS19 requires that a liability is recorded for all accrued entitlements for holiday at each balance sheet date.

The impact was to adjust employee benefits expense in the income statement and accruals in the balance sheet.

D. Derivative financial instruments - foreign exchange contracts

Under UK GAAP, foreign currency assets and liabilities that were covered by a related foreign exchange contract were translated at the rate of exchange specified in that contract. Under IFRS, such assets and liabilities are translated at the rates prevailing at the balance sheet date and foreign exchange contracts, as derivative financial instruments, are recognised in the balance sheet at fair value. Changes in the fair

value of derivatives are recognised in the income statement unless covered by a designated hedge which permits gains and losses to be deferred in equity.

The effect was to recognise on the balance sheet the fair value of all derivative financial instruments. There were no designated hedges at 31 March 2007 or 30 September 2007 and any change in fair value was recognised in the income statement.

E. Taxation

Deferred tax under UK GAAP was provided on all timing differences that had originated but not reversed at the balance sheet date. Timing differences arise when gains and losses are included in tax computations in a later or earlier period from that in which they appear in the Group's financial statements.

IAS12 'Income Taxes' has a balance sheet focused approach. The standard requires that full provision be made for all taxable temporary differences except those arising on goodwill. A temporary difference is the difference between the carrying amount of an asset or liability in the balance sheet and its associated tax base. A temporary difference is a taxable temporary difference if it will give rise to taxable amounts in the future when the asset or liability is settled.

Deferred tax liabilities and assets are classified as non-current irrespective of the expected timing of the reversal of the underlying taxable temporary difference. Current tax assets and liabilities are shown separately on the face of the balance sheet.

The principal impact of adopting IFRS was to show deferred tax assets and liabilities separately on the face of the balance sheet, to show the deferred tax liability in respect of the retirement benefit surplus as part of deferred tax liabilities, and to recognise deferred tax adjustments in respect of holiday pay liabilities and derivative financial instruments.

5.1 – SUMMARY RECONCILIATION OF EQUITY

	Note	As at 31 March 2007 Unaudited £000's	As at 30 Sept 2007 Unaudited £000's	As at 30 Sept 2006 Unaudited £000's
UK GAAP		5,863	5,496	5,723
Intangible assets - goodwill	5A	47	94	-
Employee benefits - pension scheme assets	5B	(26)	-	(26)
Employee benefits - holiday pay	5C	(115)	(106)	(106)
Foreign exchange contracts	5D	-	(5)	1
Deferred tax in respect of the above	5E	41	30	40
IFRS		<u>5,810</u>	<u>5,509</u>	<u>5,632</u>

5.2 – SUMMARY RECONCILIATION OF PROFIT FOR THE PERIOD

	Note	6 months to 31 March 2007 Unaudited £000's	Year to 30 Sept 2007 Unaudited £000's
UK GAAP		115	230
Intangible assets - goodwill	5A	47	94
Employee benefits - holiday pay	5C	(9)	-
Foreign exchange contracts	5D	(1)	(6)
Deferred tax in respect of the above	5E	1	(2)
IFRS		<u>153</u>	<u>316</u>

5.3 – RECONCILIATION OF PROFIT FOR THE SIX MONTHS ENDED 31 MARCH 2007

	Note	UK GAAP Unaudited £000's	Effect of transition to IFRS £000's	IFRS Unaudited £000's
Revenue		<u>8,602</u>	-	<u>8,602</u>
Operating profit	5A, C, D	128	37	165
Finance costs	5B	(97)	(225)	(322)
Finance income	5B	125	225	350
Profit before tax		<u>156</u>	<u>37</u>	<u>193</u>
Taxation	5E	(41)	1	(40)
Profit for the period		<u>115</u>	<u>38</u>	<u>153</u>

5.4 – RECONCILIATION OF PROFIT FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Note	UK GAAP Unaudited £000's	Effect of transition to IFRS £000's	IFRS Unaudited £000's
Revenue		16,650	-	16,650
Operating profit	5A, C, D	278	88	366
Finance costs	5B	(184)	(423)	(607)
Finance income	5B	204	423	627
Profit before tax		298	88	386
Taxation	5E	(68)	(2)	(70)
Profit for the period		230	86	316

5.5 – RECONCILIATION OF EQUITY AT 31 MARCH 2007

	Note	UK GAAP Unaudited £000's	Effect of transition to IFRS £000's	IFRS Unaudited £000's
Non-current assets				
Intangible assets	5A	1,187	47	1,234
Property, plant and equipment		1,984	-	1,984
Retirement benefits	5B, 5E	1,839	762	2,601
Deferred tax assets	5E	-	33	33
		5,010	842	5,852
Current assets				
Inventories		2,569	-	2,569
Trade and other receivables		3,531	-	3,531
Cash and cash equivalents		3	-	3
		6,103	-	6,103
Total assets		11,113	842	11,955
Current liabilities				
Bank overdraft		(476)	-	(476)
Bank loans and other borrowings		(318)	-	(318)
Trade and other payables	5C, 5D	(3,007)	(115)	(3,122)
		(3,801)	(115)	(3,916)
Non-current liabilities				
Bank loans and other borrowings		(1,423)	-	(1,423)
Provisions		(5)	-	(5)
Deferred tax liabilities	5E	(21)	(780)	(801)
Other payables		-	-	-
		(1,449)	(780)	(2,229)
Total liabilities		(5,250)	(895)	(6,145)
Net assets		5,863	(53)	5,810
Capital and reserves				
Share Capital		1,096	-	1,096
Share Premium account		256	-	256
Un-issued shares reserve		-	-	-
Revaluation reserve		312	-	312
Merger reserve		230	-	230
Profit and loss reserve		3,969	(53)	3,916
	5.1	5,863	(53)	5,810

5.6 - RECONCILIATION OF EQUITY AT 30 SEPTEMBER 2007

		UK GAAP	Effect of transition to IFRS	IFRS
	Note	Unaudited £000's	£000's	Unaudited £000's
Non-current assets				
Intangible assets	5A	1,140	94	1,234
Property, plant and equipment		2,256	-	2,256
Retirement benefits	5B, 5E	1,245	484	1,729
Deferred tax assets	5E	-	141	141
		<u>4,641</u>	<u>719</u>	<u>5,360</u>
Current assets				
Inventories		2,448	-	2,448
Trade and other receivables		3,274	-	3,274
Cash and cash equivalents		3	-	3
		<u>5,725</u>	<u>-</u>	<u>5,725</u>
Total assets		<u>10,366</u>	<u>719</u>	<u>11,085</u>
Current liabilities				
Bank overdraft		(208)	-	(208)
Bank loans and other borrowings		(366)	-	(366)
Trade and other payables	5C, 5D	(2,745)	(111)	(2,856)
		<u>(3,319)</u>	<u>(111)</u>	<u>(3,430)</u>
Non-current liabilities				
Bank loans and other borrowings		(1,520)	-	(1,520)
Provisions		(5)	-	(5)
Deferred tax liabilities	5E	(26)	(595)	(621)
Other payables		-	-	-
		<u>(1,551)</u>	<u>(595)</u>	<u>(2,146)</u>
Total liabilities		<u>(4,870)</u>	<u>(706)</u>	<u>(5,576)</u>
Net assets		<u>5,496</u>	<u>13</u>	<u>5,509</u>
Capital and reserves				
Share capital		1,137	-	1,137
Share premium account		363	-	363
Un-issued shares reserve		18	-	18
Revaluation reserve		311	-	311
Merger reserve		230	-	230
Profit and loss reserve		3,437	13	3,450
Total equity	5.1	<u>5,496</u>	<u>13</u>	<u>5,509</u>

6 - INFORMATION

Summarised copies of this Interim Report are being sent to shareholders. Copies are also available from the Company's Registered Office, Tudor Works, Debden Road, Safron Walden, Essex, C11 4AN.