



Long Life Reliability  
does not cost the earth

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LPA GROUP PLC ANNUAL REPORT & ACCOUNTS 2009

## LPA GROUP PLC

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

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

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

### QUALITY

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

### CUSTOMERS

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

### OBJECTIVES

The Group's objectives are to:

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

[WWW.LPA-GROUP.COM](http://WWW.LPA-GROUP.COM)

## PRODUCT APPROACH

LPA's product approach can be summarised in the acronym **SCREAM**

- S**afety, Low Life Cycle
- C**ost,
- R**eliability, concern for the
- E**nvironment,
- A**vailability and
- M**aintainability of long life product

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

## PRODUCT DEVELOPMENT

### Lighting

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

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

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

### Electrical

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

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

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

Further information can be found by visiting our website.



LUMIPANEL®



LUMISTRIP®



LUMISPOT™



LED DOWNLIGHT



MR16 TRIPLE LED



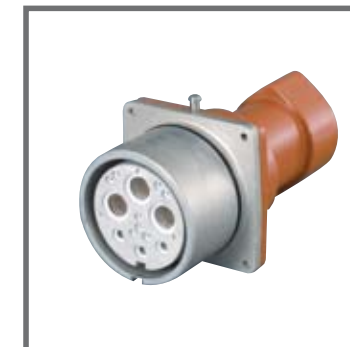
MR16 SINGLE LED



MODULE 32 JUMPER PLUG



MODULE 42 DOUBLE CONDUIT



MODULE 52 PLUG



4S CONNECTOR



N27 CONNECTOR



C4 CONNECTOR

WWW.LPA-GROUP.COM



LPA GROUP PLC - INNOVATIVE PRODUCTS

## GROUP DIRECTORY

### LPA Group plc

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

### LPA Channel Electric

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

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

### LPA Excil Electronics

Ripley Drive, Normanton,  
West Yorkshire, WF6 1QT. UK  
Tel: +44 (0)1924 224100  
Fax: +44 (0)1924 224111  
Email: enquiries@lpa-excil.com  
Website: www.lpa-group.com

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

### LPA Haswell Engineers

Oakwood Business Park, Stephenson Road West,  
Clacton-on-Sea, Essex CO15 4TL. UK  
Tel: +44 (0)1255 428424  
Fax: +44 (0)1255 432963  
Email: enquiries@lpa-haswell.com  
Website: www.lpa-group.com

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

### LPA Niphan Systems

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

- . Rail, aircraft & industrial connectors
- . Auxiliary battery power systems
- . Control panels & boxes
- . Shore supply systems
- . Batteries (gel lead acid and NiCad)
- . Cable management
- . Terminal assemblies

## FINANCIAL HIGHLIGHTS

For the year ended 30 September 2009

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
<b>TURNOVER</b>	13,715	15,082
<b>OPERATING PROFIT</b>	205	273
<b>PROFIT BEFORE TAX</b>	187	382
<b>BASIC EARNINGS PER SHARE</b>	1.24p	3.25p
<b>DIVIDENDS PER SHARE - INTERIM AND FINAL</b>	0.90p	0.65p
<b>DIVIDENDS PER SHARE - SPECIAL</b>	-	0.25p
<b>GEARING</b>	31.3%	37.9%

## CONTENTS

COMPANY INFORMATION	<b>2</b>	CHAIRMAN'S STATEMENT	<b>3</b>	CHIEF EXECUTIVE'S REVIEW	<b>4</b>
FINANCIAL REVIEW	<b>6</b>	DIRECTORS' REPORT	<b>8</b>	CORPORATE GOVERNANCE REPORT	<b>12</b>
INDEPENDENT AUDITOR'S REPORT	<b>14</b>	CONSOLIDATED INCOME STATEMENT	<b>20</b>	CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE	<b>20</b>
CONSOLIDATED BALANCE SHEET	<b>21</b>	CONSOLIDATED CASH FLOW STATEMENT	<b>22</b>	NOTES TO THE FINANCIAL STATEMENTS	<b>23</b>
COMPANY BALANCE SHEET	<b>55</b>	COMPANY NOTES TO THE FINANCIAL STATEMENTS	<b>56</b>	FIVE YEAR SUMMARY	<b>64</b>
NOTICE OF MEETING	<b>65</b>	FORM OF PROXY	<b>67</b>		

## COMPANY INFORMATION

## Directors

**Michael Rusch** (Non-Executive Chairman), 64, joined the Company in 1966, five years after its inception. He has been on the Board since 1967. He relinquished his executive duties in 2000.

**Peter G Pollock** (Chief Executive), 63, is a chartered accountant, with over thirty years industrial experience. He joined LPA Group in April 1997. He is a non-executive director of Ferrabyrne Ltd. Previous positions include Chairman of Lionheart plc, non-executive director of Mentmore Abbey plc and Menvier Swain plc, Chairman of Valetmatic Ltd, Chief Executive of ML Holdings plc, Finance Director UK of Fisher Controls International Inc. and Financial Director of Hawker Siddeley Power Transformers Ltd.

**Stephen K Brett** (Finance Director), 53, qualified as a chartered accountant in 1982 with Ernst & Whinney in London. Before joining LPA Group in December 2000 he held a number of financial appointments in the manufacturing sector, most recently as Vice President Finance for the Environmental Control Division of Invensys plc.

**Per F Staehr** (Non-Executive Director), 66, is a Danish national with a distinguished international career in the rail, shipping and energy sectors who joined the Board in December 2007. He is currently a director of Arrow Light Rail Ltd, the Nottingham Tram System concessionaire, Chairman of the Rail Media Group, a director of Trico Marine Services Inc, a US quoted subsea services provider and operator of offshore service vessels, a director of EIVA A/S a Danish software supplier to the subsea survey and maintenance industry, and Chairman of the Daniamant Group a Danish/UK manufacturer of marine survivor lights. Previously he was Chairman of Bombardier Transportation UK Ltd, Chairman of A2SEA A/S, the leading European offshore wind farm installation contractor, Chairman of the Railway Industry Association, a director of Riegens Ltd and President of Maersk Contractors, a global offshore drilling and contracting company.

Secretary	Stephen K Brett		
Registered office	Tudor Works Debden Road Saffron Walden Essex CB11 4AN		
Registered number	686429		
Nominated adviser	Blomfield Corporate Finance Limited 100 Cannon Street London EC4N 6EU	Broker	Religare Hichens, Harrison plc 100 Cannon Street London EC4N 6EU
Auditors	Grant Thornton UK LLP Byron House Cambridge Business Park Cambridge CB4 0WZ	Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham BR3 4TU
Bankers	Bank of Scotland plc 110 St Vincent Street Glasgow G2 5ER	Solicitors	Eversheds LLP 115 Colmore Row Birmingham B3 3AL
Financial public relations	College Hill Associates Limited The Registry Royal Mint Court London EC3N 4QN		

## CHAIRMAN'S STATEMENT

**Results**

The Group has not been immune to the effects of the recession and sales for the last financial year were down by 9% to £13.7m (2008: £15.1m). Thanks to an improved gross margin and strict control of costs a small profit before tax of £187,000 (2008: £382,000) was achieved. Working capital has been kept under tight control and gearing has further reduced from 37.9% to 31.3%. The previously announced project awards contributed to a record year for order entry at £22.8m (2008: £15.3m), resulting in an order book at 30 September 2009 of £16.8m (2008: £7.8m), and which provides a strong base load for delivery over the next three years.

**Dividends**

The interim dividend was doubled to 0.50p consolidating the special dividend of 0.25p which was paid to shareholders in 2008 to celebrate the Group's Centenary. Your Board has carefully considered the payment of a final dividend and proposes to maintain it at 0.40p which will be paid in this tax year. This gives an unchanged total for the year of 0.90p. Given the uncertainties of the current economic climate and trading conditions the Board will keep future dividend policy under review.

Subject to approval by shareholders at the annual general meeting to be held at 12.00 noon on 4 March 2010, at the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London, EC3N 4QN, the final dividend will be paid on 26 March 2010, to shareholders registered at the close of business on 5 March 2010.

**Board and management**

The Board has remained unchanged throughout the year. In accordance with the articles of association Per Staehr is the director retiring by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The Board have asked, and I have consented, to my appointment being extended for a further three years until the conclusion of the annual general meeting in 2013.

During the past two years, as part of our effort to control costs while output has been falling, the Chief Executive has combined his role with that of acting Managing Director of LPA Niphan Systems and LPA Excil Electronics as well as

spearheading the Group's export initiatives. This has proved successful and with the winning of £8m of contracts in Australia during the year a base load has been established for both companies over the next three years. Since the start of the new financial year Group management has been strengthened by the appointment of Managing Directors for both LPA Niphan Systems and LPA Excil Electronics which will enable the Chief Executive to continue the successful development of the Group.

**Employees**

In a year of mixed fortunes, our employees have again proven their value and they remain our most important asset. I would like to thank them for their efforts under difficult circumstances.

**Defined benefit pension scheme**

At the end of the financial year the defined benefit scheme was closed to future accrual. This will reduce future liabilities and risks to the Group.

**Outlook**

Although recently there has been a welcome recovery in routine orders, wholly unexpected contract re-scheduling by customers over the last ten weeks has removed approximately £1.7m of anticipated sales from the year. The first half will be disproportionately affected. Costs are being tightly controlled and directors' salaries have been held at January 2009 rates.

Given the record level of orders on hand shareholders will appreciate that it is frustrating not to be able to report a more positive start to the new financial year. However we have a good base load for the next three years and many prospects. Overall the outlook is positive.

**Michael Rusch**

Chairman  
29 January 2010

## CHIEF EXECUTIVE'S REVIEW

### Trading results

During the past financial year we suffered from a dearth of routine orders, which dried up as the recession developed. Sub-contract metal work and contract electronic manufacturing were the worst affected, but orders for industrial and aircraft connectors and rail general components also fell.

Added value was reduced, imposing pressure on costs which were controlled tightly. Essential design and development activity was maintained to support the large rail contracts won and to introduce new LED lighting products, as was our sales and marketing expenditure to support our efforts to grow the business in new markets. Overall a small profit was returned.

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

### Markets

The rail transport market has continued to provide us with good long term orders and there remain some very large opportunities which we will pursue with vigour. Despite Government commitment to invest in rail, the home market for passenger vehicles has become small and lumpy, so we continue our efforts to develop markets abroad, a policy that has delivered spectacular results in terms of order entry in the year just closed.

We were excited by the prospect of a further 200 Turbostar Diesel Multiple Units for the home market which were the subject of an urgent bid in early Spring, only to have it evaporate in the Department for Transport's late Summer announcement of further electrification.

Our continued efforts in Australia resulted in our first substantial order for LED-based lighting worth £5.7m. France in particular and Asian countries in general have been quicker to embrace this new technology than our home market, though it must be said that new specifications emanating from the Department for Transport do call for such technology, which is helping to drive would-be suppliers to the UK market to talk to us. We are also offering our LED products to the rail maintenance and infrastructure markets.

We are taking our LED lighting into other markets. We have won orders from the cruise ship and commercial markets.

We have been selected, and have begun supplying connectors and lighting for the additional West Coast Mainline passenger carriages, which will be built at Alstom's plant in Savigliano, Italy. The full contract orders should follow in due course.

We continue to supply the aircraft ground support market world-wide and we are now trialling our connectors at a major Asian hub airport.

The UK defence and aerospace markets remain very important to us.

### Design and development

We have continued to develop our LumiSeries™ range of energy saving LED-based lighting products. We have extended the portfolio to include alternating current products which can now be offered to commercial markets, in addition to the existing direct current products used as standard in transportation. Trials of LumiStrip® against fluorescent tubes have demonstrated substantial advantages including power saving, reduced maintenance and better colour rendition. It is pleasing to note that sales of LED products increased by 47% in the year to £1.2m (2008: £0.8m).

The bulk of our electro-mechanical design and development activity has been committed to meeting the requirements of the major rail projects we have won. We have launched a new aircraft power connector which has evoked a positive response from customers.

### Structure and costs

Maintaining our capacity to respond to the increasing level of project work while the routine orders have been in decline has been challenging. We have maintained expenditure on sales and marketing and design and development as we invest for the future. We keep the structure under review and will make changes when appropriate.

### Strategy

Our intention is to deliver shareholder value. In current economic conditions this is a challenge. Our continuing focus on the transportation market, particularly rail, has been rewarded by winning significant contracts in the year just finished and has provided many opportunities for the future. We are working to reduce our dependency on the sub-contract market, which has shrunk dramatically in this recession. We will continue to offer our LED lighting products in new markets and this should provide a strong engine for growth.

We will prepare the Saffron Walden property for sale when market conditions improve. We will migrate activities from the site when sensible, while retaining our essential skills in the locality.

### Peter Pollock

Chief Executive

29 January 2010

## FINANCIAL REVIEW

### Accounts preparation

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

### Financial performance

Sales revenues in the current year were £13.72m, down by £1.36m (9.1%) from £15.08m in 2008, with operating profit falling by £68,000 to £205,000 (2008: £273,000). In the first half of the year sales were £7.03m (2008: £7.68m) and operating profit £92,000 (2008: £155,000) trailing the corresponding period last year by £0.65m and £63,000 respectively. Second half results were also down with sales at £6.69m (2008: £7.40m) and an operating profit of £113,000 (2008: £118,000).

Whilst gross profit for the year fell to £3.60m (2008: £3.80m), sales included an increased proportion of higher added-value products, which together with lower production overheads, led to a gross margin improvement from 25.2% to 26.2%. All other operating expenses, less income, were £0.13m below last year at £3.39m (2008: £3.52m). Costs in the year included termination costs of £13,000 (2008: £40,000), share option costs at £64,000 (2008: £63,000) and defined benefit pension scheme expense at £105,000 (2008: £188,000) following the decision to close the scheme to future pension accrual.

Within finance costs and finance income interest on borrowings fell in the year to £91,000 (2008: £172,000) reflecting lower average borrowings and significantly lower interest rates, the interest cost on pension scheme liabilities rose to £572,000 (2008: £481,000) as a result of the higher level of liabilities, and the return on pension scheme assets was down at £645,000 (2008: £753,000) the consequence of both lower opening assets and lower expected long-term rates of return.

With a tax charge of £45,000 (2008: £11,000) the profit for the year was £142,000 (2008: £371,000) representing basic earnings per share of 1.24p (2008: 3.25p).

### Balance sheet

At the end of the year shareholders' funds were £4.47m (2008: £4.86m) giving a net asset value per ordinary share of 39.0p (2008: 42.5p). The tangible net asset value per share, calculated excluding intangible assets and the net pension (liability) / asset from the calculation was 28.6p (2008: 28.4p).

Property, plant and equipment at 30 September was £2.03m (2008: £2.19m) of which property made up £0.83m and plant and equipment £1.20m. Additions, which remain focused in the areas of production and engineering, were £249,000 (2008: £267,000) and the depreciation charge for the year was £328,000 (2008: £321,000). The carrying value of the Group's freehold properties does not reflect any redevelopment upside.

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables, provisions and current tax) were lower than last year at £2.62m (2008: £2.88m).

Progress was again made in reducing net debt, which fell from £1.84m to £1.40m over the year. Gearing improved to 31.3% (2008: 37.9%).

Intangible assets which total £1.29m (2008: £1.23m) comprise goodwill and capitalised development costs. Goodwill stands at £1.23m (2008: £1.23m) and largely relates to the Group's investment in Excil Electronics: there was no impairment charge in the year (2008: £Nil). Capitalised development costs at the end of the year were £59,000 (2008: £Nil) and relate to the development of LED lighting products. Such costs were capitalised for the first time this year as the necessary criteria were met.

The pension liability included in the balance sheet, net of deferred tax, was £97,000 (2008: asset of £378,000). The change comprised an actuarial loss of £505,000 (2008: £986,000) recognised in the statement of recognised income and expense, plus £44,000 charged to the income statement (2008: credit of £38,000), less £74,000 (2008: £81,000) of contributions received. The actuarial loss resulted from an experience loss on liabilities of £550,000 plus the impact of changes to financial assumptions of £250,000 less a better than expected asset return of £295,000.



### Pensions

Recognising the increasing costs of providing defined benefit pensions and the ongoing risk of future accrual the decision was taken to close the defined benefit pension arrangement operated by the Group to future pension accrual with effect from 1 October 2009.

### Cash flow

Although trading performance was behind last year, the lower levels of working capital at the year end meant that overall net cash from operating activities improved to £871,000 (2008: £745,000).

Capital expenditure was higher in the year at £249,000 (2008: £81,000) reducing to net expenditure of £174,000 (2008: £54,000) after asset disposals. Development expenditure of £60,000 (2008: £Nil) was capitalised in the year (2008: £Nil) and interest received on short term deposits was £Nil (2008: £9,000).

In the year debt repayments were £403,000 (2008: £383,000), and interest payments on borrowings were reduced to £80,000 (2008: £161,000). Receipts from the exercise of share options were £Nil (2008: £10,000) and dividend payments were unchanged at £103,000 resulting in an overall net increase in the cash position of £51,000 (2008: £63,000).

### Net debt

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

	Bank loan	Finance lease and cash obligations	Cash and cash equivalents	Net debt
	£'000	£'000	£'000	£'000
At 1 October 2008	1,218	482	142	1,842
Cash generated	-	-	(454)	(454)
Repayment of borrowing	(291)	(112)	403	-
Other non-cash items	11	-	-	11
At 30 September 2009	938	370	91	1,399

The bank loan is repayable in 13 quarterly instalments of £73,000 the last being in October 2012, the finance lease obligations are repayable over the next four years, and the bank overdraft of £0.09m (2008: £0.47m) is repayable on demand. At the year-end the Group was holding minimal cash (2008: £0.33m) and had £0.91m (2008: £0.67m) of un-drawn overdraft facilities available to it.

Subsequent to the year end the Group has re-negotiated its working capital facilities through to late November 2010. These total £2.8m and provide for an overdraft limit of £2.0m (previously: £1.0m), a guarantee limit of £0.6m (previously: £0.1m), and an unchanged forward exchange contract facility limit of £0.2m. Interest is payable on the new overdraft facility at 2.50% over base rate (previously 2.25% over base) and a 1.25% (previously 1.125%) charge is made against the unutilised part of the facility.

### Treasury

The Group's treasury policy operates within approved Board guidelines and has not changed since 2008. It seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, liquidity and credit risks. Further details on the Group's borrowings, financial instruments, and its approach to financial risk management are given in notes 14 and 15.

### Stephen Brett

Finance Director  
29 January 2010

## DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 30 September 2009.

### Results and dividends

The profit for the year amounted to £142,000 (2008: £371,000). The directors recommend the payment of a final ordinary dividend of 0.40p (2008: 0.40p), which together with the interim dividend of 0.50p (2008: 0.25p) makes a total for the year of 0.90p per share (2008: 0.65p). In 2008 a special centenary dividend of 0.25p per share was paid at the same time as the interim dividend.

### Business review

The principal activities of the Group continue to be the design, manufacture and marketing of industrial electrical and electronic accessories. Descriptions of the Group's development and performance during the year, position at the year end and likely future prospects are reviewed in the Chairman's Statement, the Chief Executive's Review and the Financial Review on pages 3 to 7. The information in all of these sections are incorporated by reference and form part of this business review.

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

### Key performance indicators

The Group uses the following key performance indicators to assess the progression in its business:- (i) Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth being 1.66 in the current year (2008: 1.01, 2007: 0.91), (ii) Sales growth (the increase in year-on-year sales as a percentage of prior year sales) as a measure of current growth being -9.1% for the current year (2008: -9.4%, 2007: 21.2%), (iii) Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 26.2% in the current year (2008: 25.2%, 2007: 23.1%), and (iv) Net cash flow (net cash inflow before the repayment of borrowings and issue of equity) as a measure of cash generation being £454,000 for the current year (2008: £436,000 and 2007: £316,000).

### 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.
- Certain activities benefit from long standing commercial relationships with key customers and suppliers.
- Group activities variously operate in competitive markets which are subject to product innovation, technical advances and intensive price competition.
- 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.
- Poor investment returns and longer life expectancy may result in an increased cost of funding the Group's defined benefit pension arrangement.

### Going concern

The Group's business activities and the factors likely to affect its future performance are set out above and in the Chairman's Statement and the Chief Executive's Review on pages 3 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 6 to 7. In addition the Group's treasury policy, its approach to the management of financial risk, and in particular its exposure to liquidity and credit risks are outlined in note 15.

Whilst current economic conditions create uncertainty, as (i) the Group has recently renewed its working capital facilities until November 2010; (ii) its order book stands at record levels; (iii) significant opportunities remain within its market place; and (iv) it has proven adaptable in past periods of adversity, the directors believe that the Group is well placed to manage its business risks successfully.

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

### Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2009 representing 3 per cent or more of the issued share capital were:

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

### Research and development

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

### Employment policies

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

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

### Health, safety and the environment

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

### Payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a formal standard which deals specifically with payment to suppliers. The Group had 64 days (2008: 41 days) purchases outstanding at 30 September 2009. The Company has minimal third party creditors.

**DIRECTORS' REPORT (CONTINUED)****Charitable contributions**

Contributions for charitable purposes during the year amounted to £1,320 (2008: £755).

**Directors and their interests**

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

**Disclosure of information to auditors**

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

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

**Statement of directors' responsibilities for the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards for Group purposes and United Kingdom Accounting Standards for Company purposes have been followed subject to material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

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

**Annual general meeting**

The annual general meeting is to be held at the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London, EC3N 4QN at 12 noon on 4 March 2010. The Notice of Meeting is set out on pages 65 and 66. In addition to the routine business, other business includes three resolutions which relate to share capital:

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

**DIRECTORS' REPORT (CONTINUED)**

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

**Auditors**

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

By order of the Board

**Stephen Brett**

Secretary

29 January 2010

## CORPORATE GOVERNANCE REPORT

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

There are areas where the Company is not in compliance with the Combined Code, particularly in relation to the number and independence of non-executive directors, but the Board considers its present composition, and that of its standing committees, to be appropriate to its circumstances, and that the cost of further non-executive directors at this time would be disproportionate to the potential benefits. The Board is committed to reviewing compliance with the Combined Code regularly.

### Board composition and responsibility

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

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

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

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

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

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

### Board committees

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

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

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

### Internal control

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

Through the procedures outlined above the Board has considered all significant aspects of internal control for the year to September 2009 and up to the date of this annual report.

### Shareholder relationships

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

By order of the Board  
**Stephen Brett**  
 Secretary  
 29 January 2010

## REMUNERATION REPORT

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

### Unaudited information

#### Remuneration Committee

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

#### Remuneration policy

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

There are four main elements of the remuneration packages of the executive directors:

- Basic annual salary and benefits;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements

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

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

#### Executive directors' remuneration and terms of appointment

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

Peter Pollock has a service contract dated 19 January 2007, with a rolling notice period of one year, with an entitlement to twelve months compensation in the event of early termination by the Company, and which provides that employment under the agreement will automatically terminate on his 65th birthday. As at 1 January 2010 Peter Pollock's annual salary was £158,340 and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme. The Company makes a contribution of 12% of salary to his personal pension arrangement.

Stephen Brett has a service contract dated 19 January 2007, with a rolling notice period of one year, with an entitlement to twelve months compensation in the event of early termination by the Company, and which provides that employment under the agreement will automatically terminate on his 60th birthday. As at 1 January 2010 his annual salary was £107,890 and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the



## REMUNERATION REPORT

achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme. The Company makes a contribution of 3.4% of salary to his personal pension arrangement.

### Non-executive directors' remuneration and terms of appointment

The remuneration of the non-executive directors is determined by the Board as a whole and the policy is to pay an appropriate level of remuneration for their work on the Board and its committees. Non-executive directors are normally appointed for an initial period of three years. Appointments are made under a letter of appointment subject to retirement by rotation or removal under the Company's articles of association. Non-executive directors do not participate in the Group's share option arrangements.

Michael Rusch (non-executive chairman) has a three-year term of office, as set out in his letter of re-appointment dated 28 January 2010, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2013. As at 1 January 2010 he received fees of £22,510 per annum and he is entitled to the provision of a car or allowance and private health insurance.

Per Staehr (non-executive director) has a term of office, as set out in his letter of appointment dated 19 December 2007, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2011. As at 1 January 2010 he received fees of £19,510 per annum.

### Information subject to audit

#### Directors' remuneration

Directors' remuneration for the year was as follows:

	Salaries and fees £'000	Bonus £'000	Benefits £'000	Money purchase pension contribution £'000	Total 2009 £'000	Total 2008 £'000
Peter G Pollock	156	-	19	19	194	191
Stephen K Brett	107	-	13	-	120	121
	263	-	32	19	314	312
Michael Rusch	22	-	17	-	39	38
Per F Staehr	19	-	-	-	19	15
John A C Goodger	-	-	-	-	-	19
	304	-	49	19	372	384

**REMUNERATION REPORT (CONTINUED)****Pension entitlement**

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

	Accrued pension at 30 September		Increase in accrued pension over the year net of inflation	Transfer value of accrued pension at 30 September		Increase in transfer value over the year	Transfer value at end of year, of increase in pension over year
	2009	2008		2009	2008		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Stephen K Brett	32	28	2	498	386	112	34

The pension entitlement shown is that which would be paid annually on retirement, based on service to, and final pensionable salary at, the end of the financial year. Transfer values are calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 (v9.3).

**Directors' shareholdings**

Shareholdings of those serving at the year end were:

	Number of ordinary shares		
	1 October 2008	30 September 2009	31 December 2009
Michael Rusch	808,000	808,000	808,000
Peter G Pollock	600,000	650,000	650,000
Stephen K Brett	85,000	85,000	85,000
Per F Staehr	30,000	50,000	50,000

In the period Peter Pollock purchased 50,000 shares at a price of 32.0p and Per Staehr purchased 20,000 shares also at a price of 32.0p.

## REMUNERATION REPORT (CONTINUED)

## Directors' interests in share options

	At 1 October 2008	At 30 September 2009	Option price	Earliest exercise date	Latest exercise date
Peter G Pollock					
1997 Unapproved Share Option Scheme	100,000	100,000	59p	29 Mar 2004	28 Mar 2011
1997 Unapproved Share Option Scheme	75,000	75,000	32p	31 Jan 2005	30 Jan 2012
1997 Unapproved Share Option Scheme	35,000	35,000	39p	8 Mar 2010	7 Mar 2017
2007 Employee Share Option Scheme	540,000	540,000	36p	31 Jul 2010	30 Jul 2017
	<hr/> 750,000	<hr/> 750,000			
Stephen K Brett					
1997 Unapproved Share Option Scheme	100,000	100,000	59p	29 Mar 2004	28 Mar 2011
1997 Unapproved Share Option Scheme	75,000	75,000	32p	31 Jan 2005	30 Jan 2012
1997 Unapproved Share Option Scheme	15,000	15,000	39p	8 Mar 2010	7 Mar 2017
2007 Employee Share Option Scheme	235,000	235,000	36p	31 Jul 2010	30 Jul 2017
	<hr/> 425,000	<hr/> 425,000			

No options were granted or lapsed during the year.

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

**Per Staehr**

Chairman of the Remuneration Committee  
29 January 2010

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

We have audited the financial statements of LPA Group Plc for the year ended 30 September 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audited financial statements**

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

**Opinion on the audited financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

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

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

**Alison Seekings**

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge  
29 January 2010

**CONSOLIDATED INCOME STATEMENT**

For the year ended 30 September 2009

	<b>Note</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Revenue</b>	2	13,715	15,082
Cost of sales		(10,120)	(11,285)
<b>Gross profit</b>		<u>3,595</u>	<u>3,797</u>
Distribution costs		(1,413)	(1,339)
Administrative expenses		(1,977)	(2,185)
<b>Operating profit</b>		<u>205</u>	<u>273</u>
Finance costs	4	(663)	(653)
Finance income	5	645	762
<b>Profit before tax</b>	6	<u>187</u>	<u>382</u>
Taxation	7	(45)	(11)
<b>Profit for the year</b>		<u><u>142</u></u>	<u><u>371</u></u>
<b>Earnings per share</b>	8		
Basic		1.24p	3.25p
Diluted		<u>1.24p</u>	<u>3.24p</u>

All activities are continuing.

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

For the year ended 30 September 2009

	<b>Note</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Cash flow hedges:			
Gains taken to equity		74	22
Transferred to profit for the period		(60)	(28)
Tax on cash flow hedges		(4)	2
Actuarial loss on pension scheme	20	(702)	(1,369)
Tax on actuarial loss	17	197	383
Net loss recognised directly in equity		<u>(495)</u>	<u>(990)</u>
Profit for the year		142	371
<b>Total recognised expense</b>		<u><u>(353)</u></u>	<u><u>(619)</u></u>

## CONSOLIDATED BALANCE SHEET

At 30 September 2009

	Note	2009 £'000	2008 £'000
<b>Non-current assets</b>			
Intangible assets	9	1,293	1,234
Property, plant and equipment	10	2,031	2,191
Retirement benefits	20	-	525
Deferred tax assets	17	135	120
		<u>3,459</u>	<u>4,070</u>
<b>Current assets</b>			
Inventories	11	2,495	2,194
Trade and other receivables	12	2,822	3,174
Cash and cash equivalents		2	330
		<u>5,319</u>	<u>5,698</u>
<b>Total assets</b>		<u>8,778</u>	<u>9,768</u>
<b>Current liabilities</b>			
Bank overdraft	14	(93)	(472)
Bank loans and other borrowings	14	(402)	(392)
Current tax payable		(40)	-
Trade and other payables	13	(2,630)	(2,458)
		<u>(3,165)</u>	<u>(3,322)</u>
<b>Non-current liabilities</b>			
Bank loans and other borrowings	14	(906)	(1,308)
Provisions	16	(5)	(5)
Retirement benefits	20	(135)	-
Deferred tax liabilities	17	(73)	(246)
Other payables	13	(26)	(27)
		<u>(1,145)</u>	<u>(1,586)</u>
<b>Total liabilities</b>		<u>(4,310)</u>	<u>(4,908)</u>
<b>Net assets</b>		<u>4,468</u>	<u>4,860</u>
<b>Capital and reserves</b>			
	18		
Share capital		1,145	1,145
Share premium account		365	365
Un-issued shares reserve		145	81
Revaluation reserve		309	310
Merger reserve		230	230
Retained earnings		2,274	2,729
<b>Total equity</b>		<u>4,468</u>	<u>4,860</u>

The financial statements were approved by the Board on 29 January 2010 and signed on its behalf by:

**S K BRETT**  
Director

**P G POLLOCK**  
Director

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 30 September 2009

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year	142	371
Finance costs	663	653
Finance income	(645)	(762)
Income tax expense	45	11
Operating profit	205	273
<i>Adjustments for:</i>		
Depreciation	328	321
Amortisation of intangible assets	1	-
Loss / gains on sale of property, plant and equipment	6	(16)
Derivative financial instruments	(2)	(3)
Non-cash charge for equity-settled share-based payments	64	63
Retirement benefits	31	107
	633	745
<i>Movements in working capital:</i>		
Change in inventories	(301)	254
Change in trade and other receivables	379	100
Change in trade and other payables	160	(374)
<b>Cash generated from operations</b>	871	725
Income tax received	-	20
<b>Net cash from operating activities</b>	871	745
Purchase of property, plant and equipment	(249)	(81)
Proceeds from sale of property, plant and equipment	75	27
Capitalised development expenditure	(60)	-
Interest received	-	9
<b>Net cash from investing activities</b>	(234)	(45)
Repayment of bank loans	(291)	(291)
Repayment of obligations under finance leases	(112)	(92)
Interest paid	(80)	(161)
Proceeds from issue of share capital	-	10
Dividends paid	(103)	(103)
<b>Net cash from financing activities</b>	(586)	(637)
Net increase in cash and cash equivalents	51	63
Cash and cash equivalents at start of the year	(142)	(205)
<b>Cash and cash equivalents at end of the year</b>	(91)	(142)
	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents in current assets	2	330
Bank overdraft in current liabilities	(93)	(472)
Cash and cash equivalents at end of the year	(91)	(142)



## NOTES TO THE FINANCIAL STATEMENTS

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

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

**B. 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 2009 and have not been adopted early:

- IFRS8 "Operating Segments" (effective 1 January 2009)
- IAS23 "Borrowing Costs" (revised 2007) (effective 1 January 2009)
- IAS1 "Presentation of Financial Statements" (revised 2007) (effective 1 January 2009)
- IFRS9 "Financial Instruments" (effective 1 January 2013)
- IAS24 "Related Party Disclosures" (revised 2009) (effective 1 January 2011)
- IAS27 "Consolidated and Separate Financial Statements" (revised 2008) (effective 1 July 2009)
- Amendment to IAS39 "Financial Instruments: Recognition and Measurement - Eligible Hedged Items" (effective 1 July 2009)
- Amendment to IFRS2 "Group Cash-settled Share-based Payment Transactions" (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)

- IFRS3 "Business Combinations" (revised 2008) (effective 1 July 2009)
- Amendment to IAS32 "Classification of Rights Issues" (effective 1 February 2010)
- Amendments to IFRIC14 "Prepayments of a Minimum Funding Requirement" (effective 1 January 2011)
- IFRIC17 "Distributions of Non-cash Assets to Owners" (effective 1 July 2009)
- IFRIC18 "Transfers of Assets from Customers" (effective prospectively for transfers on or after 1 July 2009)
- IFRIC19 "Extinguishing Financial Liabilities with Equity Instruments" (effective 1 July 2010)

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

**C. Basis of consolidation**

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

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

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting Policies (continued)****C. Basis of consolidation (continued)**

On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

**D. Intangible assets***Goodwill*

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

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

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

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

*Research and development*

Research expenditure is expensed in the income statement as incurred.

Development expenditure on a project for the production of a new, or substantially new product, is capitalised provided benefits are probable, costs can be reliably measured, the product is technically

and commercially feasible, and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and directly attributable overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses, and is amortised from the date the product is available for use over its estimated useful life, or on a straight line basis over five years if less.

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

**E. Property, plant and equipment**

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

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

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

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

Residual values are reviewed annually.

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

## NOTES TO THE FINANCIAL STATEMENTS

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

**G. 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.

**H. 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.

**I. Cash and cash equivalents**

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

## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting Policies (continued)****J. Financial instruments***Financial assets*

The Group's classification of financial assets is determined by management at initial recognition, and is dependent upon the purpose for which the financial assets were acquired. The Group's financial assets have been classified as loans and receivables and comprise trade receivables, and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A financial asset is recognised when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An impairment provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. This assessment is made at each reporting date. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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

*Financial liabilities*

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables and borrowings.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of direct issue costs. Subsequently they are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is discharged, cancelled or expires.

*Derivative financial instruments and hedging activities*

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

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

To qualify for hedge accounting the cash flow hedge must be formally designated and documented as such at inception, be expected to be highly effective, have its effectiveness regularly tested, and the forecast transaction to which it relates must be highly probable. The effective portion of changes in the fair value of derivatives that qualify as a cash flow hedge are recognised directly in equity (through retained earnings). The gain or loss relating to the ineffective portion of a cash flow hedge is recognised immediately in the income statement. Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

**K. 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.

**L. Taxation**

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

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

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

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

**M. Revenue**

Revenue represents the fair value of consideration received or receivable for the sale of goods, excluding value added tax and trade discounts. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer of the goods, generally upon delivery, and reliable measurement is possible. Revenue is not recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods.

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting Policies (continued)****N. Employee benefits (continued)**

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 net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and from this the fair value of plan assets are deducted. The discount rate is the yield on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by an independent actuary using the projected unit method. The retirement benefit liability is shown within non-current liabilities and the related deferred tax asset within non-current assets on the balance sheet.

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

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

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

*Short-term compensated absences*

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

**O. Use of judgements, estimates and assumptions**

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

*Impairment of goodwill*

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

*Defined benefit pension scheme*

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

## NOTES TO THE FINANCIAL STATEMENTS

**2. Segment Information**

Group operations and activities are based in the United Kingdom and comprise a single business segment. All revenue originates in the United Kingdom: an analysis by geographical market is given below:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	10,749	12,494
Rest of Europe	1,330	1,319
Rest of World	1,636	1,269
	<u>13,715</u>	<u>15,082</u>

**3. Employee Information**

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

	<b>2009</b>	<b>2008</b>
	<b>No</b>	<b>No</b>
Production	119	124
Sales and distribution	25	23
Administration	22	23
	<u>166</u>	<u>170</u>

The employee benefit expense for the year amounted to:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	3,934	4,064
Social security costs	399	394
Pension costs (note 20)	197	271
Share-based payments (note 19)	64	63
	<u>4,594</u>	<u>4,792</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

**4. Finance Costs**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	48	133
Hire purchase contracts	32	28
Amortisation of bank loan issue costs	11	11
Interest costs on pension scheme liabilities (note 20)	572	481
Finance costs	<u>663</u>	<u>653</u>

**5. Finance Income**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	-	9
Return on pension scheme assets (note 20)	645	753
Finance income	<u>645</u>	<u>762</u>



## NOTES TO THE FINANCIAL STATEMENTS

**6. Profit Before Tax**

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation	328	321
Amortisation of intangible assets	1	-
Loss / (gain) on sale of property, plant and equipment	6	(16)
Operating lease rentals - plant and equipment	146	142
Operating lease rentals - property	178	178
Foreign exchange (gains) / losses	(238)	67
Research and development expenditure	319	275
Fees payable to the Company's auditor for the audit of the Company's annual accounts	10	14
Fees payable to the Company's auditor and its associates for other services:		
- the audit of the Company's subsidiaries pursuant to legislation	31	36
- tax services	15	10

## NOTES TO THE FINANCIAL STATEMENTS

## 7. Taxation

	2009 £'000	2008 £'000
<b>A. Recognised in the income statement</b>		
<b>Current tax expense</b>		
UK corporation tax	40	-
UK corporation tax - adjustment in respect of previous years	-	(20)
<b>Deferrred taxation</b>		
Net origination and reversal of temporary differences	5	31
Total income tax expense	45	11
<b>B. Reconciliation of effective tax rate</b>	<b>2009</b> £'000	<b>2008</b> £'000
Profit before tax	187	382
Tax at the UK corporation tax rate of 28% (2008: 29%)	53	111
Effects of:		
- Utilisation of tax losses	(32)	(116)
- Disallowed expenditure	22	24
- Other differences	15	12
- Tax rate adjustment	(13)	-
- Adjustment in respect of previous years	-	(20)
Total income tax expense	45	11
<b>C. Deferred tax recognised directly in equity</b>	<b>2009</b> £'000	<b>2008</b> £'000
On cash flow hedges	4	(2)
On actuarial gains	(197)	(383)
	(193)	(385)

## NOTES TO THE FINANCIAL STATEMENTS

**8. Earnings Per Share**

The calculation of earnings per share is based upon the profit for the year of £142,000 (2008: £371,000) and the weighted average number of ordinary shares in issue during the year of 11.448m (2008: 11.419m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 11.463m (2008: 11.465m).

	2009			2008		
	Earnings	Weighted average number of shares	Earnings per share	Earnings	Weighted average number of shares	Earnings per share
	£'000	Million	Pence	£'000	Million	Pence
Basic earnings per share	142	11.448	1.24	371	11.419	3.25
Effect of share options	-	0.015	-	-	0.046	(0.01)
Diluted earnings per share	142	11.463	1.24	371	11.465	3.24

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Intangible Assets

	Goodwill			Capitalised development costs			Total carrying amount £'000
	Cost £'000	Accumulated impairment losses £'000	Carrying amount £'000	Cost £'000	Amortisation £'000	Carrying amount £'000	
At 1 October 2007	1,234	-	1,234	-	-	-	1,234
Change in year	-	-	-	-	-	-	-
At 1 October 2008	1,234	-	1,234	-	-	-	1,234
Additions	-	-	-	60	-	60	60
Amortisation for year	-	-	-	-	1	(1)	(1)
At 30 September 2009	1,234	-	1,234	60	1	59	1,293

**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 principally relates to the investment in its subsidiary 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% (2008: 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% (2008: 12.0%), a pre-tax rate that reflects an assessment of the time value of money and the risks specific to the cash-generating units concerned.

The recoverable amounts of the cash-generating units were in excess of their carrying value and no impairment arose in the year.

*Sensitivity*

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Property, Plant and Equipment

	Freehold land & buildings £'000	Plant, vehicles & equipment £'000	Total £'000
<b>Cost</b>			
At 1 October 2007	1,014	7,014	8,028
Additions	-	267	267
Disposals	-	(645)	(645)
At 1 October 2008	1,014	6,636	7,650
Additions	-	249	249
Disposals	-	(564)	(564)
At 30 September 2009	1,014	6,321	7,335
<b>Depreciation</b>			
At 1 October 2007	166	5,606	5,772
Charge for the year	10	311	321
Disposals	-	(634)	(634)
At 1 October 2008	176	5,283	5,459
Charge for the year	12	316	328
Disposals	-	(483)	(483)
At 30 September 2009	188	5,116	5,304
<b>Net carrying amount</b>			
At 30 September 2009	826	1,205	2,031
At 30 September 2008	838	1,353	2,191

Included within plant, vehicles and equipment is £528,000 (2008: £597,000) in respect of assets acquired under finance leases. Depreciation for the year in respect of these assets was £70,000 (2008: £54,000).

## NOTES TO THE FINANCIAL STATEMENTS

**11. Inventories**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	752	780
Work in progress	864	736
Finished goods and goods for resale	879	678
	<hr/>	<hr/>
	2,495	2,194
	<hr/> <hr/>	<hr/> <hr/>

In 2009 the cost of inventories recognised as an expense within cost of sales amounted to £10,012,000 (2008: £11,018,000). This included the write-down of inventories to net realisable value of £128,000 (2008: £138,000), and write-down utilisation of £205,000 (2008: £171,000).

**12. Trade and Other Receivables**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	2,604	2,776
Other receivables	7	228
Prepayments and accrued income	184	170
Other financial assets	27	-
	<hr/>	<hr/>
	2,822	3,174
	<hr/> <hr/>	<hr/> <hr/>

The directors estimate that the carrying value of financial assets within trade and other receivables approximate their fair value. Details of the Group's exposure to credit and market risk related to trade and other receivables are disclosed in note 15.

## NOTES TO THE FINANCIAL STATEMENTS

**13. Trade and Other Payables**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current</b>		
Trade payables	1,780	1,216
Social security and other taxes	318	342
Other payables	93	209
Accruals and deferred income	420	683
Other financial liabilities	19	8
	<u>2,630</u>	<u>2,458</u>
<b>Non-current</b>		
Other payables	<u>26</u>	<u>27</u>

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

**14. Borrowings**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current</b>		
Bank overdraft	<u>93</u>	<u>472</u>
Bank loan	283	280
Finance lease obligations	119	112
Bank loans and other borrowings	<u>402</u>	<u>392</u>
<b>Non-current</b>		
Bank loan	655	938
Finance lease obligations	251	370
Bank loans and other borrowings	<u>906</u>	<u>1,308</u>
Total borrowings	<u>1,401</u>	<u>2,172</u>

This note provides information about the contractual terms of the Group's borrowings: further information is given in note 15. The new facility arrangements are detailed in the Financial Review.

## NOTES TO THE FINANCIAL STATEMENTS

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

The £0.95 million bank loan is repayable in 13 quarterly instalments of £73,000 commencing in October 2009. In the year interest was payable at 1.50% over base rate.

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

The bank loan is stated net of £8,000 (2008: £19,000) of issue costs.

**Bank overdraft**

The overdraft is secured by a fixed and floating charge on the Group's assets. In the year interest was payable at 2.25% over base rate.

**Finance lease obligations**

Finance leases typically have a five year term and bear interest fixed at the time of the commitment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

The minimum lease payments under finance leases, and their present value, fell due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Within one year	143	144	119	112
Within two to five years	274	417	251	370
	417	561	370	482
Future finance charges	(47)	(79)		
Present value of finance lease obligations	370	482		



## NOTES TO THE FINANCIAL STATEMENTS

## 15. Financial Instruments

## A. Financial risk management

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

## B. Currency risk

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

*Currency exposures*

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

	2009			2008		
	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	529	39	568	297	5	302
US Dollar	127	(9)	118	30	(30)	-
Other	-	-	-	-	-	-
	656	30	686	327	(25)	302

*Derivative financial instruments*

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

	2009		2008	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward exchange contracts - cash flow hedges	27	19	-	8

At 30 September 2009 the Group had commitments under non-cancellable forward exchange contracts totalling £887,000 (2008: £936,000) taken out to hedge foreign currency sales and purchases.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Financial Instruments (continued)

## B. Currency risk (continued)

*Sensitivity*

At 30 September 2009 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:

	2009		2008	
	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	63	86	34	88
Sterling strengthens by 10% against the euro	(52)	(71)	(27)	(72)

## C. 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.

*Interest rate risk profile*

Interest rates are managed by using fixed and floating rate borrowings. Floating rate liabilities comprise bank loans and overdrafts which in the year were subject to interest rates in the range 1.50% to 2.25% over base rate. Fixed rate liabilities comprise finance leases which bear interest at the negotiated market rate prevailing at the time the commitment is made. In the year the weighted average interest rate of the fixed rate financial liabilities was 7.0% (2008: 7.3%).

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

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

	2009 £'000	2008 £'000
<b>Floating rate</b>		
Cash and cash equivalents	2	330
Bank overdraft	(93)	(472)
Bank loan	(938)	(1,218)
	<u>(1,029)</u>	<u>(1,360)</u>
<b>Fixed rate</b>		
Finance lease obligations	<u>(370)</u>	<u>(482)</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Financial Instruments (continued)

## C. Interest rate risk (continued)

*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 2009 and 2008, with all other variables held constant the pre-tax profit would have been lower by £16,000 (2008: £19,000).

## D. Liquidity risk

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

The Group's approach is to ensure that, as far as possible, it will have adequate resources to meet its foreseeable financing requirements, with headroom to cope with adverse market conditions. The Group's operations are principally funded through a medium-term bank loan with significant items of capital expenditure acquired under finance leases: short-term flexibility is achieved through the use of overdraft facilities.

At the end of the year the Group had undrawn committed facilities of £0.91m (2008: £0.67m) and was holding minimal cash and cash equivalents (2008: £0.33m).

*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.

## 2009

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

## 2008

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 4 years £'000	Between 4 and 5 years £'000	Over 5 years £'000	Total £'000
Bank overdraft	472	-	-	-	-	-	472
Bank loan	291	291	291	291	73	-	1,237
Finance lease obligations	144	142	131	107	37	-	561
Borrowings	907	433	422	398	110	-	2,270
Trade and other payables	1,899	-	-	-	-	-	1,899
Forward exchange contracts	8	-	-	-	-	-	8
	2,814	433	422	398	110	-	4,177

## NOTES TO THE FINANCIAL STATEMENTS

**15. Financial Instruments (continued)****D. Liquidity risk (continued)***Un-drawn committed facilities*

The Group's only un-drawn committed borrowing facility at 30 September 2009 and 30 September 2008 was its bank overdraft expiring in one year or less. The un-drawn amount at 30 September 2008 was £0.91 million (2008: £0.67 million).

**E. 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.

*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 2009 these totalled £2.63m (2008: £3.31m). The Group held no collateral as security against trade receivables.

The concentration of credit risk is sensitive to the timing of larger projects. The Group's most significant customer accounted for 15.9% of trade receivables at September 2009 (2008: 6.4%).

## NOTES TO THE FINANCIAL STATEMENTS

**15. Financial Instruments (continued)****E. Credit risk (continued)***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:

	<b>2009</b>		<b>2008</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not past due	1,564	(4)	2,029	-
Past due 1-30 days	705	(2)	630	(1)
Past due 31-90 days	301	(1)	111	(8)
Past due 91 days to less than a year	66	(25)	39	(24)
	<u>2,636</u>	<u>(32)</u>	<u>2,809</u>	<u>(33)</u>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 October 2008	33	29
Impairment (gain) / loss recognised	(1)	4
Balance at 30 September 2009	<u>32</u>	<u>33</u>

The impairment gain recognised of £1,000 relates to the movement in the Group's assessment of the risk of non-recovery from a range of customers.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. Financial Instruments (continued)

## G. Classification and fair values of financial assets and liabilities (continued)

For cash and cash equivalents and floating rate borrowings the fair values are the same as the carrying value. For forward currency contracts fair values have been calculated by discounting the cash flows at prevailing appropriate market rates.

2009	Derivatives at fair value £'000	Amortised cost £'000	Total carrying value £'000	Fair value £'000
<b>Financial assets</b>				
Trade and other receivables	-	2,604	2,604	2,604
Cash and cash equivalents	-	2	2	2
Derivative financial instruments	27	-	27	27
	27	2,606	2,633	2,633
<b>Financial liabilities</b>				
Bank overdraft	-	(93)	(93)	(93)
Bank loan	-	(938)	(938)	(938)
Borrowings	-	(1,031)	(1,031)	(1,031)
Trade and other payables	-	(2,200)	(2,200)	(2,200)
Derivatives and other financial instruments	(19)	-	(19)	(19)
	(19)	(3,231)	(3,250)	(3,250)
Net financial liabilities	8	(625)	(617)	(617)
<b>2008</b>				
	Derivatives at fair value £'000	Amortised cost £'000	Total carrying value £'000	Fair value £'000
<b>Financial assets</b>				
Trade and other receivables	-	2,975	2,975	2,975
Cash and cash equivalents	-	330	330	330
	-	3,305	3,305	3,305
<b>Financial liabilities</b>				
Bank overdraft	-	(472)	(472)	(472)
Bank loan	-	(1,218)	(1,218)	(1,218)
Borrowings	-	(1,690)	(1,690)	(1,690)
Trade and other payables	-	(1,899)	(1,899)	(1,899)
Derivatives and other financial instruments	(8)	-	(8)	(8)
	(8)	(3,589)	(3,597)	(3,597)
Net financial liabilities	(8)	(284)	(292)	(292)

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Provisions

	2009 £'000	2008 £'000
<b>Non-current</b>		
At 1 October 2008 and 30 September 2009	5	5

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

## 17. Deferred Tax

	Property, plant and equipment £'000	Retirement benefits £'000	Tax losses £'000	Other £'000	Total £'000
At 1 October 2007	(119)	(484)	76	47	(480)
Recognised in income	63	(46)	(40)	(8)	(31)
Recognised in equity	-	383	-	2	385
At 1 October 2008	(56)	(147)	36	41	(126)
Recognised in income	33	(12)	(2)	(24)	(5)
Recognised in equity	-	197	-	(4)	193
At 30 September 2009	(23)	38	34	13	62

Deferred tax assets of £139,000 (2008: £103,000) have not been recognised in respect of unrelieved tax losses because of uncertainty over the timing of their recoverability. The tax losses have no expiry date.

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
<b>At 30 September 2009</b>					
Deferred tax assets	26	38	34	37	135
Deferred tax liabilities	(49)	-	-	(24)	(73)
	(23)	38	34	13	62
<b>At 30 September 2008</b>					
Deferred tax assets	42	-	36	42	120
Deferred tax liabilities	(98)	(147)	-	(1)	(246)
	(56)	(147)	36	41	(126)

## NOTES TO THE FINANCIAL STATEMENTS

## 18. Share Capital and Reserves

	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2007	1,137	363	18	311	230	3,450	5,509
Issue of shares	8	2	-	-	-	-	10
Profit for the year	-	-	-	-	-	371	371
Dividends	-	-	-	-	-	(103)	(103)
Share-based payments	-	-	63	-	-	-	63
Cash flow hedge	-	-	-	-	-	(4)	(4)
Actuarial loss	-	-	-	-	-	(986)	(986)
Transfer	-	-	-	(1)	-	1	-
At 1 October 2008	1,145	365	81	310	230	2,729	4,860
Profit for the year	-	-	-	-	-	142	142
Dividends	-	-	-	-	-	(103)	(103)
Share-based payments	-	-	64	-	-	-	64
Cash flow hedge	-	-	-	-	-	10	10
Actuarial loss	-	-	-	-	-	(505)	(505)
Transfer	-	-	-	(1)	-	1	-
At 30 September 2009	1,145	365	145	309	230	2,274	4,468

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

## Share capital

	2009		2008	
	Number	£'000	Number	£'000
<b>Authorised</b>	15,000,000	1,500	15,000,000	1,500
<b>Issued and fully paid</b>				
In issue at the start of the year	11,448,229	1,145	11,368,229	1,137
Allotted under share plans	-	-	80,000	8
In issue at end of the year	11,448,229	1,145	11,448,229	1,145



## NOTES TO THE FINANCIAL STATEMENTS

**18. Share Capital and Reserves (continued)****Proposed dividends**

The directors proposed the below dividends after the balance sheet date: they have not been recognised as a liability in the accounts.

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Proposed - final 0.40p per share (2008: 0.40p)	46	46

**Dividends**

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

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Final - in respect of preceding year 0.40p per share (2008: 0.40p)	46	46
Interim - in respect of current year 0.50p per share (2008: 0.25p)	57	28
Special dividend at 0.25p per share	-	29
	<u>103</u>	<u>103</u>

**Share premium account**

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

**Un-issued shares reserve**

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

**Revaluation reserve**

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

**Merger reserve**

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

## NOTES TO THE FINANCIAL STATEMENTS

**19. Share Based Payments**

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

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

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

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

Scheme	Date of grant	Price	Dates when exercisable	Number of options	
				2009	2008
1997 Unapproved Share Option Scheme	Mar 2001	59p	29 Mar 2004 to 28 Mar 2011	200,000	200,000
	Jul 2001	56p	01 Aug 2004 to 31 Jul 2011	5,000	5,000
	Jan 2002	32p	31 Jan 2005 to 30 Jan 2012	157,000	157,000
	Feb 2003	13p	20 Feb 2006 to 19 Feb 2013	5,000	5,000
	Mar 2003	15p	14 Mar 2006 to 13 Mar 2013	5,000	5,000
	Feb 2006	19p	20 Feb 2009 to 19 Feb 2016	5,000	5,000
	Mar 2007	39p	08 Mar 2010 to 07 Mar 2017	328,000	328,000
2007 Employee Share Option Scheme	Jul 2007	36p	31 Jul 2010 to 30 Jul 2017	1,120,000	1,120,000
	Feb 2009	32p	26 Feb 2012 to 25 Feb 2019	5,000	-

The market price of the Company's shares on 30 September 2009 was 38.0p per share (2008: 32.0p per share) and the price range during the year was 25.0p to 46.0p (2008: 26.0p to 40.0p).

## NOTES TO THE FINANCIAL STATEMENTS

**19. Share Based Payments (continued)**

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

	2009		2008	
	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)	Number of options
Outstanding at the beginning of the year	38.6	1,825,000	37.5	1,922,000
Granted during the year	32.0	5,000	-	-
Exercised during the year	-	-	13.0	(80,000)
Lapsed during the year	-	-	39.0	(17,000)
Outstanding at the end of the year	38.6	1,830,000	38.6	1,825,000
Exercisable at the end of the year	46.0	377,000	46.4	372,000

The options outstanding at the end of the year have an exercise price in the range of 13p to 59p and a weighted average contractual life of 6.5 years (2008: 7.6 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured using the Black-Scholes pricing model.

In the year 5,000 options were granted at an option price of 32.0p: the fair value of this option grant is not material.

The Group recognised a share-based remuneration expense in the year of £64,000 (2008: £63,000).

**20. Employee Benefits****A. Defined contribution scheme**

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 £92,000 (2008: £83,000).

**B. Defined benefit scheme**

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

## NOTES TO THE FINANCIAL STATEMENTS

**20. Employee Benefits (continued)****B. Defined benefit scheme (continued)**

Total contributions made by the employer over the year were £74,000 (2008: £81,000), including £23,000 (2008: £32,000) in respect of life assurance premiums. The employer contribution rate in the year was 6.2% in accordance with the review following the 2006 valuation.

The scheme is closed to new entrants and therefore under the projected unit method the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

**Present value of defined benefit obligations, fair value of assets and surplus**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Fair value of scheme assets	10,577	9,971	11,432
Present value of defined benefit obligations	(10,712)	(9,446)	(8,158)
(Deficit) / surplus in the scheme	(135)	525	3,274
Unrecoverable surplus	-	-	(1,545)
(Liability) / asset to be recognised	(135)	525	1,729

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

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Defined benefit obligation at start of the year	9,446	8,158
Current service cost	261	188
Interest cost	572	481
Contributions by scheme participants	32	31
Actuarial losses	1,112	1,080
Benefits paid, death in service insurance premiums and expenses	(555)	(492)
Gain on curtailment	(156)	-
Defined benefit obligation at end of the year	10,712	9,446

## NOTES TO THE FINANCIAL STATEMENTS

## 20. Employee Benefits (continued)

## B. Defined benefit scheme (continued)

## Reconciliation of opening and closing balances of the fair value of scheme assets

	2009 £'000	2008 £'000
Fair value of scheme assets at start of the year	9,971	11,432
Expected return on scheme assets	645	753
Actuarial gains / (losses)	410	(1,834)
Contributions by employer	74	81
Contributions by scheme participants	32	31
Benefits paid, death in service insurance premiums and expenses	(555)	(492)
Fair value of scheme assets at end of the year	10,577	9,971

The actual return on the scheme assets over the year was £1,055,000 (2008: loss of £1,081,000).

## Total (expense)/ income recognised in the income statement

	2009 £'000	2008 £'000
Within administration expenses:		
- current service cost	(261)	(188)
- gain on curtailment	156	-
	(105)	(188)
Within finance costs and finance income:		
- expected return on scheme assets	645	753
- interest cost	(572)	(481)
	73	272
Total (expense) / income recognised in the income statement	(32)	84

## Losses recognised in the statement of recognised income and expense

	2009 £'000	2008 £'000
Actual return less expected return on scheme assets	410	(1,834)
Experience gains and losses arising on the defined benefit obligations	(765)	54
Effect of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligations	(347)	(1,134)
Effect of the limit on amount of surplus recognised due to part of surplus being unrecoverable	-	1,545
Loss recognised in the statement of recognised income and expense	(702)	(1,369)

## NOTES TO THE FINANCIAL STATEMENTS

**20. Employee benefits (continued)****B. Defined benefit scheme (continued)****Assumptions**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>% per annum</b>	<b>% per annum</b>	<b>% per annum</b>
Inflation	3.20	3.90	3.30
Salary increases	n/a	4.40	3.80
Rate of discount	5.60	6.10	6.00
Allowance for pension in payment increases of RPI or 2.5% pa if less	2.50	2.50	2.50
Allowance for pension in payment increases of RPI or 3.0% pa if less	3.00	3.00	3.00
Allowance for pension in payment increases of RPI or 5.0% pa if less	3.20	3.90	3.30
Allowance for revaluation of deferred pensions of RPI or 5.0% pa if less	3.20	3.90	3.30
Allowance for commutation of pension for cash at retirement	None	None	None

The mortality assumptions adopted at 30 September 2009 imply the following life expectancies:

	<b>Years</b>
Male retiring at age 65 in 2009:	23.9
Female retiring at age 65 in 2009:	26.3
Male retiring at age 65 in 2029:	25.9
Female retiring at age 65 in 2029:	28.3

**Expected long term rates of return**

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

The expected long-term rates of return applicable at the start of each period are as follows:

	<b>1/10/09</b>	<b>1/10/08</b>	<b>1/10/07</b>
	<b>% per annum</b>	<b>% per annum</b>	<b>% per annum</b>
Equities	7.00	7.70	7.60
Bonds	5.00	6.10	6.00
Index Linked Gilts	4.10	4.80	4.90
Cash	3.90	4.50	4.70
Overall for the scheme	5.75	6.56	6.69

## NOTES TO THE FINANCIAL STATEMENTS

## 20. Employee benefits (continued)

## B. Defined benefit scheme (continued)

## Assets

	2009 £'000	2008 £'000	2007 £'000
Equities	4,959	4,676	6,350
Bonds	3,398	3,052	3,060
Index Linked Gilts	2,221	2,195	1,994
Cash and net current assets	(1)	48	28
Total assets	<u>10,577</u>	<u>9,971</u>	<u>11,432</u>

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

## Amounts for the current and previous four periods

	IFRS 2009 £'000	IFRS 2008 £'000	IFRS 2007 £'000	UK GAAP 2006 £'000	UK GAAP 2005 £'000
Fair value of assets	10,577	9,971	11,432	11,099	10,650
Present value of defined benefit obligations	(10,712)	(9,446)	(8,158)	(8,609)	(8,424)
Surplus in the scheme	(135)	525	3,274	2,490	2,226
Unrecoverable surplus	-	-	(1,545)	-	-
Recoverable surplus	<u>(135)</u>	<u>525</u>	<u>1,729</u>	<u>2,490</u>	<u>2,226</u>
Experience adjustment on scheme assets	410	(1,834)	30	317	960
Experience adjustment on defined benefit obligation	(765)	54	(83)	190	82
Effect of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligation	(347)	(1,134)	675	(363)	(486)
Effect of the limit on amount of surplus recognised due to part of surplus being unrecoverable	-	1,545	(1,545)	-	-
Total amount recognised in statement of recognised income and expense	<u>(702)</u>	<u>(1,369)</u>	<u>(923)</u>	<u>144</u>	<u>556</u>

The scheme ceased to accrue any further benefits with effect from 30 September 2009. The full valuation of the scheme as at 1 April 2009 for the purposes of section 224 of the Pensions Act 2004 is currently in progress.

## NOTES TO THE FINANCIAL STATEMENTS

**21. Financial Commitments****Operating lease commitments**

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

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

	Property		Plant and equipment	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Within one year	178	178	110	86
Within two to five years	711	711	102	69
After more than five years	163	341	-	-
	1,052	1,230	212	155

**Capital expenditure commitments**

Contracted for but not provided in the accounts amounted to £Nil (2008: £Nil).

**22. Related Party Transactions****Remuneration of key management personnel**

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

	2009 £'000	2008 £'000
Short-term employee benefits	395	404
Post employment benefits	30	43
Share-based payments	36	36
	461	483

**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 (2008: none).



## COMPANY BALANCE SHEET

At 30 September 2009

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Tangible assets	C3	487	492
Investments	C4	6,159	6,159
		<u>6,646</u>	<u>6,651</u>
<b>Current assets</b>			
Debtors	C5	1,224	1,374
Cash at bank and in hand		2	119
		<u>1,226</u>	<u>1,493</u>
<b>Creditors:</b> Amounts falling due within one year	C6	(601)	(456)
<b>Net current assets</b>		<u>625</u>	<u>1,037</u>
<b>Total assets less current liabilities</b>		7,271	7,688
<b>Creditors:</b> Amounts falling due after more than one year	C7	(1,355)	(1,638)
<b>Net assets</b>		<u>5,916</u>	<u>6,050</u>
<b>Capital and reserves</b>			
Called up share capital	C10	1,145	1,145
Share premium account		365	365
Un-issued shares reserve		145	81
Revaluation reserve		309	310
Merger reserve		784	784
Profit and loss reserve		3,168	3,365
<b>Total equity shareholders' funds</b>		<u>5,916</u>	<u>6,050</u>

The financial statements were approved by the Board on 29 January 2010 and signed on its behalf by:

**S K BRETT**  
Director

**P G POLLOCK**  
Director

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

**C1. Accounting Policies****A. Basis of preparation**

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

The Company financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold property, and in accordance with applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice).

The loss dealt with in the accounts of the Company is £95,000 (2008: profit of £3,241,000). The Company has not presented a separate profit and loss account as permitted by Section 408 of the Companies Act 2006.

**B. Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

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

Freehold buildings	2%
Computers	20% - 33%

The part of the annual depreciation charge of revalued assets which relates to the surplus over cost is transferred from the revaluation reserve to the profit and loss reserve.

**C. Investments**

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

**D. Current tax**

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

The Company and its subsidiary undertakings are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of this Group that such losses will be paid for by the recipient company. Where there is reasonable certainty that taxable losses can be relieved the group relief receivable or payable is included in the taxation charge or credit for the period.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

**C1. Accounting Policies (continued)****E. Deferred taxation**

Deferred tax is recognised in respect of all timing differences (which arise because of differences between the treatment of certain items for accounting and taxation purposes) that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**F. Defined contribution pension schemes**

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

**G. Defined benefit pension scheme**

The Company participates in the defined benefit scheme operated by its subsidiary LPA Industries Limited but is unable to identify its share of the underlying assets and liabilities. The pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period. Further information on the scheme is given in note 20.

**H. Equity-settled share-based payments**

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

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

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

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

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

**C2. Employee Information**

With the exception of the directors the number of people employed by the Company was Nil (2008: Nil). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

**C3. Tangible Fixed Assets**

	<b>Freehold land &amp; buildings £'000</b>	<b>Computers £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 October 2008 and 30 September 2009	544	6	550
<b>Depreciation</b>			
At 1 October 2008	53	5	58
Charged in year	5	-	5
At 30 September 2009	58	5	63
<b>Net book value</b>			
At 30 September 2009	486	1	487
At 1 October 2008	491	1	492
Cost or valuation at 30 September 2009 is represented by:			
Valuation 1996	544	-	544
Cost	-	6	6
	544	6	550

**Freehold properties**

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

	<b>2009 £'000</b>	<b>2008 £'000</b>
Cost	276	276
Accumulated depreciation	(99)	(94)
	177	182

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

**C4. Investments****Investments in subsidiary undertakings****£'000****Cost**

At 1 October 2008 and 30 September 2009

6,159

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:

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

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

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

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

**C5. Debtors**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due from subsidiary undertakings	1,200	1,360
Other debtors	10	-
Prepayments and accrued income	14	14
	<u>1,224</u>	<u>1,374</u>

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft	142	-
Bank loans	283	280
Debt	425	280
Trade creditors	81	10
Amounts owed to subsidiary undertakings	38	22
Other tax and social security	-	20
Other creditors	2	2
Accruals	55	122
	<u>601</u>	<u>456</u>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Debt - bank loans	655	938
Amounts owed to subsidiary undertakings	700	700
	<u>1,355</u>	<u>1,638</u>

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

**C8. Borrowings**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>		
Bank overdraft	142	-
Bank loan	283	280
	<u>425</u>	<u>280</u>
<b>Non-current</b>		
Bank loan	655	938
	<u>1,080</u>	<u>1,218</u>
Total borrowings	1,080	1,218
Add: Loan issue costs	8	19
	<u>1,088</u>	<u>1,237</u>
<b>Repayable</b>		
Within one year	433	291
Between one and two years	291	291
Between two and five years	364	655
	<u>1,088</u>	<u>1,237</u>

**Bank loan and overdraft**

The £0.95 million bank loan is repayable in 13 quarterly instalments of £73,000 commencing in October 2009. The bank loan is stated net of £8,000 (2008: £19,000) of issue costs.

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

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

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

Deferred taxation provided in the accounts is as follows:

	2009 £'000	2008 £'000
Capital allowances in advance of depreciation	8	9
Unutilised management expenses	(8)	(9)
	-	-

**Unrecognised deferred tax assets**

A deferred tax asset of £34,000 (2008: £32,000) has not been recognised in respect of unrelieved management expenses of £121,000 (2008: £114,000). The unrelieved management expenses have no expiry date, and have not been recognised because of uncertainty over the timing of their recoverability.

**C10. Share Capital and Reserves**

	Share capital £'000	Share premium account £'000	Un-issued shares reserve £'000	Revalu- ation reserve £'000	Merger reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 October 2007	1,137	363	18	311	784	226	2,839
Issue of shares	8	2	-	-	-	-	10
Profit for the year	-	-	-	-	-	3,241	3,241
Dividends	-	-	-	-	-	(103)	(103)
Share-based payments	-	-	63	-	-	-	63
Transfer	-	-	-	(1)	-	1	-
At 1 October 2008	1,145	365	81	310	784	3,365	6,050
Loss for the year	-	-	-	-	-	(95)	(95)
Dividends	-	-	-	-	-	(103)	(103)
Share-based payments	-	-	64	-	-	-	64
Transfer	-	-	-	(1)	-	1	-
At 30 September 2009	1,145	365	145	309	784	3,168	5,916



## COMPANY NOTES TO THE FINANCIAL STATEMENTS

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

	2009		2008	
	Number	£'000	Number	£'000
<b>Authorised</b>	15,000,000	1,500	15,000,000	1,500
<b>Issued and fully paid</b>				
In issue at the start of the year	11,448,229	1,145	11,368,229	1,137
Allotted under share plans	-	-	80,000	8
In issue at end of the year	11,448,229	1,145	11,448,229	1,145

**Dividends**

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

**C11. Share Based Payments**

Details of the Company's share option schemes and a reconciliation of movements therein are given in note 19 to the Group Financial Statements.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured using the Black-Scholes pricing model.

In the year 5,000 options were granted at an option price of 32.0p: the fair value of this option grant is not material.

The Company recognised a share-based remuneration expense in the year of £64,000 (2008: £63,000).

**C12. Financial Commitments****Operating lease commitments**

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

	2009 £'000	2008 £'000
Operating leases which expire: Within two to five years	9	9

## FIVE YEAR SUMMARY

	<b>UK GAAP 2005 £'000</b>	<b>UK GAAP 2006 £'000</b>	<b>IFRS 2007 £'000</b>	<b>IFRS 2008 £'000</b>	<b>IFRS 2009 £'000</b>
<b>Summary income statement</b>					
<b>Revenue</b>	13,469	13,737	16,650	15,082	13,715
Operating profit / (loss) before amortisation	382	(112)	366	273	206
Amortisation of intangibles	(93)	(93)	-	-	(1)
<b>Operating profit / (loss)</b>	289	(205)	366	273	205
Net finance income / (costs)	10	62	97	109	(18)
<b>Profit / (loss) before taxation</b>	299	(143)	463	382	187
Taxation	(74)	6	(97)	(11)	(45)
<b>Profit / (loss) for the year</b>	225	(137)	366	371	142
<b>Summary balance sheet</b>					
	<b>UK GAAP 2005 £'000</b>	<b>UK GAAP 2006 £'000</b>	<b>IFRS 2007 £'000</b>	<b>IFRS 2008 £'000</b>	<b>IFRS 2009 £'000</b>
Property, plant and equipment	2,235	2,100	2,256	2,191	2,031
Net trading assets	3,137	2,864	2,861	2,878	2,616
Net operating assets	5,372	4,964	5,117	5,069	4,647
Net debt	(2,404)	(2,221)	(2,091)	(1,842)	(1,399)
Deferred taxation	(39)	3	4	21	24
Net assets before pension and intangibles	2,929	2,746	3,030	3,248	3,272
Intangible assets - goodwill / dev costs	1,327	1,234	1,234	1,234	1,293
Pension asset /(liability)-net of deferred tax	1,558	1,743	1,245	378	(97)
<b>Net assets</b>	5,814	5,723	5,509	4,860	4,468
<b>Ratios</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Operating profit, before amortisation, to sales	2.8%	(0.8%)	2.2%	1.8%	1.5%
Net assets per ordinary share	53.3p	52.5p	48.5p	42.5p	39.0p
Dividends per ordinary share	0.50p	0.50p	0.60p	0.65p	0.90p
Basic earnings per share	2.06p	(1.26p)	3.29p	3.25p	1.24p
Earnings, before goodwill, per share	2.92p	(0.40p)	3.29p	3.25p	1.24p
Gearing (net debt as a % of total equity)	41.3%	38.8%	38.0%	37.9%	31.3%

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Eighth Annual General Meeting of LPA Group plc ("the Company") will be held at the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London EC3N 4QN on Thursday 4 March 2010 at 12.00 noon for the following purposes:

**Routine business**

1. To receive the accounts for the year ended 30 September 2009, together with the reports of the directors and the auditors thereon.
2. To declare a final dividend of 0.40p per ordinary share of 10p each ("Ordinary Share") for the year ended 30 September 2009, payable on 26 March 2010 to shareholders on the register at the close of business on 5 March 2010.
3. To re-appoint Per Staehr as a director of the Company.
4. To re-appoint the auditors and to authorise the directors to fix the auditors' remuneration.

**Other business***Share capital*

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

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

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

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

6. That subject to the passing of resolution 5 above, the directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the said Act) for cash pursuant to the authority conferred by resolution 5 above as if section 561(1) of the said Act did not apply to any such allotment provided that this power shall be limited:
  - a. to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them; and
  - b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £114,400 (representing 10% of the present issued share capital),

and shall expire on the date of the next annual general meeting save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or arrangement as if the power conferred hereby had not expired.

## NOTICE OF MEETING (CONTINUED)

*Share capital (continued)*

To consider and if thought fit pass resolution 7 as a special resolution:

7. That, subject to and in accordance with the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Companies Act 2006) of any of its Ordinary Shares provided that:
  - a. The maximum number of Ordinary Shares hereby authorised to be purchased is 1,144,000 representing 10% of the issued share capital;
  - b. The minimum price (excluding expenses) which may be paid for an Ordinary Share is 10p;
  - c. The maximum price (excluding expenses) which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the AIM appendix to London Stock Exchange Daily Official List at the end of each of the five business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased;
  - d. The authority hereby conferred shall, unless renewed prior to such time, expire on the date of the next annual general meeting.

By order of the Board	Registered office:
<b>Stephen Brett</b>	Tudor Works,
Secretary	Debden Road
29 January 2010	Saffron Walden, CB11 4AN

**Notes:**

1. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him/her. A proxy need not be a member of the Company. Any instrument appointing a proxy must be received at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, not less than forty-eight hours before the time fixed for the meeting. A Form of Proxy is attached.
2. The register of the interests of the directors and their families in the share capital of the Company, together with the service contracts of directors, will be available for inspection at the venue of the annual general meeting from 11.45 am until the meeting is concluded. The same documents are available for inspection at the Company's registered office during normal business hours from the date of despatch of this document until the date of the annual general meeting.
3. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representatives in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the Company as at 6:00pm on 2 March 2010 or, if the meeting is adjourned, in the register of members at 6:00pm on the second day prior to the day of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6:00pm on 2 March 2010 or, if the meeting is adjourned, in the register of members after 6:00pm on the second day prior to the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any such adjournment.

## LPA GROUP PLC - FORM OF PROXY

For use at the annual general meeting to be held at 12.00 noon on Thursday 4 March 2010 at the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London EC3N 4QN.

I/We .....

of .....

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

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

Signed ..... Dated ..... 2010

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.

Resolution		For	Against
1.	To receive the accounts for the year ended 30 September 2009.		
2.	To declare a final dividend of 0.40p per Ordinary Share for the year ended 30 September 2009.		
3.	To re-appoint Per Staehr as a director of the Company.		
4.	To re-appoint the auditors and to authorise the directors to fix the auditor's remuneration.		
5.	To authorise the directors to allot shares (as defined in section 551 of the Companies Act 2006) in the Company.		
6.	To authorise the directors (pursuant to section 570 of the Companies Act 2006) to allot shares in the Company for cash.		
7.	To authorise the Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.		

**Notes:**

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

THIRD FOLD AND TUCK IN OPPOSITE

**Business Reply  
Licence Number  
RSBH-UXKS-LRBC**



FIRST FOLD

PXS  
34 Beckenham Road  
BECKENHAM  
BR3 4TU

SECOND FOLD