Long Life Reliability
does not cost the earth

LPA Group Plc

Annual Report & Accounts 2017

www.lpa-group.com

LPA House
opened 2017

LPA Group

- is a market leading manufacturer of LED lighting and electro-mechanical systems and is a distributor of engineered components
- employs around 180 people at three locations in the UK
- is focussed on transportation (including rail, infrastructure and aviation) and the aerospace & defence markets, with rail accounting for more than 65% of revenue
- 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, CAF, CRRC, Downer EDI, Eurostar, First Group, Hitachi, ITW, Kinki Sharyo, Knorr Bremse, London Underground, Siemens, SNCF, Stagecoach, Unipart Rail and Wabtec

LPA Lighting Systems

New centre of excellence for LED lighting design and manufacture

FINANCIAL HIGHLIGHTS

For the year ended 30 September 2017

	2017 £'000	2016 £'000
REVENUE	22,482	21,422
OPERATING PROFIT BEFORE EXCEPTIONAL AND NON-UNDERLYING ITEMS	1,895	1,533
EXCEPTIONAL AND NON-UNDERLYING ITEMS	73	14
PROFIT BEFORE TAX	1,914	1,516
BASIC EARNINGS PER SHARE	14.40p	12.30p
DIVIDENDS PER SHARE	2.70p	2.50p
GEARING	25.7%	29.2%

CONTENTS

Company Information 3

STRATEGIC REPORT

LPA's Business and Strategy 4

Chairman's Statement 5

Chief Executive's Review 6

Financial Review 8

Key Performance Indicators 10

Principal Risks and Uncertainties 10

BOARD REPORTS

Directors' Report 11

Corporate Governance Report 13

Remuneration Report 15

FINANCIAL STATEMENTS

Independent Auditor's Report 19

Consolidated Income Statement 24

Consolidated Statement of Comprehensive Income 25

Consolidated Balance Sheet 26

Consolidated Statement of Changes in Equity 27

Consolidated Cash Flow Statement 28

Notes to the Financial Statements 29

Company Balance Sheet 63

Company Statement of Changes in Equity 64

Company Notes to the Financial Statements 65

OTHER INFORMATION

Five Year Summary 74

Notice of Meeting 75

Form of Proxy 77

COMPANY INFORMATION

Directors

Michael Rusch (Non-Executive Chairman), 72, 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), 71, is a chartered accountant, with over fifty years industrial experience. He joined LPA Group in April 1997. He is Non-Executive Chairman of Ferrabyrne Ltd and a member of Council of the Rail Supply Group representing SME's. 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. He was also member of Council of the Society of British Aerospace Companies and a Director of the Railway Industry Association.

Stephen Brett (Finance Director), 61, 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), 74, 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), 65, has specific skills in technical innovation, knowledge based decision making, asset management and sustainable development: over a successful career has worked in the rail, oil & gas and marine sectors. He joined the Board in August 2014. He is currently 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 Non-Executive Chairman of eAsset Management Ltd and Chief Executive of the Rail Safety and Standards Board where he was a member of the cross-industry Technical Strategy Steering Group and chaired the committee responsible for the 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 62-63 Cheapside London EC2V 6AX
Auditors	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Registrars	Link Asset Services 65 Gresham Street London EC2V 7NQ
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 Sutherland 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 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 two thirds 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 of Group turnover has been exported to around fifty countries (the figure was 43% in the current year).

The Group supplies a wide range of leading OEMs including: Agusta Westland, Airbus, Alstom Transportation, BAA, BAE Systems, Bombardier Transportation, CAF, CRRC, Downer EDI, Eurostar, First Group, Hitachi, ITW, Kinki Sharyo, Knorr Bremse, London Underground, Siemens, SNCF, Stadler, 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 the technology, products and facilities of its three UK operations, namely:

- Electro-mechanical: a designer and manufacturer of connection systems for the rail, aircraft ground support and infrastructure markets. It makes up 42% of Group revenues (2016: 39%) and goes to market as LPA Connection Systems, LPA Haswell Engineers and LPA Transport+. The operation is housed at Light & Power House in Saffron Walden, which also includes the Group's headquarters;

- Lighting: an electronics designer and manufacturer of LED lighting which contributes 40% of Group revenues (2016: 39%). Marketed as LPA Lighting Systems it serves rail, infrastructure and other industrial markets. In the year the operation was relocated from its former premises to its newly extended and refurbished facility, LPA House, in Normanton; and

- Engineered component distribution: which comprises 18% of Group revenues (2016: 22%) derived from the rail and aerospace & defence markets. It has a focus upon high level customer service, is marketed as LPA Channel Electric and is located in Thatcham.

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

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

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

CHAIRMAN'S STATEMENT

Overview

In my interim statement I reported that the Group had established itself on a new trading level and that this continued to be sustained by excellent levels of orders and sales. Output during the first quarter of this financial year was at record levels. We have moved on.

Sales for the year were up 4.9% at £22.482m (2016: £21.422m) and operating profit before exceptional and non-underlying items was up 23.6% at £1.895m (2016: £1.533m). Profit before tax, after an exceptional gain of £73,000 (2016: £14,000), amounted to £1.914m (2016: £1.516m). Basic earnings per share for the year were 14.40p (2016: 12.30p) up 17.1%. Gearing was 25.7% (2016: 29.2%).

Order entry was very strong at £26.1m (2016: 20.7m) up 26.1% and the order book at the end of the year grew 20% to £21.6m (2016: £18.0m).

Dividends

As a consequence of the continuing improved trading performance and our confidence in the future, subject to shareholder approval at the forthcoming annual general meeting to be held at the offices of Instinctif Partners, 65 Gresham Street, London EC2V 7NQ at 12 noon on Wednesday 21 March 2018 - your Board proposes to increase the final dividend by 10% to 1.65p (2016: 1.50p), making a total for the year of 2.70p (2016: 2.50p). The dividend, if approved, will be paid on 29 March 2018 to shareholders registered at the close of business on 9 March 2018.

Board and management

The Board and Group Executive have remained unchanged during the year.

Stephen Brett, our Finance Director and Company Secretary of seventeen years, together with Per Staehr, who has completed ten years as Non-Executive Director, will both retire from the Board at the close of the forthcoming annual general meeting. I wish to thank them both for their service and commitment to the Company.

Following the retirement of Per Staehr, the role of Senior Non-Executive Director of the Group and Chairman of the Remuneration and Audit Committees of the Board will be assumed by Len Porter. A further NED appointment may be made in due course. Stephen Brett will be succeeded by Christopher Buckenham FCCA, who has been understudying him for several months, in the role of Chief Financial Officer and Company Secretary.

Peter Pollock has recently been appointed Chairman of the Small and Medium Sized Enterprises Council of the Rail Supply Group (RSG), which attracts a seat on the Council of RSG. This is a very significant public appointment which reflects very well upon the Group and in which we fully support him.

The Board proposes to introduce a replacement executive performance share plan, summary details of which will be circulated to shareholders with the Annual Report. A resolution to implement the new scheme will be put to the annual general meeting.

Employees

Our people have always been our most valuable asset. Staff turnover across the Group remains remarkably low. We are very pleased that retirements are now being more closely matched by the appointment of apprentices and trainees and that the unprecedented growth we are currently experiencing has allowed us to recruit more people to our team.

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 2018

CHIEF EXECUTIVE'S REVIEW

Trading results

The year to 30 September 2017 confirmed that we are now operating at a new, much higher, level and this is being sustained into the new financial year. Our challenge is to maintain this progress into 2019 and beyond.

Order entry during the year increased 26.1% to £26.1m (2016: £20.7m), a near-record level, as our exceptionally strong pipeline matured into order entry. The funnel which feeds the pipeline includes many opportunities and our challenge is to convert them into firm prospects and then orders. Our inclusion on several 'platforms', that is railway rolling stock and aerospace and defence project models, puts us in a very strong position for the medium and longer term. The order book grew 20% during the year to close at £21.6m.

Group sales in the year advanced 4.9% to a record £22.482m (2016: £21.422m) with electro-mechanical being the principal contributor to this growth. Operating profit before exceptional and non-underlying items increased 23.6% to £1.895m (2016: £1.533m), profit before tax grew 26.3% to £1.914m (2016: £1.516m) and basic earnings per share were 14.40p up 17.1% on last year (2016: 12.30p). If approved by shareholders the total dividend for the year will increase 8.0% to 2.70p (2016: 2.50p).

During the year gearing fell from 29.2% to 25.7%, this despite a large capital expenditure program, in particular associated with the refurbishment of the new manufacturing facility in Normanton West Yorkshire.

The first half was taken at a steady pace. Electro-mechanical started well, gradually accelerated throughout the year and finished with output running at record levels: this has continued into the new financial year, at times exceeding designed capacity, which has necessitated investment in additional facilities. Lighting Systems also started well but had to cope with the relocation of their manufacturing facilities around the half year: despite this output barely faltered and then accelerated in the second half so that they are now challenging their enlarged capacity in the new financial year. In contrast Engineered component distribution had a less exciting year, but still delivered a good performance that should be sustained through 2018 with potential growth in 2019 and beyond.

Electro-mechanical activities had a very strong year. Now that we have nearly withdrawn from third party sub contract fabrication, our enhanced production facility has focussed on connection systems for rail vehicles, rail infrastructure and aircraft ground support. Deliveries for new build rail vehicle projects in the UK and China were very strong, Crossrail provided good demand for infrastructure and aircraft ground power continued to progress both in the UK and many export markets. Reflecting a move by Government to the procurement of new build rail vehicles, rather than renewals and refurbishment of existing vehicles, Transport+ had a quiet year, however growing demand for retrofit of Ethernet Backbones and LED lighting should provide opportunities in the future.

At Lighting Systems output of new build rail vehicle projects continued at record levels despite the challenge of relocating production to a new facility during the year. Non-rail activities recovered their position in the hazardous area lighting market when the business of one of our main customers, who had been placed into administration in the early part of the year, was acquired by a US Group and recommenced trading. Lighting for highways and pedestrian walkways is a developing market for our LED based lighting products.

Engineered component distribution supports all Group activities, particularly rail business at depot level. The switch by Government to new build rail vehicle procurement adversely affected this activity. However, during the year, it traded very successfully and delivered a good result. It has positioned itself for significant growth on new rail, aerospace and defence projects which should come to fruition over the next two years and be sustained for the long term.

Markets

The Group has been focussed on the UK transportation market (including rail, aircraft ground support and latterly highways) together with selected export markets for many years. Rail and aircraft ground support remain expanding global markets to which the Group seeks to export.

In Chinese and Asian markets, lowest initial cost, rather than whole life cost, tends to be the driving factor. In developed economies, like Europe and the UK, where rail and aircraft ground support are also growing fast, maintenance costs and, in particular, the availability of maintenance engineers are more significant factors and as such whole life cost and through life support are becoming strong criteria 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.

CHIEF EXECUTIVE'S REVIEW

Previously the UK Government had asked train builders to provide maintenance for up to thirty years making whole life cost and availability of parts for through-life support, rather than initial cost, the major factors in supplier selection. Unfortunately, the application of this policy has been inconsistent. Also the switch to purchasing new-build trains rather than the refurbishment and renewal of cascaded rolling stock was unexpected. Fortunately, our position in export and other markets continue to provide the Group with very significant opportunities.

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 and other factors have 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 continued to focus on satisfying the technical requirements of the large rail projects which the Group had won, including Intercity Express Programme, Abellio ScotRail, Queensland New Generation Rail, Crossrail, London Overground and China Northern Rail for Sydney. 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 in Saffron Walden is the Group's headquarters and centre of excellence for electro-mechanical design and manufacture, including LPA Connection Systems.

LPA House, in Normanton in West Yorkshire, houses LPA Lighting Systems our LED lighting centre of excellence.

The latter part of the year saw unusually high levels of activity which have continued into the new financial year. We anticipate that this will settle down into a sustainable level of activity in the future. The core workforce has been reinforced by quality temporary employees, providing the business flexibility to achieve the higher demand.

Outlook

Last year finished full bore and this has continued into the current financial year. We expect business to settle down to a higher level than that previously achieved, but probably not as high as we are presently experiencing. We have orders on hand and projects for which we have been selected which, together with substantial opportunities for new business, will allow us to maintain and grow the business over the next few years. As we have won more business, we have had the very pleasant task of enhancing our capabilities to satisfy this demand. We look forward to similar opportunities in the future.

The strong start to the current financial year bodes well for the year as a whole, sustaining the progress we have made over the last two years.

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

Peter Pollock
Chief Executive
23 January 2018

FINANCIAL REVIEW

Trading performance

Revenue in the current year rose by £1.060m (4.9%) to £22.482m (2016: £21.422m) with increased rail project activity the main factor. Gross margins fell 1.1% to 28.2% (2016: 29.3%), reflecting the higher content of lower margin rail projects and lower distribution activity, such that a gross profit of £6.337m (2016: £6.280m) resulted. With other operating expenses £0.305m below last year at £4.442m (2016: £4.747m) - accounted for by lower bonuses at £98,000 (2016: £220,000), a bad debt expense of £13,000 (2016: £129,000) and share option related credit of £6,000 (2016: cost of £74,000) - an operating profit before exceptional and non-underlying items of £1.895m (2016: £1.533m) was achieved, up £362,000 (23.6%).

In the first half of the year sales of £10.807m (2016: £10.483m) produced an operating profit before exceptional and non-underlying items of £772,000 (2016: £782,000) with sales up £0.324m on the corresponding period last year but with profits down £10,000. The second half was much stronger with sales of £11.675m (2016: £10.939m) delivering an operating profit before exceptional and non-underlying items of £1.123m (2016: £751,000) with sales and profits ahead of prior year by £0.736m and £372,000 respectively. Compared to the first half sales in the second were up by £0.868m and profits up by £351,000.

Exceptional and non-underlying items

The sale of the Group's former lighting factory in Normanton, West Yorkshire was completed in March with sale proceeds of £525,000 realising an exceptional gain of £341,000. The prior year included a £14,000 gain, being the final part of the property disposal gain arising on the redevelopment of the Group's former Tudor Works site.

In addition the period included £268,000 of non-underlying costs comprising: (i) reorganisation costs of £45,000 - largely associated with the relocation of the Group's lighting activities to its new premises; (ii) extra centre costs arising from Board succession planning including duplicated finance function costs of £102,000 and other associated costs of £60,000; and (iii) £61,000 of corporate finance costs.

Finance costs and income

Within finance costs the interest on borrowings fell to £75,000 (2016: £85,000) with, despite average borrowings being marginally higher, weighted average interest rates falling year on year (at 2.4% as opposed to 3.0%). Finance income, which comprises the net interest income on the pension asset, was £21,000 (2016: £54,000).

Profit before tax, taxation and earnings per share

Profit before tax was £1.914m (2016: £1.516m) resulting in a tax charge of £146,000 (2016: £54,000). The effective tax rate in the year was 7.6% (2016: 3.6%), significantly below the UK corporation tax rate of 19.5% (2016: 20.0%), with the reduction largely the consequence of tax loss utilisation 3.4% (2016: -2.2%), qualifying R&D expenditure 4.0% (2016: 16.9%) and that no tax is anticipated on the exceptional property gain 3.4% (2016: nil): the effective tax rate on profit before tax, exceptional and non-underlying items was 10.8% (2016: 3.4%). The profit for the year was £1.768m (2016: £1.462m) representing basic earnings per share of 14.40p (2016: 12.30p).

Balance sheet

Shareholders' funds rose by £2.032m (23%) in the year to £10.721m (2016: £8.689m) giving a net asset value per ordinary share of 86.6p (2016: 72.7p). The tangible net asset value per share (calculated excluding intangibles and pension asset, net of deferred tax, from the calculation) was 68.5p (2016: 57.0p). Net debt rose £0.212m to £2.753m (2016: £2.541m) with gearing (net debt as a % of total equity) falling to 25.7% (2016: 29.2%).

Intangible assets, which comprise goodwill and capitalised development costs, were £1.185m (2016: £1.194m). Goodwill relates to the Group's investment in Excil Electronics and was unchanged at £1.149m. Capitalised development costs, associated with the development of LED lighting products, were £36,000 (2016: £45,000).

Property, plant and equipment at 30 September was £6.851m (2016: £5.624m), of which property made up £4.316m (2016: £3.642m) and plant and equipment £2.535m (2016: £1.982m). Additions in the year were £1.974m (2016: £1.345m), including £934,000 in respect of the new lighting facility (2016: £1.050m), disposals amounted to £204,000 (2016: £nil) and the depreciation charge was £543,000 (2016: £442,000).

The IAS19 actuarial surplus recognised at 30 September 2017 on the Group's closed defined benefit pension arrangement was £1.311m (2016: £841,000). Changes over the course of the year comprised an income statement credit of £21,000 (2016: £54,000), employer contributions received of £100,000 (2016: £100,000) plus an actuarial gain of £349,000 (2016: loss of £692,000) recognised in the statement of comprehensive income. The actuarial gain resulted from changes in financial assumptions of

£292,000 (primarily reflecting the higher discount rate applicable at September 2017, 2.6% as opposed to 2.4%) plus an experience gain on liabilities of £98,000 less a worse than expected return on plan assets of £41,000.

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were higher at £4.348m (2016: £3.764m).

Cash flow

Net cash from operating activities was £1.492m (2016: £1.222m) made up of a trading cash inflow of £2.230m (2016: £2.033m) less an increase in working capital of £526,000 (2016: £711,000), tax payments of £112,000 (2016: £nil) and pension contributions of £100,000 (2016: £100,000).

Capital expenditure was again increased at £1.643m (2016: £1.294m) and included £934,000 spent on the new lighting facility (2016: £1.050m). The year contained asset disposal proceeds of £525,000 relating to the sale of the Group's old lighting facility (2016: overage on the sale of Tudor Works at £601,000). Capitalised development expenditure was £27,000 (2016: £11,000).

The Group utilised a £500,000 development loan to assist in the refurbishment of its Lighting factory (2016: £2.475m) and made loan repayments of £702,000 (2016: £1.750m) which included repayment of the aforementioned development loan: the higher prior year figures reflect the Group's 2016 decision to change its banking arrangements and included the drawdown of a new Barclays loan facility and the repayment of existing Lloyds facilities. Finance lease repayments were £81,000 (2016: £40,000). Interest payments on borrowings amounted to £23,000 (2016: £72,000). Dividend payments were higher in the year at £315,000 (2016: £238,000) and £166,000 (2016: £51,000) was received from the exercise of share options.

Overall there was a net decrease in the cash position of £108,000 (2016: increase of £944,000).

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 2016	2,457	95	(11)	2,541
New finance lease obligations	-	331	-	331
Draw down of bank loans	500	-	(500)	-
Interest and arrangement fee	56	-	-	56
Repayment of borrowings	(702)	(81)	783	-
Cash generated	-	-	(175)	(175)
At 30 September 2017	2,311	345	97	2,753

The Group's main bank finance is a £2.475m bank loan drawn down in 2016 and repayable over 5 years. As at September 2017 the amount outstanding was £2.311m (2016: £2.457m); the loan is to be repaid through 14 quarterly instalments of £48,600, from October 2017, with the residual balance repayable in April 2021: interest is payable at base rate plus 1.95%. A second £500,000 loan facility was utilised in full in the year to part finance the extension of the Group's new Lighting factory and was repaid out of proceeds from the sale of the Group's original lighting premises: interest was payable at base rate plus 2.15%.

In the year £331,000 of plant and equipment additions were financed through new finance leases.

Interest on the overdraft facility is payable at base rate plus 2.0% and headroom within the facility at 30 September was £1.24m (2016: £1.18m).

Treasury

The Group's treasury policy has not changed in the year: 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 2018

KEY PERFORMANCE INDICATORS

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

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth rose to 1.16 in the current year (2016: 0.97, 2015: 1.65);
- 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 4.9% for the current year (2016: increase of 31.7%, 2015: fall of 3.4%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 28.2% in the current year (2016: 29.3%, 2015: 27.4%); 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 £9,000 for the current year (2016: inflow of £208,000, 2015: outflow of £1,227,000).

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 2018 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 2017.

Results and dividends

The profit for the year amounted to £1,768,000 (2016: £1,462,000). The directors recommend the payment of a final ordinary dividend of 1.65p (2016: 1.50p), which together with the interim dividend of 1.05p (2016: 1.00p) makes a total for the year of 2.70p per share (2016: 2.50p).

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 29.

Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2017 representing 3 per cent or more of the issued share capital were:

	No. of shares	%
Canaccord Genuity Group Inc	1,122,500	9.07%
Michael Rusch (director)	808,000	6.53%
Ellen Rusch	804,044	6.50%
Peter Pollock (director)	760,000	6.14%
Rights & Issues Investment Trust Plc	650,000	5.25%
Marilyn Porter	531,053	4.29%
Susan Thynne	426,674	3.45%

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 adaptation and training is provided. 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 Peter Pollock and Len Porter retire by rotation at the forthcoming annual general meeting and, being eligible, offers themselves 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) including FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. 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 Group and Company 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 IFRS / UK Accounting Standards 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 Wednesday 21 March 2018 at the offices of Instinctif Partners, 65 Gresham Street, London EC2V 7NQ. The Notice of Meeting is set out on pages 75 to 76. Other business includes four 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.
- The third is a special resolution to permit the Company to make market purchases of its own shares.

These three 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 fourth is an ordinary resolution to approve the adoption of a new performance share plan for the executive directors and employees of the Company.

A performance share plan is one of a number of remuneration tools commonly used to attract and retain high calibre people. The Company has found earlier employee share plans (under which no further options may be granted) useful in this respect and relatively simple to administer. The Board proposes to introduce a replacement plan, summary details of which will be circulated to shareholders with the Annual Report.

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 2018

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.

Changes to the Board

The Board has remained unchanged during the year, however, following on from the points noted in the Chairman's Statement:

- Stephen Brett will be stepping down as executive Finance Director and leaving the Board at the conclusion of the forthcoming annual general meeting in March 2018. He will be succeeded in this role by Christopher Buckenham;
- Per Staehr will be retiring as non-executive director at the same time; a decision as to whether to appoint a replacement will be made at this time; and
- Following the retirement of Per Staehr, Len Porter will assume the role of Senior Non-Executive Director of the Group and will become Chairman of both the Audit and Remuneration Committees.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

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 2018

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, 2016 and January 2018), with a rolling notice period of six months and which provides that employment under the agreement will automatically terminate on his 75 birthday in September 2021. As at 1 January 2018 Peter Pollock's annual salary was £195,600 (January 2017: £189,910) 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 Company's 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 2016, 2017 and January 2018) which provides that employment under the agreement will automatically terminate at the conclusion of the forthcoming annual general meeting in March 2018. As at 1 January 2018 his annual salary was £147,440 (January 2017: £143,150) 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 Company's 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 2018 he receives fees of £29,720 per annum (January 2017: £28,850) and he is entitled to the provision of a car or allowance and private health insurance.

Per Staehr (non-executive director) will be stepping down at the conclusion of the Company's forthcoming annual general meeting in March 2018. As at 1 January 2018 he receives fees of £25,750 per annum (January 2017: £25,000).

Len Porter (non-executive director) has a term of office, as set out in his letter of re-appointment dated 16 January 2018, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2021. As at 1 January 2018 he receives fees of £25,750 per annum (January 2017: £25,000).

Information subject to audit

Directors' remuneration

Directors' remuneration for the year was as follows:

	Salaries and fees £'000	Bonus £'000	Benefits £'000	Total 2017 £'000	Total 2016 £'000
Peter Pollock	189	24	28	241	277
Stephen Brett	142	18	17	177	204
	331	42	45	418	481
Michael Rusch	28	-	21	49	49
Per Staehr	25	-	-	25	24
Len Porter	25	-	-	25	24
	409	42	66	517	578

Directors' pension arrangements

During the year ending 30 September 2017 Michael Rusch, 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 2016	**30 September 2017**	**31 December 2017**
Michael Rusch	808,000	808,000	808,000
Peter Pollock	725,000	760,000	760,000
Stephen Brett	172,500	366,000	366,000
Per Staehr	185,500	185,500	185,500
Len Porter	25,000	25,000	25,000
	1,916,000	2,144,500	2,144,500

During the year, 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 2016	At 30 September 2017	At 31 December 2017
Peter Pollock							
1997 Scheme	Mar 2007	39p	8 Mar 2010	7 Mar 2017	35,000	-	-
2007 Scheme	Jul 2007	36p	31 Jul 2010	7 Feb 2022♦	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	790,000	790,000
Stephen Brett							
1997 Scheme	Mar 2007	39p	8 Mar 2010	7 Mar 2017	15,000	-	-
2007 Scheme	Jul 2007	36p	31 Jul 2010	7 Feb 2022♦	235,000	231,500	231,500
2007 Scheme	Apr 2011	32p	1 Apr 2014	31 Mar 2021	100,000	-	-
2007 Scheme	Feb 2012	49p	8 Feb 2015	7 Feb 2022	75,000	-	-
					425,000	231,500	231,500

♦ on 19 June 2017 the terms of 771,500 options granted in July 2007 under the 2007 Scheme were amended such that the options would not lapse on 30 July 2017 but would instead remain exercisable until 7 February 2022.

Details of the share option schemes in operation during the year are given in note 18.

Per Staehr
Director
23 January 2018

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of LPA Group Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2017, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £100,000, which represents 5% of the Group's profit before tax;
- The key audit matter identified was the risk of revenue recognition; and
- We have performed full scope audit procedures on the financial statements of LPA Group Plc and on the financial information of LPA Industries Limited, Haswell Engineers Limited, Excil Electronics Limited, Channel Electric Equipment Holdings Limited and Channel Electric Equipment Limited.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Revenue recognition Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Group revenue comprises the invoiced value of the design, manufacture and supply of products net of trade and volume discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer generally upon despatch and reliable measurement is possible. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • considering the stated accounting policies in respect of revenue recognition and whether these are consistent with International Accounting Standard (IAS) 18 'Revenue'; • tested that the stated accounting policies had been applied accurately and consistently; • testing a sample of sales transactions to proof of delivery documentation corroborating the transfer of significant risks and rewards of ownership of the goods to the customer; • completing high level analytical review of revenue recognised in the year; and • testing a sample of sales transactions recorded either side of the balance sheet date for correct application of cut-off; The Group's accounting policy on revenue recognition is shown in note 1.N to the financial statements and related disclosures are included in note 2. **Key observations** Our audit work did not identify any material errors in the occurrence of revenue recognised in the year or any material instances of revenue not being recognised in accordance with stated accounting policy.

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

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work. Materiality was determined as follows:

Materiality measure	**Group**	**Parent**
Financial statements as a whole.	£100,000, which is 5% of the Group's budgeted profits. This benchmark is considered the most appropriate because the group is a commercial organisation and profit is a key financial measure for the directors and stakeholders. We chose not to revise our materiality during the course of the audit once the final profit before tax, which was higher than the budgeted profit, was known. Materiality for the previous year was £107,000, based on budget results for that year.	£75,000, which is 0.75% of the Company's prior year total assets, and adjusted down to be no more than 75% of group materiality. This benchmark is considered the most appropriate because the entity is a holding company, and so its asset base is more relevant to the activities of the parent company. As a restriction on parent company materiality has already been applied we chose not to revise our materiality during the course of the audit once the final net assets, which are lower, were known as this would not have produced a significantly different materiality level. Materiality for the previous year was £80,000 based on budget results for that year.
Performance materiality used to drive the extent of our testing.	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality.	Directors' remuneration and transactions with related parties have a specific materiality of £5,000 as the nature of these transactions and disclosures have a lower tolerance of errors as reflected by this rate.	Directors' remuneration and transactions with related parties have a specific materiality of £5,000 as the nature of these transactions and disclosures have a lower tolerance of errors as reflected by this rate.
Communication of misstatements to the audit committee.	£5,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£3,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business. We take into account the size and risk profile of each entity, any changes in the business and other factors when determining the level of work to be performed on the financial information at each entity, which in particular included:

- The Group operates from three locations with accounting functions at each location. All accounting is conducted locally for each entity within the Group and we have tailored our audit response accordingly with all audit work undertaken by the group audit team, with each location visited. In each case we have adopted a comprehensive approach for each entity. In assessing the risk of material misstatement to the Group financial statements we considered the transactions undertaken by each entity and where the focus of our work was required.
- The audit risks identified for each component are the same audit risks identified for the Group as a whole.
- We performed full scope audits of the financial information of the parent company LPA Group Plc and the entities LPA Industries Limited, Haswell Engineers Limited, Excil Electronics Limited, Channel Electric Equipment Holdings Limited and Channel Electric Equipment Limited.
- The total percentage coverage of full-scope procedures over Group revenue and Group total assets was 100%.
- Our audit approach was fully substantive in nature and consistent with 2016.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Board Reports set out on pages 4 to 18, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement in the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

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

Responsibilities of directors for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Paul C Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
23 January 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Revenue	2	22,482	21,422
Cost of sales		(16,145)	(15,142)
Gross profit		6,337	6,280
Distribution costs		(1,580)	(1,697)
Administrative expenses - before exceptional and non-underlying items		(2,862)	(3,050)
Operating profit before exceptional and non-underlying items		1,895	1,533
Exceptional and non-underlying items	6	73	14
Operating profit		1,968	1,547
Finance costs	4	(75)	(85)
Finance income	5	21	54
Profit before tax	6	1,914	1,516
Taxation	7	(146)	(54)
Profit for the year		1,768	1,462
Attributable to:			
- Equity holders of the parent		1,768	1,462
Earnings per share	8		
Basic		14.40p	12.30p
Diluted		13.42p	11.35p

All activities are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Profit for the year		1,768	1,462
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on pension scheme	19	349	(692)
Deferred tax on actuarial gains and losses	16	(77)	119
Other comprehensive income / (expense) net of tax		272	(573)
Total comprehensive income for the year		2,040	889
Attributable to:			
- Equity holders of the parent		2,040	889

CONSOLIDATED BALANCE SHEET

At 30 September 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	9	1,185	1,194
Property, plant and equipment	10	6,851	5,624
Retirement benefits	19	1,311	841
		9,347	7,659
Current assets			
Inventories	11	4,417	3,030
Trade and other receivables	12	5,054	4,678
Cash and cash equivalents		119	149
		9,590	7,857
Total assets		18,937	15,516
Current liabilities			
Bank overdraft	14	(216)	(138)
Bank loans and other borrowings	14	(277)	(247)
Current tax payable		(64)	(122)
Trade and other payables	13	(4,969)	(3,803)
		(5,526)	(4,310)
Non-current liabilities			
Bank loans and other borrowings	14	(2,379)	(2,305)
Deferred tax liabilities	16	(221)	(193)
Other payables	13	(90)	(19)
		(2,690)	(2,517)
Total liabilities		(8,216)	(6,827)
Net assets		10,721	8,689
Equity	17		
Share capital		1,238	1,196
Share premium account		628	504
Un-issued shares reserve		134	183
Merger reserve		230	230
Retained earnings		8,491	6,576
Equity attributable to shareholders of the parent		10,721	8,689

The financial statements were approved by the Board on 23 January 2018 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 2017

2017	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2016	1,196	504	183	230	6,576	8,689
Profit for the year	-	-	-	-	1,768	1,768
Actuarial gain on pension scheme	-	-	-	-	272	272
Total comprehensive income attributable to equity holders of the parent	-	-	-	-	2,040	2,040
Dividends	-	-	-	-	(315)	(315)
Proceeds from issue of shares	42	124	-	-	-	166
Tax benefit on share-based payments	-	-	-	-	141	141
Transfer	-	-	(49)	-	49	-
Transactions with owners	42	124	(49)	-	(125)	(8)
At 30 September 2017	1,238	628	134	230	8,491	10,721

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2017

	2017 £'000	2016 £'000
Profit before tax	1,914	1,516
Finance costs	75	85
Finance income	(21)	(54)
Operating profit	1,968	1,547
Adjustments for:		
Depreciation	543	442
Amortisation of intangible assets	36	39
Gain on sale of property, plant and equipment	(321)	(14)
Loan arrangement fees	4	19
	2,230	2,033
Movements in working capital:		
Change in inventories	(1,387)	(372)
Change in trade and other receivables	(376)	(1,212)
Change in trade and other payables	1,237	873
Cash generated from operations	1,704	1,322
Income taxes paid	(112)	-
Retirement benefits (pension contributions)	(100)	(100)
Net cash from operating activities	1,492	1,222
Purchase of property, plant and equipment	(1,643)	(1,294)
Proceeds from sale of property, plant and equipment	525	601
Capitalised development expenditure	(27)	(11)
Net cash used in investing activities	(1,145)	(704)
Drawdown of bank loans	500	2,475
Repayment of bank loans	(702)	(1,750)
Repayment of obligations under finance leases	(81)	(40)
Interest paid	(23)	(72)
Proceeds from issue of share capital	166	51
Dividends paid	(315)	(238)
Net cash (used in) / from financing activities	(455)	426
Net (decrease) / increase in cash and cash equivalents	(108)	944
Cash and cash equivalents at start of the year	11	(933)
Cash and cash equivalents at end of the year	(97)	11

Reconciliation of cash and cash equivalents	2017 £'000	2016 £'000
Cash and cash equivalents in current assets	119	149
Bank overdraft in current liabilities	(216)	(138)
Cash and cash equivalents at end of the year	(97)	11

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 2017 and have not been adopted early:

- IFRS15 - Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS16 - Leases (effective date 1 January 2019)
- IFRS 9 - Financial Instruments (effective 1 January 2018)

IFRS15 provides for a single, five-step revenue recognition model applicable to all sales contracts with customers. The Group will carry out a detailed assessment to determine the impact of adoption of IFRS15 however the manner in which revenue is recognised is not expected to be significantly different as the Group is engaged primarily in the sale of product without ancillary services or ongoing revenue streams attached and as such has a single performance obligation.

IFRS16 will require that operating leases be accounted for 'on balance sheet' in a manner similar to current finance lease accounting with, at commencement, both a right-of-use asset and an associated lease liability being recognised. Subsequently the asset will be subject to depreciation over the lease term and lease payments will be apportioned between interest expense and reduction of the lease liability. Cost recognised in the income statement under IFRS16 will thus comprise the depreciation charge and interest expense in contrast to the present accounting for operating leases where the lease rentals are included within operating costs on a straight-line basis over the term of the lease. Whilst the cost recognised in the income statement is not expected to be materially different from that at present, with the majority of the Group's current operating leases (primarily motor vehicles) being accounted for 'off-balance sheet' there will be a need for them to be recognised as assets with a corresponding liability: there is no impact upon cash flow. The Group will carry out a detailed assessment to determine the full impact of adoption of IFRS16 on its consolidated results and financial position.

IFRS9 details requirements for the classification, measurement, de-recognition and impairment of, and a general hedge accounting model for, financial instruments: its adoption is not expected to have a significant impact on the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 despatch, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

O. Employee benefits (continued)

Defined benefit pension scheme (continued)

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.

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. Exceptional and non-underlying items

Management use a range of measures to assess the Group's financial performance. These include statutory measures calculated in accordance with IFRS together with "operating profit before exceptional and non-underlying items" as an adjusted measure of profitability. We report this measure as we believe that it provides useful additional information about the Group's performance.

"Operating profit before exceptional and non-underlying items" represents the equivalent IFRS measure but adjusted to exclude items that we consider would prevent comparison of the Group's performance both from one reporting period to another and with other similar businesses.

Exceptional and non-underlying items are not defined under IFRS. Exceptional items are classified as those which are separately identifiable by virtue of their size nature or expected frequency and therefore warrant separate presentation.

Non-underlying items are other items that we consider should be presented separately to allow a better understanding of the underlying performance of the business. Presentation of these measures is not intended to be a substitute for or to promote them above statutory measures.

Exceptional and non-underlying items are detailed in note 6 to the financial statements.

Q. Use of judgements, estimates and assumptions

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

Impairment of goodwill

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

Defined benefit pension scheme

The retirement benefit 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 19.

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. For management purposes the Group comprises three product groups within a single operating segment - electro-mechanical, lighting and distribution (which collectively design, manufacture and market 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:

	2017 £'000	2016 £'000
Electro-mechanical	9,431	8,367
Lighting	8,989	8,254
Distribution	4,062	4,801
Operational revenue	22,482	21,422
Operational profit	2,791	2,627
Corporate costs	(896)	(1,094)
Operating profit before exceptional and non-underlying items	1,895	1,533

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

	2017 £'000	2016 £'000
United Kingdom	12,857	13,985
Rest of Europe	3,501	2,487
Rest of World	6,124	4,950
	22,482	21,422

Two individual customers (2016: two) represented more than 10% of Group revenue.

3. Employee Information

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

	2017 Number	2016 Number
Production	126	115
Sales and distribution	31	24
Administration	24	22
	181	161

NOTES TO THE FINANCIAL STATEMENTS

3. Employee Information (continued)

The employee benefit expense for the year amounted to:

	2017 £'000	2016 £'000
Wages and salaries	5,518	5,199
Social security costs	593	623
Pension costs - defined contribution arrangements (note 19)	178	138
Pension costs - death in service insurance premiums	29	29
	6,318	5,989

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

4. Finance Costs

	2017 £'000	2016 £'000
Bank loans and overdrafts	63	81
Hire purchase contracts	12	4
Finance costs	75	85

5. Finance Income

	2017 £'000	2016 £'000
Net pension interest income (note 19)	21	54

6. Profit before Tax

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

A. Within operating profit before exceptional and non-underlying items	2017 £'000	2016 £'000
Depreciation	543	442
Amortisation of intangible assets	36	39
Operating lease rentals - plant and equipment	131	140
Foreign exchange loss / (gain)	56	(35)
Research and development expenditure	552	572
Fees payable to the Company's auditor for:		
- the audit of the Company's annual accounts	20	19
- the audit of the Company's subsidiaries pursuant to legislation	40	32
- taxation compliance services	15	14
- other taxation advisory services	-	7
- other assurance services	4	4

NOTES TO THE FINANCIAL STATEMENTS

6. Profit before Tax (continued)

B. Within exceptional and non-underlying items	2017 £'000	2016 £'000
Reorganisation costs	45	-
Centre: duplicated finance function costs	102	-
Centre: other non-underlying costs	60	-
Corporate finance costs	61	-
Exceptional and non-underlying costs	268	-
Gain on sale of property, plant and equipment	(341)	(14)
Exceptional and non-underlying items	(73)	(14)

The reorganisation costs of £45,000 are largely associated with the relocation of the Group's lighting activity, from its former, to its new Normanton premises in the year.

As part of the Board's succession planning additional centre costs were incurred in the year. The single largest item was duplicated finance function costs of £102,000 but there were also other associated costs of £60,000.

The Group incurred £61,000 of corporate finance costs in the year.

The sale of the Group's former lighting factory in Normanton, West Yorkshire was completed in March with sale proceeds of £525,000 realising an exceptional gain of £341,000. The prior year included a £14,000 gain, being the final part of the property disposal gain arising on the redevelopment of the Group's former Tudor Works site.

7. Taxation

A. Recognised in the income statement	2017 £'000	2016 £'000
Current tax expense		
UK coporation tax	155	122
Adjustment in respect of prior years	(10)	(30)
Deferrred taxation		
Net origination and reversal of temporary differences	1	(38)
Total income tax expense	146	54

7. Taxation (continued)

B. Reconciliation of effective tax rate	2017 £'000	2016 £'000
Profit before tax	1,914	1,516
Tax at the UK corporation tax rate of 19.5% (2016: 20.0%)	373	303
Effects of:		
- Utilisation of tax losses	(66)	33
- Retirement benefits (largely pension scheme contributions)	(21)	(20)
- Deduction in respect of share option exercises	(16)	(15)
- Enhanced deduction for qualifying R&D expenditure	(77)	(256)
- Adjustment for exceptional property gain	(67)	-
- Disallowed expenditure	26	9
- Other differences	(6)	-
Total income tax expense	146	54

C. Deferred tax recognised in other comprehensive income	2017 £'000	2016 £'000
Deferred tax on actuarial gain / loss on pension scheme	77	(119)

D. Current and deferred tax recognised directly in equity	2017 £'000	2016 £'000
Tax benefit arising on share option exercise	(141)	-

8. Earnings Per Share

The calculation of earnings per share is based upon the profit for the year of £1.768m (2016: £1.462m) and the weighted average number of ordinary shares in issue during the year of 12.276m (2016: 11.884m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 13.179m (2016: 12.887m).

	Earnings £'000	2017 Weighted average number of shares Million	Earnings per share Pence	Earnings £'000	2016 Weighted average number of shares Million	Earnings per share Pence
Basic earnings per share	1,768	12.276	14.40	1,462	11.884	12.30
Effect of share options	-	0.903	(0.98)	-	1.003	(0.95)
Diluted earnings per share	1,768	13.179	13.42	1,462	12.887	11.35

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible Assets

	Goodwill			Capitalised development costs			Total
	Cost	Accumulated impairment losses	Carrying amount	Cost	Amortisation	Carrying amount	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2015	1,234	(85)	1,149	277	204	73	1,222
Additions	-	-	-	11	-	11	11
Amortisation for year	-	-	-	-	39	(39)	(39)
At 1 October 2016	1,234	(85)	1,149	288	243	45	1,194
Additions	-	-	-	27	-	27	27
Amortisation for year	-	-	-	-	36	(36)	(36)
At 30 September 2017	1,234	(85)	1,149	315	279	36	1,185

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% (2016: 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% (2016: 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 £3.092m.

10. Property, Plant and Equipment

	Freehold land & buildings £'000	Plant, vehicles & equipment £'000	Total £'000
Cost			
At 1 October 2015	2,863	5,876	8,739
Additions	1,050	295	1,345
Disposals	-	-	-
At 1 October 2016	3,913	6,171	10,084
Additions	934	1,040	1,974
Disposals	(320)	(26)	(346)
At 30 September 2017	4,527	7,185	11,712
Depreciation			
At 1 October 2015	229	3,789	4,018
Charge for the year	42	400	442
Disposals	-	-	-
At 1 October 2016	271	4,189	4,460
Charge for the year	68	475	543
Disposals	(128)	(14)	(142)
At 30 September 2017	211	4,650	4,861
Net carrying amount			
At 30 September 2017	4,316	2,535	6,851
At 30 September 2016	3,642	1,982	5,624

Included within plant, vehicles and equipment is £514,000 (2016: £190,000) in respect of assets acquired under finance leases. Depreciation for the year in respect of these assets was £50,000 (2016: £25,000).

NOTES TO THE FINANCIAL STATEMENTS

11. Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	1,330	901
Work in progress	959	1,028
Finished goods and goods for resale	2,128	1,101
	4,417	3,030

In 2017 the cost of inventories recognised as an expense within cost of sales amounted to £16.218m (2016: £15.163m). This included the write-down of inventories to net realisable value of £59,000 (2016: £96,000), and write-down utilisation of £236,000 (2016: £65,000).

12. Trade and Other Receivables

	2017 £'000	2016 £'000
Trade receivables	4,729	4,407
Other receivables	10	9
Prepayments and accrued income	315	262
	5,054	4,678

Trade receivables are stated after an allowance for impairment of:	29	164

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

	2017 £'000	2016 £'000
Current		
Trade payables	3,669	2,387
Social security and other taxes	286	422
Other payables	29	40
Accruals and deferred income	985	954
	4,969	3,803
Non-current		
Other payables	90	19

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.

	2017 £'000	2016 £'000
Current		
Bank loan	195	199
Finance lease obligations	82	48
Overdraft	216	138
Bank loans and other borrowings	493	385
Non-current		
Bank loan	2,116	2,258
Finance lease obligations	263	47
Bank loans and other borrowings	2,379	2,305
Total borrowings	2,872	2,690

NOTES TO THE FINANCIAL STATEMENTS

14. Borrowings (continued)

Bank loans and overdraft

The Group's principal banking facilities are with Barclays and its main bank finance is a £2.475m bank loan drawn down in 2016 repayable over 5 years. As at September 2017 the amount outstanding was £2.311m (2016: £2.457m); the loan is to be repaid through 14 quarterly instalments of £48,600, from October 2017, with the residual balance repayable in April 2021; and interest is payable at base rate plus 1.95%.

A second £0.500m loan facility was utilised in full in the year to part finance the extension of the Group's new Lighting factory and was repaid out of proceeds from the sale of the Group's original lighting facility. Interest was payable at base rate plus 2.15%.

The 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 £1.5m. At the year-end the Group had an overdraft of £0.22m and had a further £1.24m of un-drawn facility available. Interest is payable at base plus 2.0%.

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	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Within one year	96	51	82	48
Within two to five years	283	51	263	47
	379	102	345	95
Future finance charges	(34)	(7)		
Present value of finance lease obligations	345	95		

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:

	2017	**2016**
	£'000	**£'000**
Equity	10,721	8,689
Net debt	2,753	2,541
Overall financing	13,474	11,230
Gearing (net debt as a % of total equity)	25.7%	29.2%

Gearing, which is the principal measure used by the Group to monitor its capital structure, improved from 29.2% to 25.7%, largely as a consequence of the strong trading in the current year.

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:

	2017			2016		
	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	133	9	142	103	94	197
US Dollar	11	-	11	6	(9)	(3)
	144	9	153	109	85	194

Derivative financial instruments

At 30 September 2017 the Group had no commitments under non-cancellable forward exchange contracts (2016: £Nil) taken out to hedge foreign currency sales and purchases.

Sensitivity

At 30 September 2017 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:

	2017		2016	
	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	16	-	22	-
Sterling strengthens by 10% against the euro	(13)	-	(18)	-

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 2.2% (2016: 2.9%). 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 4.7% (2016: 5.1%).

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

	2017 £'000	2016 £'000
Floating rate		
Cash and cash equivalents	(119)	(149)
Overdraft	216	138
Bank loan	2,311	2,457
	2,408	2,446
Fixed rate		
Finance lease obligations	345	95

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 2017 and 2016, with all other variables held constant the pre-tax profit would have been lower by £29,000 (2016: £28,000).

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 2017 comprise its bank overdraft expiring in one year or less at £1.24m (2016: £1.18m).

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.

2017	**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	216	-	-	-	-	-	216
Bank loan	195	194	195	1,888	-	-	2,472
Finance lease obligations	96	85	86	80	32	-	379
Borrowings	507	279	281	1,968	32		3,067
Trade and other payables	4,654	-	-	-	-	-	4,654
	5,161	279	281	1,968	32		7,721

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

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 2017 these totalled £4.729m (2016: £4.407m). 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 23.2% of trade receivables at September 2017 (2016: 20.9%).

Impairment losses

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

	2017		2016	
	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
Not past due	3,605	(8)	2,904	(70)
Past due 1-30 days	795	(1)	1,112	(42)
Past due 31-90 days	312	(18)	511	(42)
Past due 91 days to less than a year	46	(2)	44	(10)
	4,758	(29)	4,571	(164)

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

	2017 £'000	2016 £'000
Balance at start of the year	164	10
Charged to the income statement	22	154
Released	(11)	-
Utilised	(146)	-
Balance at end of the year	29	164

The impairment charge of £11,000 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.

2017	Amortised cost £'000	Total carrying value £'000	Fair value £'000
Financial assets - loans and receivables			
Trade and other receivables	4,729	4,729	4,729
Cash and cash equivalents	119	119	119
	4,848	4,848	4,848
Financial liabilities - at amortised cost			
Borrowings - overdraft	(216)	(216)	(216)
Borrowings - bank loan	(2,311)	(2,311)	(2,311)
Trade and other payables	(4,654)	(4,654)	(4,654)
	(7,181)	(7,181)	(7,181)
Net financial liabilities	(2,333)	(2,333)	(2,333)

2016	Amortised cost £'000	Total carrying value £'000	Fair value £'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)

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.

NOTES TO THE FINANCIAL STATEMENTS

16. Deferred Tax

	Property, plant and equipment £'000	Retirement benefits £'000	Tax losses £'000	Other £'000	Total £'000
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 1 October 2016	(60)	(168)	16	19	(193)
Recognised in income statement	4	(4)	17	(18)	(1)
Recognised in other comprehensive income / equity	-	(77)	-	50	(27)
At 30 September 2017	(56)	(249)	33	51	(221)

Deferred tax assets of £228,000 (2016: £311,000) have not been recognised in respect of unrelieved tax losses of £1.200m (2016: £1.554m) because of uncertainty over the timing of their recoverability. The tax losses have no expiry date.

A deferred tax asset of £142,000 (2016: £309,000) in respect of the tax benefit that would arise upon the exercise of certain outstanding share options has not been recognised because of uncertainties as to the timing of their exercise.

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 2017					
Deferred tax assets	27	-	33	58	118
Deferred tax liabilities	(83)	(249)	-	(7)	(339)
	(56)	(249)	33	51	(221)
At 30 September 2016					
Deferred tax assets	29	-	16	28	73
Deferred tax liabilities	(89)	(168)	-	(9)	(266)
	(60)	(168)	16	19	(193)

17. Equity

Share capital

Share capital is the total of the nominal value of shares issued.

	2017		2016	
	Number	**£'000**	**Number**	**£'000**
Issued and fully paid				
In issue at the start of the year	11,958,229	1,196	11,848,229	1,185
Allotted under share plans	418,500	42	110,000	11
In issue at the end of the year	12,376,729	1,238	11,958,229	1,196

During the year 418,500 options were exercised at a weighted average option price of 39.7p.

The market price of the Company's shares on 30 September 2017 was 132.5p per share (2016: 140.0p per share) and the price range during the year was 123.0p to 206.0p (2016: 65.0p to 154.0p).

NOTES TO THE FINANCIAL STATEMENTS

17. 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.

	2017 £'000	2016 £'000
Proposed - final 1.65p per share (2016: 1.50p)	204	183

Dividends

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

	2017 £'000	2016 £'000
Final - in respect of preceding year 1.50p per share (2016: 1.00p)	185	119
Interim - in respect of current year 1.05p per share (2016: 1.00p)	130	119
	315	238

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.

Retained earnings reserve

This reserve records the retained earnings in the current and prior periods at the balance sheet date.

18. 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. No further options may be granted under this scheme.

The rules of the scheme were amended in the year to permit the period over which an option is exercisable to be extended by the Board: at the same time the terms of 771,500 options were amended such that they would not lapse on 30 July 2017 but would instead remain exercisable until 7 February 2022.

Outstanding options to subscribe for ordinary shares of 10p each at 30 September 2017 are as follows:

Scheme	Date of grant	Price	Dates when exercisable	Number of options 2017	Number of options 2016
1997 Unapproved Share Option scheme	Mar 2007	39p	08 Mar 2010 to 07 Mar 2017	-	125,000
2007 Employee Share Option scheme	Jul 2007	36p	31 Jul 2010 to 07 Feb 2022	771,500	845,000
	Apr 2011	32p	01 Apr 2014 to 31 Mar 2021	100,000	200,000
	Feb 2012	49p	08 Feb 2015 to 07 Feb 2022	235,000	355,000
				1,106,500	1,400,000

18. Share Based Payments (continued)

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

	2017		2016	
	Weighted average exercise price (p)	**Number of options**	**Weighted average exercise price (p)**	**Number of options**
Outstanding at the beginning of the year	38.7	1,525,000	39.3	1,640,000
Granted during the year	-	-	-	-
Exercised during the year	39.7	(418,500)	46.6	(110,000)
Lapsed during the year	-	-	39.0	(5,000)
Outstanding at the end of the year	38.4	1,106,500	38.7	1,525,000
Exercisable at the end of the year	38.4	1,106,500	38.7	1,525,000

The options outstanding at the end of the year have an exercise price in the range of 32p to 49p and a weighted average contractual life of 4.3 years (2016: 2.4 years).

The weighted average share price at the date of exercise of share options exercised during the year was 163.6p per share (2016: 114.0p).

The Group's share-based remuneration expense recognised in the year was £Nil (2016: £Nil).

19. 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 £178,000 (2016: £138,000).

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 2016. 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 2017. 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

19. Employee Benefits (continued)

Amounts included in the balance sheet

	2017 £'000	2016 £'000	2015 £'000
Fair value of scheme assets	14,691	14,796	13,084
Present value of defined benefit obligations	(13,380)	(13,955)	(11,705)
Asset to be recognised	1,311	841	1,379

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 2017.

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

	2017 £'000	2016 £'000
Defined benefit obligation at start of the year	13,955	11,705
Interest cost	329	432
Actuarial (gains) due to scheme experience	(98)	(155)
Actuarial (gains) due to changes in demographic assumptions	-	-
Actuarial (gains) / losses due to changes in financial assumptions	(292)	2,674
Benefits paid	(514)	(701)
Defined benefit obligation at end of the year	13,380	13,955

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

19. Employee benefits (continued)

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

	2017 £'000	2016 £'000
Fair value of scheme assets at start of the year	14,796	13,084
Interest income	350	486
Return on plan assets (excluding amounts included in interest income)	(41)	1,827
Contributions by the Group	100	100
Benefits paid	(514)	(701)
Fair value of scheme assets at end of the year	14,691	14,796

The actual return on the plan assets over the period ending 30 September 2017 was £309,000 (2016: £2,313,000).

Defined benefit costs recognised in profit or loss

	2017 £'000	2016 £'000
Net interest income	21	54

Defined benefit costs recognised in the statement of other comprehensive income

	2017 £'000	2016 £'000
Return on plan assets (excluding amounts included in interest income) – (loss) / gain	(41)	1,827
Experience gains arising on the defined benefit obligation	98	155
Effect of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain / (loss)	-	-
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	292	(2,674)
Amount recognised in other comprehensive income – gain / (loss)	349	(692)

19. Employee benefits (continued)

Assets

	2017 £'000	2016 £'000	2015 £'000
Equities	4,957	4,434	3,809
Corporate bonds	8,387	8,596	7,197
Diversified growth funds	1,263	1,766	1,971
Cash and net current assets	84	-	107
Total assets	14,691	14,796	13,084

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

	2017 % per annum	2016 % per annum	2015 % per annum
Rate of discount	2.60	2.4	3.8
Inflation (RPI)	3.25	3.0	2.9
Inflation (CPI)	2.55	2.3	2.2
Allowance for revaluation of deferred pensions of CPI or 5.0% pa if less	2.55	2.3	2.2
Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less	2.50	2.3	2.2
Allowance for pension in payment increases of RPI or 5.0% pa if less	3.10	3.0	2.9
Allowance for pension in payment increases of CPI or 3.0% pa if less	2.10	2.3	2.2
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 2017 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 2017:	22.2
Female retiring in 2017:	24.3
Male retiring in 2037:	24.0
Female retiring in 2037:	26.2

19. 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 0.10% p.a.	Increase by 1.5%
Rate of inflation	Increase of 0.10% p.a.	Increase by 1.0%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.1%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.6%

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 2017 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 2017 is £100,000.

NOTES TO THE FINANCIAL STATEMENTS

20. 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 2017 £'000	2016 £'000
Within one year	78	100
Within two to five years	57	70
	135	170

Capital commitments

Contracted for but not provided in the accounts amounted to £114,000 (2016: £267,000).

21. 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.

	2017 £'000	2016 £'000
Short-term employee benefits	569	660
Post employment benefits	3	3
	572	663
Dividends	55	38

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 (2016: none).

22. Contingent Liabilities

As at 30 September 2017 Group contingent liabilities relating to guarantees in the normal course of business amounted to £325,000 (2016: £373,000).

COMPANY BALANCE SHEET

At 30 September 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investment property	C5	3,066	3,066
Tangible assets	C6	487	559
Investments	C7	5,411	5,411
		8,964	9,036
Current assets			
Debtors	C8	738	1,825
Cash at bank and in hand		4	4
		742	1,829
Creditors: Amounts falling due within one year	C9	(2,731)	(3,806)
Net current liabilities		(1,989)	(1,977)
Total assets less current liabilities		6,975	7,059
Creditors: Amounts falling due after more than one year	C10	(2,816)	(2,958)
Net assets		4,159	4,101
Capital and reserves	C14		
Called up share capital		1,238	1,196
Share premium account		628	504
Un-issued shares reserve		134	183
Merger reserve		784	784
Revaluation reserve		698	698
Profit and loss reserve ♦		677	736
Total equity shareholders' funds		4,159	4,101

♦ The Company has not presented a separate profit and loss account as permitted by Section 408 of the Companies Act 2006. The profit dealt with in the financial statements of the Company amounted to £66,000 (2016: loss of £782,000).

The financial statements were approved by the Board on 23 January 2018 and signed on its behalf by:

S K BRETT
Director

P G POLLOCK
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2017

	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 2015	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
Profit for the year	-	-	-	-	-	66	66
Dividends	-	-	-	-	-	(315)	(315)
Issue of shares	42	124	-	-	-	-	166
Tax benefit on share-based payments	-	-	-	-	-	141	141
Transfer	-	-	(49)	-	-	49	-
At 30 September 2017	1,238	628	134	784	698	677	4,159

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.

The financial statements are presented in Sterling (£).

The Company has taken advantage of the following disclosure exemptions under FRS102 on the basis that the equivalent disclosures are included in the Group Financial Statements:

- The requirements of Section 4 Statement of Financial Position 4.12 (a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirement of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of LPA Group plc as at 30 September 2017.

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 to earn rentals or for capital appreciation or both. 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.

G. Significant judgements and estimates

The preparation of the financial statements requires management to make judgements on the application of its accounting policies and make estimates about the future. Actual results may differ from these assumptions. There are no critical judgements made in arriving at the amounts included in these financial statements nor are there 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.

C4. Employee Information

With the exception of the directors the number of people employed by the Company was Nil (2016: Nil). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

C5. Investment Property

	Fair value £'000
At 1 October 2016 and 30 September 2017	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 has not changed during the year.

C6. Tangible Fixed Assets

	Plant and machinery £'000
Cost	
At 1 October 2016 and 30 September 2017	716
Depreciation	
At 1 October 2016	157
Charged in year	72
At 30 September 2017	229
Net book value	
At 30 September 2017	487
At 1 October 2016	559

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C7. Investments

Investments in subsidiary undertakings

	Cost	Provision for impairment	Carrying amount
	£'000	£'000	£'000
At 1 October 2016 and 30 September 2017	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%	Electro-mechanical 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

	2017	2016
	£'000	£'000
Amounts due from subsidiary undertakings	640	1,774
Other debtors	8	11
Prepayments and accrued income	22	22
Deferred taxation (note C12)	68	18
	738	1,825

C9. Creditors: Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Bank overdraft	516	349
Bank loans	195	199
Debt	711	548
Trade creditors	29	32
Amounts owed to subsidiary undertakings	1,706	2,871
Other creditors	3	3
Accruals	282	352
	2,731	3,806

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

	2017 £'000	2016 £'000
Debt - bank loans	2,116	2,258
Amounts owed to subsidiary undertakings	700	700
	2,816	2,958

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C11. Borrowings

	2017 £'000	2016 £'000
Due within one year		
Bank overdraft	516	349
Bank loan	195	199
	711	548
Non-current		
Bank loan	2,116	2,258
Total borrowings	2,827	2,806
Repayable		
Within one year	711	548
Between one and two years	195	199
Between two and five years	1,921	2,059
	2,827	2,806

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 2016	(18)
Charge to the profit and loss account in the year	-
Recognised directly in equity	(50)
At 30 September 2017	(68)

Recognised deferred tax assets and liabilities

Deferred taxation provided in the accounts is as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	(12)	(16)
Tax benefit on share-based payments	(56)	-
Other timing differences	-	(2)
	(68)	(18)

Deferred tax assets are disclosed in note C8.

Unrecognised deferred tax

A deferred tax asset of £158,000 (2016: £166,000) has not been recognised in respect of unrelieved management expenses of £829,000 (2016: £829,000). The unrelieved management expenses have no expiry date, and have not been recognised because of uncertainty over the timing of their recoverability.

A deferred tax liability of £133,000 (2016: £140,000) has not been recognised in respect of the fair value gain on the Company's investment property of £698,000 (2016: £698,000). A tax charge would only crystallise on the disposal of the property which is utilised in the trade of the Group.

A deferred tax asset of £142,000 (2016: £309,000) in respect of the tax benefit that would arise upon the exercise of certain outstanding share options has not been recognised because of uncertainties as to the timing of their exercise.

C13. Share Capital

	2017		2016	
	Number	£'000	Number	£'000
Issued and fully paid				
In issue at the start of the year	11,958,229	1,196	11,848,229	1,185
Allotted under share plans	418,500	42	110,000	11
In issue at the end of the year	12,376,729	1,238	11,958,229	1,196

During the year 418,500 options were exercised at a weighted average option price of 39.7p.

Dividends

Details of dividends paid and proposed in the year are given in note 17 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 18 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 (2016: £Nil).

C16. Related Party Transactions

Related party transactions with directors of the Company are set out in note 21 to the Group Financial Statements.

C17. Financial Commitments

Operating lease commitments

At 30 September 2017 the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, all of which relate to plant & machinery, which fall due as follows:

	2017 £'000	2016 £'000
Within one year	1	3

Capital commitments

Contracted for but not provided in the accounts amounted to £Nil (2016: £Nil).

C18. Contingent Liabilities

The following security is provided to Barclays Bank plc in respect of the Company's £2.311m term loan facility: (i) a legal charge over the freehold property owned by the Company; (II) a debenture from the Company; and (iii) a cross guarantee by the Company as guarantor on account of the obligations of each Group company to Barclays Bank plc.

FIVE YEAR SUMMARY

Unaudited information

Summary income statement	Restated 2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000
Revenue	17,630	16,835	16,265	21,422	22,482
EBITDA †	974	987	795	2,014	2,474
Depreciation, amortisation, share payments	(365)	(351)	(504)	(481)	(579)
Operating profit before exceptional items	609	636	291	1,533	1,895
Exceptional items	1,168	(319)	545	14	73
Net finance costs	(60)*	(22)	(43)	(31)	(54)
Profit before taxation	1,717*	295	793	1,516	1,914
Taxation	57*	-	(99)	(54)	(146)
Profit for the year	1,774*	295	694	1,462	1,768

Summary balance sheet	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000
Property, plant and equipment	2,669	4,909	4,721	5,624	6,851
Net trading assets	3,863	2,418	3,732	3,764	4,348
Net operating assets	6,532	7,327	8,453	9,388	11,199
Net debt	(612)	(1,494)	(2,717)	(2,541)	(2,753)
Provisions	(668)	(567)	-	-	-
Deferred taxation	(20)	(11)	(74)	(25)	28
Net assets before pension and intangibles	5,232	5,255	5,662	6,822	8,474
Intangible assets	1,236	1,235	1,222	1,194	1,185
Pension asset net of deferred tax	768	595	1,103	673	1,062
Net assets	7,236	7,085	7,987	8,689	10,721

Other information	2013	2014	2015	2016	2017
EBITDA to sales	5.5%	5.9%	4.9%	9.4%	11.0%
Basic earnings per share	15.05p*	2.50p	5.86p	12.30p	14.40p
Dividends per ordinary share	1.35p	1.55p	1.70p	2.50p	2.70p
Net assets per ordinary share	61.3p	59.8p	67.4p	72.7p	86.6p
Net debt / EBITDA	0.63	1.51	3.42	1.26	1.11
Gearing (net debt as a % of total equity)	8.5%	21.1%	34.0%	29.2%	25.7%

† - 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 Sixth 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 Wednesday 21 March 2018 at 12.00 noon for the following purposes:

Routine business

1. To receive the accounts for the year ended 30 September 2017, together with the reports of the directors and the auditors thereon.
2. To declare a final dividend of 1.65p per ordinary share of 10p each ("Ordinary Share") for the year ended 30 September 2017, payable on 29 March 2018 to shareholders on the register at the close of business on 9 March 2018.
3. To re-elect as a director Peter Pollock who retires by rotation, in accordance with the Company's Articles of Association.
4. To re-elect as a director Len Porter who retires by rotation, in accordance with the Company's Articles of Association.
5. 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 6 as an ordinary resolution:

6. 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 £262,327 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 7 as a special resolution:

7. That subject to the passing of resolution 6 above, the directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the said Act) for cash pursuant to the authority conferred by resolution 6 above as if section 561(1) of the said Act did not apply to any such allotment provided that this power shall be limited:
   a. to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them; and
   b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £123,767 (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.

To consider and if thought fit pass resolution 8 as a special resolution:

8. 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 1,237,673 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.

NOTICE OF MEETING (CONTINUED)

Share capital continued

To consider and if thought fit pass resolution 9 as an ordinary resolution

9. That:

   a. the rules of the LPA Group plc Performance Share Plan 2018 ("PSP"), the principal terms of which are summarised in the document enclosed with the Annual Report and Accounts, be and are hereby approved; and

   b. the directors be and are hereby authorised to:

      (i) do all such acts and things as they may consider necessary or desirable to implement the PSP; and

      (ii) vote and be counted in a quorum on any matter connected with the PSP notwithstanding that they may be interested in the same, except that no director may be counted in a quorum or vote in respect of his own participation, and any provisions of the Articles of Association of the Company be and are hereby relaxed to that extent accordingly.

By order of the Board	Registered office:
Stephen Brett	Light & Power House, Shire Hill
Secretary	Saffron Walden, Essex
23 January 2018	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 Link 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 close of business on 19 March 2018 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 19 March 2018 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.

5. Resolution 9 – this resolution seeks approval for a discretionary employee share plan for executive directors and employees of the Company or any of its subsidiaries. The purpose of the PSP is to aid in retention and incentivisation of management and employees, by giving them the opportunity to acquire shares in the Company upon payment of an exercise price (or for nil consideration) if they achieve prescribed performance targets (if applicable) and, broadly, remain in employment over a vesting period. The principal terms of the PSP are summarised in the document enclosed with the Annual Report and Accounts.

LPA GROUP PLC - FORM OF PROXY

For use at the annual general meeting to be held at 12.00 noon on Wednesday 21 March 2018 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/her 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 2018

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 2017.				
2.	To declare a final dividend of 1.65p per Ordinary Share for the year ended 30 September 2017.				
3.	To re-appoint Peter Pollock as a director of the Company.				
4.	To re-appoint Len Porter as a director of the Company.				
5.	To re-appoint the auditors and to authorise the directors to fix the auditor's remuneration.				
6.	To authorise the directors to allot shares (as defined in section 551 of the Companies Act 2006) in the Company.				
7.	To authorise the directors (pursuant to section 570 of the Companies Act 2006) to allot shares in the Company for cash.				
8.	To authorise the Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.				
9.	To approve the rules of the LPA Group plc Performance Share Plan 2018 ("PSP"), and authorise the directors to implement the PSP.				

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 Link 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
LPA House, Ripley Drive, Normanton,
West Yorkshire, WF6 1QT. UK
Tel: +44 (0)1924 224100
Fax: +44 (0)1924 224111
Email: enquiries@lpa-light.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 512828
Email: sales@lpa-connect.com
Website: www.lpa-group.com

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

Engineered component distribution

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