Long Life Reliability
does not cost the earth

LPA Group Plc

Annual Report & Accounts 2019

www.lpa-group.com

Investing in the future

LPA Group

- Is a market leading manufacturer of high reliability LED lighting & electro-mechanical systems and a distributor of engineered components
- Employs around 180 people at three locations in the UK
- Is focussed on rail, aviation, industrial, infrastructure and defence markets
- Has developed a successful export capability, most notably in Europe, Asia and Australia. Around a third of turnover is exported to over 50 countries
- Has a reputation for innovating cost-effective engineering solutions (in benign and hostile environments) to improve reliability, reduce maintenance and life cycle costs
- Supplies a wide range of leading organisations including: Airbus, Alstom Transportation, BAA, BAE Systems, Bombardier Transportation, CAF, Compin, CRRC, Downer EDI, First Group, Hitachi, ITW, Kinki Sharyo, Knorr Bremse, Leonardo, London Underground, Siemens, SNCF, Stadler, Stagecoach, TRSC, Unipart Rail and Wabtec

LPA Group

UK manufacturer of products designed & built using our in-house capabilities

Electro-mechanical systems

LED lighting and electronic systems

Engineered component distribution

Fabricated metal engineering

FINANCIAL HIGHLIGHTS

For the year ended 30 September 2019

	2019 £000	2018 £000
ORDER ENTRY	27,006	20,229
REVENUE	19,533	27,979
OPERATING PROFIT BEFORE EXCEPTIONAL AND NON-UNDERLYING ITEMS	201	2,244
EXCEPTIONAL AND NON-UNDERLYING ITEMS	(403)	(175)
(LOSS) / PROFIT BEFORE TAX	(237)	2,024
BASIC EARNINGS PER SHARE	(0.43p)	14.34p
DIVIDENDS PER SHARE	2.90p	2.90p
GEARING	19.6%	15.5%

Commentary

As previously reported the 2019 financial year proved exceptionally challenging as project delays across the rail market were encountered in both UK and export markets. Despite a downturn in revenue of £8.5m, a modest operating profit of £0.2m was achieved, exceeding expectations. The recommended dividend for the year is unchanged.

Orders entered during the year achieved a new record at £27m and are beginning to be reflected in output during the current year.

The surge in orders has continued during the first quarter of the 2020 year, as evidenced by recent announcements. We anticipate strong progress during the year and beyond.

We look forward to the future with increasing confidence.

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CHAIRMAN'S STATEMENT

Overview

In my Interim Statement in June 2019 and in the subsequent Trading Update announced on 4th September 2019, I referred to delays in deliveries of major projects which would affect the outcome for the year ended 30th September, and new contract wins which would bolster output in the new financial year. This has proved to be the case. As expected, Sales and Profits for the year to September 2019 fell well short of that achieved in 2018, but record order entry was achieved, reinforcing our confidence in the future.

Sales for the year decreased 30.2% to £19.5m (2018: increase 24.5% to £28.0m) and operating profit before exceptional and non-underlying items declined 91% to £0.2m (2018: £2.2m). The Loss before tax, after exceptional costs of £0.40m (2018: £0.18), amounted to £0.24m (2018 profit: £2.0m). Basic earnings per share for the year were a loss of 0.43p (2018: earnings 14.34p). Gearing amounted to 19.6% (2018: 15.5%).

Order entry increased 33.5% to £27.0m (2018: £20.2m) resulting in the order book at the end of the year rising 52% to £21.0m (2018: £13.8m). The strong order entry performance has continued in the first quarter with a further £6.4m booked, and the orders pipeline and the prospects funnel remain encouraging.

Dividends

Despite the poor performance during the year your board remain sufficiently confident, subject to shareholder approval at the forthcoming annual general meeting to be held at the offices of LPA Lighting Systems at 12 noon on Wednesday 18th March 2020, to recommend the payment of an unchanged final dividend of 1.80p (2018: 1.80p), making a total for the year of 2.90p (2018: 2.90p). The dividend, if approved, will be paid on 27th March 2020 to shareholders registered at the close of business on 28th February 2020.

Shareholders are reminded that this final dividend is the last to be supported by cheque remittances. As set out in the document published and circulated, dated 5th July 2019, "The Digital Future", a copy of which is available at www.lpa-group.com, future remittances and tax confirmations will only be available electronically.

Corporate Governance

The Group adopted the Quoted Companies Alliance Corporate Governance Code from 28 September 2018, having closely followed the previous guidance. This places responsibility for oversight, adoption and communication of the Group's Corporate Governance Model with the Chairman.

The Board considers that the Group's Annual Report is a Document of Record and therefore eminently suited to be the repository of the Group's statements on compliance with the Code. These will be reviewed at least six-monthly and updated as necessary and are set out on pages 16 to 19 of the Annual Report.

Further the Board considers it helpful to have a statement on the Group's North Star or Guiding Light. This forms part of our Corporate Governance and is set out on page 16 of the Annual Report. The Annual Report and other information is available on the Group's website www.lpa-group.com.

During the year the Group has continued to foster a culture which is consistent with the Group's objectives, strategy and business model, and which recognises the principal risks and uncertainties facing the Group, which are contained in the strategic report on page 11.

CHAIRMAN'S STATEMENT (CONTINUED)

Board and management

Board members' curriculum vitae and relevant experience are set out on page 24 of the Annual Report.

Following the forthcoming Annual General Meeting on 18th March it is anticipated that Paul Curtis will be appointed Chief Executive Officer (CEO) with effect from 1st April 2020, having successfully completed a period as Chief Operating Officer (COO).

Chris Buckenham remains Chief Financial Officer (CFO) and Company Secretary.

Len Porter remains Senior Non-Executive director and Chair of the Audit and Remuneration Committees.

Michael Rusch, Group President and Non-Executive Director expects to retire in June 2020 on reaching his 75th birthday, following over 50 years of invaluable service to the Group, including as Director, Managing Director, Chairman and President of the Group. We are most appreciative of his wise counsel and commitment to the Group.

Having taken on an additional executive role as Chairman of LPA Industries Pension Trustees Ltd with effect from April 2019, I will remain Executive Chairman for the forthcoming year and through to my retirement in September 2021.

We are actively recruiting and expect to appoint a further Non-executive director ahead of Michael's retirement in the middle of the year. Subsequently we shall be recruiting a further Non-Executive to provide a panel of candidates from which my successor as Chairman in September 2021 may be selected.

Our trading activities continue to be managed independently through local Executive Teams. Michael Raynor remains General Manager of LPA Channel Electric and John Hesketh, Managing Director of LPA Lighting Systems. During the year Paul Curtis, following the departure of the MD of LPA Connection Systems, assumed those additional responsibilities while a successor was recruited. A candidate has been identified who is expected to commence employment by the end of March 2020.

Employees

We believe people are the most important asset of any business. During the year we experienced significant challenges through project delays and temporary downturns, followed by surges in demand, which created significant challenges for management. We continue to benefit from our capital investment programme and enhanced capabilities, which we believe our customer base continues to recognise as exceptional in UK manufacturing in general. We continue to upskill our workforce as we seek to maintain and increase added value per employee. We maintain flexibility through a number of staff on temporary contracts. We have no zero-hour contracts. The underlying cost base is tightly managed. I should like to thank all of our employees for their hard work and diligence through the past, most challenging, year.

Outlook

The start of the current financial year was challenging, but, as the quarter progressed the pace of activity has accelerated. As previously reported, our order book has recovered strongly, and our order pipeline and our funnel of opportunities are encouraging at home and abroad.

We expect good progress throughout the rest of the year and beyond. We are pleased that uncertainty over Brexit has reduced. We have a strong long-term order book, a strong balance sheet, a skilled workforce and valuable experience in importing and exporting. We expect challenges, but we look forward to the future with confidence.

Peter Pollock
Chairman
27 January 2020

CHIEF OPERATING OFFICER'S REVIEW

Trading results

Project delays impacted the 2019 financial year leading to a reduced sales level at £19.5m (2018: £28.0m) and a reduced operating profit of £0.2m (2018: £2.2m). During the period order intake increased 33.5% to £27.0m (2018: £20.2m), which exceeds the previous highs achieved of £26.8m in 2015 and £26.1m in 2017. Significant project wins on several new rolling stock platforms in the rail industry were fundamental to this and, as such, we enter the new financial year with a strong orderbook and many opportunities still to pursue.

The project delays previously communicated have all but worked their way through and, as new projects come on stream, we have seen activity increasing through the first quarter and expect this to continue and accelerate throughout the rest of the year.

2019 Summary

- Order entry up 33.5% at £27.0m (2018: £20.2m)
- Sales down 30.2% at £19.5m (2018: £28.0m)
- Operating Profit, before exceptional and non-underlying items, down 91% to £0.2m (2018: £2.2m)

Added value for the year increased to 49.3% (2018: 48.6%). A continuous drive to automate and gain efficiencies across all areas of the business are key to maintaining these levels and essential in mitigating the impacts of a competitive marketplace. These efforts will continue throughout 2020 to ensure the Group's competitiveness going forward.

Despite flexing the cost base, the Group maintained its capabilities to deliver the growing order book and future opportunities.

Markets

Rail, Aviation & Defence and niche industrial markets remain strong for the Group and will continue to be the focus for the coming year. These markets require quality products and service, which aligns with the LPA mantra of long-life reliability that features in the design philosophy across all our products.

Rail continues to be the Groups main segment representing 69% of sales for the financial year; aerospace and defence 16%; other 15%. Solid progress has been made in the international marketplace with two significant export lighting rollingstock 'platform' orders, one of which being for a new European Tram, a first for LPA. These are significant wins with the potential to bring further business beyond that already announced and strengthens LPA's position as a world leader in LED technology.

The UK Rail market remains strong with full order books for some train builders and growing orderbooks for others providing activity for the coming year and beyond. Rail refurbishment and maintenance demands have suffered adjustment and consolidation but still provide opportunities for the Group and should continue to do so for the coming years. Rail investment increases worldwide, and with LPA's growing reputation for quality and innovation, this remains a key market.

Aviation & Defence continues to be a growth market for the world and remains a key focus area for the Group. We are launching Plane Power, our new range of aircraft Ground Support Equipment, during 2020 with an increased effort to grow global market share. The Group supplies components for aircraft such as A350 and C Series and is set to benefit from these for several years to come.

Other markets, where product quality is important, are a key focus going forward with efforts being made to broaden product ranges enabling increased success in these areas.

Design and development

During 2020 we will launch our new range of Plane Power connectors aimed at the aircraft ground power supply market, world leading smart lighting and, various other product developments and enhancements. The Group is focused on smart technology which it is including as options on all its products, where practical, as they are developed. Smart technology is of increasing importance to our customers and a key area of focus for product development, which is essential in maintaining our position as a world leader in the markets we serve.

The recently announced framework agreement with Siemens Vienna will deliver one of the most modern and complex train smart lighting systems in the world. This is testament to the growing confidence shown by customers choosing LPA.

The Group continues to be a leader in mobile device charging on trains and 2020 will see further product developments in this area, as consumer demands becomes ever more technologically focused.

CHIEF OPERATING OFFICER'S REVIEW (CONTINUED)

Operations

During the year the Group adjusted resources and structures to accommodate the variable project workload and to increase efficiency and effectiveness.

Our lighting facility achieved ISO14001 compliance, which is a growing requirement for the international marketplace. Plans for our other facilities to achieve this standard are also underway. The Group retains its IRIS, AS9120 and ISO9001 certifications, which are key features of our operations.

There has been an increased effort in relation to data security as cyber threats become more sophisticated and more common. All businesses in the Group have strengthened systems, controls and procedures during the year, achieving Cyber Essentials certification and improved Business Continuity Plans.

There has been an enhanced focus on Health & Safety across the Group ensuring that the environment we provide for our workforce and visitors is safe and welcoming.

2019 operational highlights

- Integration of sheet metal manufacturing (Haswell Engineers) operating systems into LPA Connection Systems
- New Laser Cutting System installed at LPA Connection Systems increasing efficiency and capability
- Lean lift storage systems installed at LPA Connection Systems creating approximately 700m^2 of additional assembly space.
- New automatic Printed Circuit Board test equipment installed at LPA Lighting Systems improving efficiencies and quality of inspection
- Further work on improving flow of manufacturing cells
- 5S (lean processes) implemented at Electro-mechanical, already in place at LPA Lighting Systems

Outlook

The strong order entry for the year gives an excellent foundation for the future. The marketplace is stable and continues to provide opportunities for the Group. The drive for efficiency, product development, and worldwide customer awareness of LPA is continuous.

We look forward to the future with increasing confidence.

Paul Curtis
Chief Operating Officer
27 January 2020

FINANCIAL REVIEW

Trading performance

Revenue in the current year reduced by £8.4m (30.2%) to £19.53m (2018: £27.98m) with delayed rail project activity being the main factor, as previously announced. Gross margins fell 3.1% to 22.3% (2018: 25.4%), reflecting the higher proportion of fixed costs borne by the Group.

Gross profit amounted to £4.36m (2018: £7.12m). Added Value of 49.3% was achieved (2018: 48.6%), a Group KPI. Other operating expenses reduced by £0.71m (14.7%) to £4.16m (2018: £4.87m) – represented by decreased sales and distribution costs of £0.34m and reduced administration and overheads of £0.37m. Key administration cost changes comprised pension administration and governance of £0.10m (2018: £0.17m); grant credit of £0.09m (2018: nil); and employment costs of £1.50m (2018: £1.70m) inclusive of bonus awards of £8,000 (2018: £116,000) and share option related credit of £47,000 (2018: £17,000).

An operating profit before exceptional and non-underlying items of £0.20m (2018: £2.24m) was achieved, down £2.04m (-91.0%). After exceptional and non-underlying items, detailed below, a loss of £202k was incurred (2018: profit £2.07m).

In the first half of the year sales of £10.10m (2018: £13.93m), down 27.6%, produced an operating profit before exceptional and non-underlying items of £0.17m (2018: £1.12m), down 84.4% on the corresponding period last year. The second half delivered sales of £9.44m (2018: £14.05m) resulting in an operating profit before exceptional and non-underlying items of £0.03m (2018: £1.12m).

Exceptional and non-underlying items

Net exceptional costs in the period totalled £0.40m (2018: costs £0.18m). Key items comprised:

(i) reorganisation costs of £70,000 (2018: £96,000) - associated with ongoing cost base reductions at the Group's Electro-mechanical site;

(ii) £333,000 (2018: Nil) Guaranteed Minimum Pensions (GMP) equalisation recognition in line with the High Court ruling in October 2018, requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under GMP. This is a historical cost which has been recognised in the current financial year as a change in basis, whilst going forward all movements will be recognised through the Consolidated Statement of Comprehensive Income alongside all other movements in the Defined Benefit Pension Scheme.

2018 also included (2019: Nil):

(iii) extra centre costs arising from Board succession planning including duplicated finance function costs - £74,000

(iv) professional and recruitment fees associated with the Board succession and establishment of the Group's Employee Benefit Trust and corporate advice - £5,000;

Finance costs and income

Within finance costs the interest on borrowings increased by 23.7% to £0.10m (2018: £0.08m). The weighted average interest rate increased from 2.7% to 2.9%, key drivers being:

- the flow through of two 2018 UK base rate rises
- refinancing of the loan borrowing at a higher margin of 0.3% and increased levels of borrowing. The term loan average rate increased with the base rate rises included by 0.45%.

Finance income, which comprises the net interest income on the pension asset, was £64,000, an increase of 83% (2018: £35,000).

Loss / Profit before Tax, Taxation and Earnings Per Share

Loss before tax was £0.24m (2018 Profit: £2.02m) resulting in a tax recovery of £0.19m (2018 charge: £0.25m). The effective tax rate in the year was -78.0% (2018: 12.5%), with the UK corporation tax rate of 19.0% (2018: 19.0%). The effective tax rate is largely the consequence of tax loss utilisation of 4.6% (2018: 1.2%); qualifying R&D expenditure of 32.9% (2018: 2.8%); prior year R&D expenditure claim increases of 20.7%; share option prior period recognition 8.2% (2018: nil); and defined benefit pension contributions 8.0% (2018: 0.9%). The effective tax rate on profit before tax, exceptional and non-underlying items was -92.0% (2018: 11.3%).

The loss for the year was £0.05m (2018 profit: £1.77m) representing basic earnings per share of -0.43p (2018: 14.34p).

Balance sheet

Shareholders' funds decreased by £0.39m (-3.1%) in the year to £12.32m (2018: £12.71m) giving a net asset value per ordinary share of 97.4p (2018: 102.7p). The tangible net asset value per share (calculated excluding intangibles and pension asset, net of deferred tax) was 72.0p (2018: 78.3p). Net debt increased £0.45m to £2.42m (2018: £1.97m) with gearing (net debt as a % of total equity) increasing to 19.6% (2018: 15.5%).

Shareholders' funds include Investment in Own Shares at £0.33m including share premium (2018: £0.21m), representing ordinary shares held in the Company by the LPA Group Plc Employee Benefit Trust (EBT).

FINANCIAL REVIEW (CONTINUED)

Balance sheet (continued)

Intangible assets, which comprise goodwill, capitalised development costs and software purchases, were £1.36m (2018: £1.20m). Software previously capitalised as Tangible assets have been reclassified in the year as Intangible assets in accordance with IAS38. The corresponding depreciation transferred to amortisation, with no effect on the trading results or reserves. Software additions in the year were £0.02m. Goodwill relates to the Group's investment in Excil Electronics and was unchanged at £1.15m. Capitalised development costs, associated with the development of a new range of ground power connectors for the aviation sector, Plane Power, and electronic and lighting product developments were £0.12m (2018: £0.03m).

Property, plant and equipment at 30 September was £7.01m (2018: £7.22m), of which property made up £4.25m (2018: £4.34m) and plant and equipment £2.76m (2018: £2.87m). Additions in the year were £0.54m (2018: £1.02m). The depreciation charge increased 6.5% at £0.70m (2018: £0.65m).

The IAS19 actuarial surplus recognised at 30 September 2019 on the Group's closed defined benefit pension arrangement was £2.25m (2018: £2.41m). Changes over the course of the year comprised an income statement credit of £0.064m related to interest (2018: £0.035m) and within exceptional and non-underlying items, GMP cost recognition of £0.333m (2018: Nil). Employer contributions received of £0.10m (2018: £0.10m) plus an actuarial gain of £0.01m (2018: £0.96m) recognised in the statement of comprehensive income, benefits paid from the scheme totalled £0.51m (2018: £0.48m). The actuarial gain resulted from changes to demographic assumptions in line with market indices (primarily caused through overall life expectancy assumptions and GMP equalisation being included) and changes in financial assumptions (primarily reflecting the lower discount rate applicable at September 2019, 1.8% as opposed to 2.8%), a reduction in both RPI and CPI inflation measures of 0.1% to 3.15% and 2.45% respectively, providing a return on plan assets of £1.9m (2018: £0.06m), against which an experience loss of £0.005m is recognised (2018: £0.25m gain).

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were 3.2% higher at £4.42m (2018: £4.29m).

Cash flow

Net cash inflow from operating activities was £0.66m (2018: £2.45m) made up of a trading cash inflow of £0.87m (2018: £2.72m) a reduction in working capital of £0.10m (2018 increase: £0.14m), tax payments of £0.21m (2018: £0.03m) and defined benefit pension contributions of £0.10m (2018: £0.10m).

Capital expenditure outflows reduced to £0.4m (2018: £0.5m). Capitalised development expenditure amounted to £0.12m (2018: £0.03m), including expenditure at LPA Connection Systems to develop a new range of aircraft ground power support products and at LPA Lighting Systems, further product developments focussed on Smart Lighting and associated technologies.

Loan repayments of £2.2m were made (2018: £0.20m) which included the repayment of term loan and refinance ahead of the facility five-year term expiry in 2021. Draw down on a new term loan, also with a five year term and bullet repayment provided a cash inflow of £2.6m (net £0.5m refinance inflow). Hire Purchase repayments were £0.2m (2018: £0.1m). Interest payments on borrowings amounted to £0.03m (2018: £0.02m). Dividend payments increased 5.5% in the year to £0.36m (2018: £0.34m).

During the year, £0.08m (2018: £0.25m) was loaned to the Group's Employee Benefit Trust to facilitate the acquisition of LPA Group plc shares. The transactions associated with the Employee Benefit Trust are consolidated within these accounts. £0.11m (2018: £nil) was received from the exercise of share options. Overall there was a net decrease in the cash position of £0.07m (2018: increase of £1.05m).

Net debt

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

	Bank loans	Hire purchase obligations	Cash & cash equivalents	Net debt
	£000	£000	£000	£000
At 1 October 2018	2,170	757	(956)	1,971
New Hire Purchase Obligations	-	168	-	168
Drawdown of Bank Loan	2,626	-	(2,626)	-
Interest and Arrangement Fee	31	-	-	31
Repayment of Borrowings	(2,242)	(201)	2,443	-
Cash Absorbed	-	-	250	250
At 30 September 2019	2,585	724	(889)	2,420

FINANCIAL REVIEW (CONTINUED)

The Group's main bank finance, a £2.63m bank loan drawn down in 2019 is repayable over 5 years, including a bullet repayment in March 2024 (calculated on 15 year repayment terms). The loan was utilised to refinance the previous loan, drawdown in 2017 and repayable in 2021. As at September 2019 the amount outstanding was £2.58m (2018: £2.17m); the loan is to be repaid through 19 quarterly instalments of £0.06m from July 2019, with the residual balance of £1.794m repayable in March 2024. Interest is payable at base rate plus 2.25%.

A forecast breach of the bank loan covenant as at 30 September 2019 was identified and discussed with the Bank ahead of the year end. The Bank have expressed their intention to continue support for the Group and subsequently their intention to issue a covenant waiver, at the point of covenant measurement. The covenant is measured following publication of the annual accounts based on the financial position of the Group at 30 September 2019 and its financial results for the year then ended. These post balance sheet events, under IAS10, are deemed to be non-adjusting. As such, the bank loan has been presented as all falling due within one year.

In the year £0.17m of plant and equipment additions were financed through new hire purchase finance (2018: £0.52m). Interest on the £1.50m overdraft facility is payable at base rate plus 2.0%. Headroom within the facility at 30 September was £1.50m (2018: £1.50m).

Treasury

The Group's treasury policy remains unchanged in the year: further details on the Group's borrowings, financial instruments, and its approach to financial risk management are given in notes 14 and 15 to the Annual Report.

Chris Buckenham
Chief Financial Officer
27 January 2020

KEY PERFORMANCE INDICATORS

The Group uses the below key performance indicators to assess the progression in its business: factors affecting them are discussed in the Chairman's Statement, the Chief Operating Officer's Review and the Financial Review on pages 3 to 9.

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth increased to 1.38 in the current year (2018: 0.72, 2017: 1.16).
- Order entry (the measure of order intake confirmed) £27.0m (2018: 20.2m; 2017: £26.1m)
- Order book (the measure of opening order book, plus order entry, less sales) resulted at £21.4m (2018: £13.9m; 2017: £21.6m).
- Sales growth (the increase in year-on-year sales as a percentage of prior year sales) as a measure of current growth showed a decrease of 30.2% for the current year (2018: increase of 24.5%, 2017: increase of 4.9%);
- Added Value (the margin generated on sales after deduction of material costs but before other costs of sale and conversion) as a measure of profitability 49.3% (2018: 48.6%, 2017: 52.1%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 22.3% in the current year (2018: 25.4%, 2017: 28.2%);
- Operating profit before exceptional and non-recurring items, as a measure of return on trading activities, 1.0% of sales (2018: 8.0% of sales, 2017: 8.4% of sales); and
- Net cash flow (net increase in cash before the drawdown / repayment of borrowings and issue or acquisition of equity) as a measure of cash generation being an outflow of £0.29m for the current year (2018: inflow of £1.57m, 2017: inflow of £0.01m).

BUSINESS AND STRATEGY

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

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

The UK OEM market, which the Group endeavours to serve, continues in a state of flux which has included privatisation, administration, closure, acquisition, consolidation and rationalisation. It is now set to enjoy substantial expansion with investment in the UK by offshore OEM's establishing a number of new rail vehicle assembly plants. The sector, which had shrunk substantially, now has the opportunity to expand. Some parts of the sector are foreign owned, parts are strong, and parts are weak. In response to historically fragile market conditions in the UK, the Group has successfully committed to becoming a supplier to the multi-national companies supplying and serving the UK and to exporting to selected markets, largely in Europe, Asia and Australia. Our market place looks increasingly encouraging. On average over the last five years, around a third of Group turnover has been exported to around fifty countries (the figure was 33% in the current year).

The Group supplies a wide range of leading organisations including: Airbus, Alstom Transportation, BAA, BAE Systems, Bombardier Transportation, CAF, Compin, CRRC, Downer EDI, First Group, Hitachi, ITW, Kinki Sharyo, Knorr Bremse, Leonardo, London Underground, Siemens, SNCF, Stadler, Stagecoach, TRSC, Unipart Rail and Wabtec.

Worldwide, substantial government investment is planned in rail, aviation and defence. These markets look set to expand over the next five to ten years and the Group is well placed to take advantage of such opportunities.

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

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

The Group continues to invest in the technology, products and facilities of its three UK operations, namely:

- Electro-mechanical: a designer and manufacturer of connection systems for the rail, aircraft ground support and infrastructure markets. It makes up 39% of Group revenues (2018: 43%) and goes to market as LPA Connection Systems, LPA Haswell Engineers and LPA Transport+. The operation is housed at Light & Power House in Saffron Walden, near Cambridge, a facility that the Group refurbished and extended in 2014, which also includes the Group's headquarters which is reported as a cost centre through the company LPA Group Plc;
- Lighting systems: an electronics designer and manufacturer of LED lighting and systems which contributes 35% of Group revenues (2018: 40%). Marketed as LPA Lighting Systems it serves rail, infrastructure and other industrial markets. The operation is housed at LPA House in Normanton, West Yorkshire, a facility that the Group refurbished and extended in 2018; and
- Engineered component distribution: which comprises 26% of Group revenues (2018: 17%) derived from the rail and aerospace & defence markets. It has a focus upon high level customer service, is marketed as LPA Channel Electric and is located in Thatcham, Berkshire.

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

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

The principal risks and uncertainties confronting the Group are set out on page 11 and the key performance indicators used in assessing the progression of the business are set out on page 9.

Principal risks and uncertainties

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

- The Group's sales dependence upon the rail sector in general, and UK rail in particular. The Group monitors the rail market for advance warning of negative developments; has expanded into selected export markets; derives revenues from both new-build and the aftermarket; and benefits from the diverse nature of its non-rail products, customers and markets served, which help mitigate the impact of this dependence.
- Certain activities benefit from long standing commercial relationships with key customers and suppliers. The Group devotes resource to ensure that good customer relationships are maintained while continuing to build relationships with new customers across different business sectors and geographies. The Group monitors supply-chain risks and endeavours to develop contingency plans to mitigate the impact of supplier failure.
- Group activities variously operate in competitive markets which are subject to product innovation, technical advances and intensive price competition. The Group invests in research and development to develop new technologies and products in order to sustain or improve its competitive position. The Group keeps its structure under review and takes appropriate action to ensure that its cost base remains competitive.
- The Group is exposed to a number of financial market risks including liquidity and credit risk, and through movements in foreign exchange and interest rates. A description of these risks and the Group's approach to managing them is described in note 15 to the financial statements.
- Poor investment returns and longer life expectancy may result in an increased cost of funding the Group's defined benefit pension arrangement. The Group and the trustees of the scheme review these risks with actuarial and investment advice as appropriate and take action to mitigate the risks where possible. The scheme was closed to future accrual in September 2009.
- Brexit remains a significant unknown risk with no immediate conclusion to the UK's position with the European Union (EU). The Group trades with worldwide customers and suppliers and could be impacted by delays through customs and logistics should the UK exit the EU without agreements in place. Contingencies have been put in place within the Group and risks reviewed, internally and with both suppliers and customers. The Group believes this could generate opportunities in the short term and remains confident that having imported and exported over many decades, both with the EU and Worldwide, it has the infrastructure and relationships in place to manage any risks that come to fruition.

The Strategic Report on pages 3 to 11 was approved by the Board on 27 January 2020 and signed on its behalf by:

Paul Curtis
Chief Operating Officer

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 30 September 2019.

Results and dividends

The loss for the year amounted to £0.05m (2018 profit: £1.77m). The directors recommend the payment of a final ordinary dividend of 1.80p (2018: 1.80p), which together with the interim dividend of 1.10p (2018: 1.10p) makes a total for the year of 2.90p per share (2018: 2.90p).

Principal activities

The principal activity of the Group continues to be the design, manufacture and marketing of high reliability industrial electrical and electronic accessories. Descriptions of the Group's development and performance during the year, position at the year end and likely future prospects are reviewed in the Strategic Report on pages 3 to 11.

Going concern

A statement regarding the going concern of the business is set out in accounting policies on page 37.

Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2019 representing 3 per cent or more of the issued share capital were:

	No. of shares	%
Canaccord Genuity Group Inc	967,500	7.64%
Michael Rusch (director)	808,000	6.38%
Estate of Ellen Rusch deceased	804,044	6.35%
Peter Pollock (director)	760,000	6.00%
Rights & Issues Investment Trust Plc	650,000	5.13%
Marilyn Porter	532,651	4.21%
Stephen Brett	529,000	4.18%
Susan Thynne	426,674	3.37%

Research and development

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

Employment policies

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

Applications for employment from all, regardless of disability, ethnicity, gender or beliefs are considered without prejudice, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled or where individuals require reasonable adjustment, every effort is made to ensure that their employment with the Group continues and that appropriate adaptation and training is provided. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Health, safety and the environment

It is Group policy to maintain healthy and safe working conditions and to consider its employees wellbeing, whilst operating in a responsible manner with regard to the environment. The Group operates Health & Safety Committees to encourage and facilitate participation by all of its employees in improvement, awareness and development of a safe working environment. Reporting of suggestions, observations and all related KPI's are published to all through use of health & safety notice boards, together with the Committee meeting actions. Each site has volunteer appointed fire marshals and first aiders who are provided the requisite training, whilst each site has a qualified health and safety representative, supported by external expertise.

During the year our Lighting System business has been certified under ISO 14001 and has been confirmed as carbon neutral. The group continues to promote long life products which reduces the impact of waste and recycling.

DIRECTORS' REPORT (CONTINUED)

Directors and their interests

The current directors of the Company and brief biographical details are given on page 24. During the year all Directors served throughout with one appointed on 1 October 2018 (2018: one Director was appointed and two resigned). A statement of their remuneration and interests in the ordinary shares of the Company and share options are set out in the Remuneration Report. No director had any material interest in any contract with the Group. In accordance with the articles of association Peter Pollock retires by rotation at the forthcoming annual general meeting, and, being eligible, offers himself for re-election.

Board composition and responsibility

As of 1 October 2018, the Board comprises two non-executive directors and three executive directors.

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

Both the non-executive directors, Len Porter and Michael Rusch, are regarded as independent; Michael Rusch was an executive director before he became non-executive Chairman in June 2000 and President from 1 October 2018. The non-executive directors are from varied backgrounds and bring with them a range of skills and experience in commerce and industry. The appointment of two further non-executive directors in due course will reinforce the independent element of the Board and address the forthcoming retirement of Michael Rusch and thereafter Peter Pollock. Directors are judged to have made the necessary time commitment to fulfil their roles.

The Board meets at least six times during the year, with additional meetings being convened as necessary. The Board has two standing committees, the Audit Committee and the Remuneration Committee. These comprise the Board's non-executive directors who served through the year, Len Porter, 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.

A schedule of the Board meetings, its committees and the Director attendee's is set out below:

Year ended 30 September 2019	Board meetings	Audit committee	Remuneration committee	AGM 2019
No of meetings	9	3	4	1
Executives:				
P G Pollock	9	n/a	n/a	1
P V Curtis	9	n/a	n/a	1
C J Buckenham	9	n/a	n/a	1
Non-executives:				
M Rusch	9	3	4	1
L Porter	9	3	4	1

Attendance at meetings by invitation is not shown.

DIRECTORS' REPORT (CONTINUED)

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.

Internal control

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

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

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

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

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

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

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

Directors' responsibilities statement

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

Company Law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

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

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DIRECTORS' REPORT (CONTINUED)

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

The directors confirm that:

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

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

Annual general meeting

The annual general meeting is to be held at 12 noon on Wednesday 18th March 2020 at the offices of LPA Lighting Systems, Ripley House, Normanton, West Yorkshire, WF6 1QT. The Notice of Meeting is set out on pages 85 to 89. Special business includes three resolutions which relate to share capital:

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

These three authorities, which are the same as those sought and approved at last year's annual general meeting, are part of the portfolio of powers commonly granted to directors to ensure flexibility, should appropriate circumstances arise, to either allot shares, or make purchases of the Company's own shares in the best interests of shareholders. Each authority will run through until the next annual general meeting.

The Digital Future - shareholder communications

The Group is focussed on the environment and its carbon footprint, the means by which it communicates with its stakeholders, current technologies and its cost structure.

On the 5th July 2019 The Group published "The Digital Future" document outlining how future shareholder communications would move to being electronic and that payment of dividends and completion of proxy forms would move to an electronic basis.

Shareholders are encouraged to familiarise themselves with this announcement which comes into effect at the 2020 AGM, as outlined in the AGM notice of meeting herein. Copies are available at https://www.lpa-group.com/investor-information/regulatory-news-announcements.

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
Chris Buckenham
Company Secretary
27 January 2020

LPA Group plc is registered in England No 686429

CORPORATE GOVERNANCE REPORT

Despite being a micro-cap company with large founder family shareholders, the Group has consistently applied high standards of Corporate Governance for a number of years. Following changes to the AIM Rules on 30th March 2018, together with changes introduced under Article 26 of the London Stock Exchange rules applicable to AIM listed entities, which required AIM listed companies to apply a recognised Corporate Governance Code from 28th September 2018, the Group adopted and complies as far as is practicable with the Quoted Company Alliance's Corporate Governance Code (the Code) and where we fall short of full compliance, explain what is required to achieve full compliance. This document is an integral part of the Company's Annual Report, which the Board considers to be a 'Document of Record' subject to six monthly review. The Annual Report is therefore an appropriate repository for the corporate governance compliance report.

The Code comprises ten principles, which are listed below together with a statement of the Group's current position and where this deviates from the code an element of a Road Map to full compliance.

In addition, the Group has adopted a 'North Star' or 'Guiding Light' principle, which is included here for the first time and which may be considered to be a precis of the corporate governance principle.

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

North Star guiding light

- Conduct our business honestly, ethically and in sympathy with the environment
- Innovate, design, procure and manufacture for long life, reliability and sustainability
- Base our business in the UK
- Provide employment, training and personal development
- Engage with local communities
- Engage with organisations representing the industries we serve and local and national government
- Endeavour to be a good citizen

The Code

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

The code requires a disclosure of this Principle in the Annual Report, which is included in Business and Strategy report on pages 10 to 11.

The Group operates in markets dominated by large multinational corporates, with a wide supplier base populated by small and medium sized enterprises, both privately owned and quoted. The Group has grown organically and by acquisition and has always recognised that it will either be a consolidator of similar SME's by acquisition or consolidated by a larger multinational enterprise through being acquired. Brexit and the uncertainty that has created, at least in the short term, has disturbed that scenario. The Group has rejuvenated the Board to equip the business with the management team necessary to continue to deliver a strategy which is responsive to changing market conditions.

Principle 2

Seek to understand and meet shareholder needs and expectations

The Group's shareholder base is dominated by founding family shareholders, members of the board, a very limited number of Institutions and approximately five hundred private or relatively small holdings. The market in the shares is illiquid and there is usually a wide spread between the bid and offer price, making dealing in the shares challenging. Having rejuvenated the Board, the Group is committed to improving liquidity and the nature of the shareholder base to better equip the business with sources of equity funding. Historically the Group has relied upon debt funding.

The founding families are represented on the board by Michael Rusch, a non-executive director and President of the Group.

Investor liaison is the responsibility of Peter Pollock, who was appointed Chairman of the Group on 1st October 2018, having joined the board in 1997 as Chief Executive, supported by the Chief Operating Officer, Paul Curtis and the Chief Financial Officer, Chris Buckenham.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 2 (continued)

The Group gives regular updates on progress through the year and publishes significant events via the Regulated News Service of the Stock Exchange. The Preliminary Announcement is made in late January and the Annual Report is published shortly thereafter. The Chairman normally gives an update at the Annual General Meeting in March. The Interim Announcement for the first half to 31st March is made, and the Interim Report published, in late June. It has become recent practice to give an update on trading in late October, following the close of the financial year at 30th September. Copies of all announcements are published on the website, www.lpa-group.com

The Group's brokers prepare analysis of the Group's performance and their expectations and make this available to their clients.

Sponsored by the Group's brokers, the Chairman and senior executives usually meet with Institutional Shareholders and other interested parties, immediately after the Interim and Final Announcements.

The Board is well aware of its responsibility to ensure that there is no false market in the Group's shares and to ensure the market is properly informed of changes in expectations and significant events in a timely way.

Voting at recent Annual General Meetings has been overwhelmingly in favour of all resolutions.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises its responsibility towards employees, customers, suppliers, partners, the local community and the environment. Our Corporate Social Responsibility (CSR) policy details our responsibility towards our people and the environment and is published on the website.

The Board recognises that our people are our most valuable asset. Staff turnover across the Group remains low. Staff surveys at each of the Group's Sites are undertaken to monitor and engage with our Staff and ensure their needs are being met. Apprenticeships, degree and other courses, support, training and personal development are offered.

The Group's customer base is mainly comprised of large multinationals who demand quality, reliability, value for money and on-time delivery. We endeavour to engage with our customers on many levels to ensure that we understand what is expected of us. We seek customer feedback and we use metrics to monitor our own performance.

We have developed our supplier base over many years and measure their performance using KPI's. In difficult market conditions close relationships are essential to maintain timely, cost effective and quality supplies.

We rely on partners in our export markets to represent us between our own visits to customers. Many of these partnerships are long term and our export success reflects our collective response to changing local market conditions.

We are responsive to our local communities, engaging with schools and universities and supporting local youth sports organisations and other charitable organisations.

The Group's mantra is 'Long Life Reliability does not cost the Earth', which means that we commit to the concept of whole life cost not only in terms of currency but also in the use of scarce resources including materials, energy and labour, designing in long life rather than obsolescence.

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the Group

The Principal Risks and Uncertainties are identified in the Strategic Report, which is included on page 11. Each trading entity includes a Successes, Opportunities, Failures and Threats (SOFT) Report within its monthly progress report, which is incorporated into the Group Performance Review, which is circulated to the board each month. Risk registers for entities identify key risks. Risk is considered at the monthly Executive Meetings comprising the Managing Directors or General Managers of the entities, the COO and the CFO. The CFO and the COO include comment on identified changes in risk in their reports to Board Meetings.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 5

Maintain the Board as a well-functioning, balanced team led by the Chair

A biography of each of the Directors which identifies whether they are executive or non-executive, together with a Directors' responsibilities statement is included on the Groups web site and within the Annual Report, which also describes the Board Composition, Responsibility, Independence and the number of Board Meetings during the year, the nature and composition of the two board committees and details the time commitment and attendance record of directors at board and committee meetings.

After a long period of stability, the board continues in transition following the retirement of the long serving Finance Director and the Senior Non-Executive Director in March 2018.

The continuing Non-Executive Director was appointed Senior Non-Executive Director in March 2018. The Chief Financial Officer and Company Secretary was appointed in March 2018, succeeding the retiring Finance Director.

The Non-Executive Chair became Group President and was succeeded by the current Chief Executive on a part-time basis with effect from 1st October 2018. A full time Chief Operating Officer was appointed to succeed the Chief Executive also with effect from 1 October 2018.

The proposed appointment of an additional non-executive director is well advanced. As this period of transition advances, the Chief Operating Officer will become Chief Executive and the part time Chairman further reduce his time commitment.

Two Directors are currently judged to be independent. Directors are judged to have made the necessary time commitment to fulfil their roles.

Principle 6

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board has a broad balance of skills and experience as well as personal qualities. Further anticipated Board appointments will reinforce this balance.

The Board recognises that its small size limits the opportunity for gender balance and diversity. Future appointments may allow this to be corrected. The board is not dominated by any one person or group of people.

The Chair will continue to evaluate the strengths and weaknesses of the board and seek to address these together with other needs as the company evolves in any future appointments and in succession planning.

This Annual Report, which is included on the website, identifies each Director with their biography, which outline the relevant skills, qualifications and previous roles that each have held. Future Annual Reports will demonstrate the adequacy of the board and identify any additional experience, skills, personal qualities, gender balance and capabilities necessary to deliver the strategy for the benefit of shareholders and show how directors are maintaining their skill sets. Annual Reports will detail significant matters requiring external advice and describe any significant advice provided internally to the Board by the Company Secretary or Senior Independent Director.

Principle 7

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The board is in a period of development and has only been in post for little over a year. Further appointments and retirements are anticipated. New members are experiencing a steep learning curve, and while substantial progress has been made, further work is required. The object is to create a board with the necessary skills and experience to deliver the Group's strategy over the medium term. As Chairman, I have been required to provide support and assistance to board members during the year. Future reports will include an assessment of the board performance and effectiveness evaluation process and if such an evaluation has been carried out a summary of the criteria against which the board, committee and individuals have been assessed, how the evaluation has evolved and any results and recommendations and succession plans.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

The Board, led by the Chair, promotes a sound ethical culture through its own behaviour and this is visible through the actions of the non-executive and executive teams.

Corporate values guide the objectives and strategy of the business and the conduct of all aspects of business, including disclosures in this Annual Report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 8 (continued)

The Chair's corporate governance statement in the Annual Reports comments upon how the culture is consistent with the Group's objectives, strategy and business model contained in the strategic report, the principal risks and uncertainties, how these are monitored and how a healthy corporate culture is promoted and assessed.

The Group has a Code of Ethics and a Code of Conduct, which Directors and other officers of the Group are expected to comply with and to record such instances as required, as part of the Group's anti-bribery procedures. These are published on the Website.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Group maintains governance structures and processes in line with its corporate culture and appropriate to its size and complexity, and capacity, appetite and tolerance, for risk. Its processes develop over time as the needs of the business and its development require.

It is expected that given the small size of the Group there will be little difference between, the Chair's high-level explanation of the application of the Code in the Corporate Governance Statement in the Annual Report, and any other description of the roles and responsibilities of the Chair, Chief Operating Officer, Chief Financial Officer or any other director with particular responsibilities.

The Directors Report on pages 12 to 15 describes the roles and terms of reference of any Committees, as well as matters reserved for the board and how these might evolve in line with the Group's plans for growth.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board believes that a healthy dialogue does exist between the Group and its stakeholders and shareholders, which should allow interested parties to come to informed decisions about the Group.

The Board believes that through appropriate use of the Stock Exchange Regulated News Service for announcements and the timely posting of all such announcements on the Group Website appropriate communication and reporting structures exist between the Group and all constituent parts of the shareholder base.

The Preliminary Announcement, the Annual Report, the Chairman's remarks at the Annual General Meeting, the Interim Announcement, the Interim Statement, any Closing Update in October after the financial year end, together with announcements of any significant events, are all timely published via the RNS and posted on the website, and routinely inform all shareholders of the Group's progress.

All shareholders are invited to the Annual General Meeting where there is both a formal and informal opportunity to ask questions either on the business of the meeting or specific matters of interest.

This Annual Report, which is posted on the website, describes the work of the Board committees undertaken during the year. It includes a remuneration report.

Should the Group be unable to comply with any disclosure requirements of Principles 1-9 and omit them from the Annual Report or the Website, they will be disclosed, and their omission explained.

All votes at the Group's General Meetings are announced on the RNS immediately after the close of the meeting and posted on the website.

Should there be a significant proportion of votes cast against a resolution at a General Meeting the Group would announce in a timely way by way of the RNS and on the website, the result, what action it intends to take to understand the reasons for the negative vote and what action, if any, it intends to take in the light of that vote.

Annual Reports, including the Notice of any General Meetings, published during the last five years are included on the website www.lpa-group.com.

Peter Pollock
Chairman
27 January 2020

REMUNERATION REPORT

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

UNAUDITED INFORMATION

Remuneration policy

The Company's policy is to design executive remuneration packages to attract, motivate and retain high calibre directors 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 Senior Non-Executive Directors' permission is granted.

Executive directors' remuneration and terms of appointment

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

Peter Pollock has a service contract dated 19 January 2007 (amended in October 2018) with all prior amendments consolidated), with a rolling notice period of six months and which provides that employment under the agreement will automatically terminate on 6 September 2021. As at 1 January 2020 Peter Pollock's annual (part time) salary was £127,308 (January 2019: £123,600) and he is entitled to the provision of a car allowance, car insurance and private health insurance. On transition of the COO to CEO, his contract provides for a further 50% reduction in salary and a further reduction in working hours. Entitlement under the Company's share or discretionary bonus schemes ceased from 1 October 2019.

Paul Curtis has a service contract dated 26 September 2018, with a notice period of 6 months. As at 1 January 2020 his annual salary was £153,831 (January 2019: £149,350), he receives 10% employer pension contributions to the Group's defined contribution scheme, private health insurance and he is entitled to the provision of a car or allowance with break down cover and insurance provisions. In addition, he may also be granted options under the Company's share schemes and, subject to the achievement of the Group's objectives, is entitled to payments under the Company's discretionary bonus scheme.

Chris Buckenham has a service contract dated 22 March 2018, with a notice period of 6 months. As at 1 January 2020 his annual salary was £140,039 (January 2019: £135,960) he receives 10% employer pension contributions to the Group's defined contribution scheme, and he is entitled to the provision of a car or allowance and private health insurance. In addition, he may also be granted options under the Company's share schemes and, subject to the achievement of the Group's objectives, is entitled to payments under the Company's discretionary bonus scheme.

REMUNERATION REPORT (CONTINUED)

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 or bonus schemes.

Michael Rusch (non-executive president) has a term of office through to June 2020, as set out in his letter of re-appointment dated 26 September 2018. As at 1 January 2020 he receives fees of £31,531 per annum (January 2019: £30,612) and he is entitled to the provision of a car allowance, private health insurance and home phone reimbursements.

Len Porter (senior non-executive director) has a term of office, as set out in his letter of re-appointment dated 16 January 2018, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2021. As at 1 January 2020 he receives fees of £37,132 per annum (January 2019: £36,050).

REMUNERATION REPORT (CONTINUED)

INFORMATION SUBJECT TO AUDIT

Directors' remuneration

Directors' remuneration for the year was as follows:

	Salaries and fees £000	Bonus £000	Benefits £000	Pension £000	Total 2019 £000	Total 2018 £000
Peter Pollock	124	-	26	-	150	250
Paul Curtis (from October 2018)	150	-	15	18	183	-
Chris Buckenham (from April 2018)	136	-	9	15	160	98
Stephen Brett (to March 2018)	-	-	-	-	-	70
Executives	410	-	50	33	493	418
Michael Rusch	31	-	21	-	52	51
Len Porter	36	-	-	-	36	28
Per Staehr (to March 2018)	-	-	-	-	-	12
Non-executives	67	-	21	-	88	91
Total	477	-	71	33	581	509

Directors' pension arrangements

During the year ending 30 September 2019 Peter Pollock and Michael Rusch were in receipt of a pension from the LPA Industries Limited Pension Scheme: no future pension benefits are being accrued. Paul Curtis and Chris Buckenham received employer contributions to the Group's defined contribution scheme under a salary sacrifice arrangement.

Directors' shareholdings

Shareholdings of those serving at:

	Number of ordinary shares		
	1 October 2018	30 September 2019	31 December 2019
Michael Rusch	808,000	808,000	808,000
Peter Pollock	760,000	760,000	760,000
Paul Curtis	38,300	38,300	38,300
Len Porter	25,000	25,000	25,000
Chris Buckenham	5,000	5,000	5,000
	1,636,300	1,636,300	1,636,300

During the year, no shares were acquired, (2018: Chris Buckenham purchased 5,000 shares in the Company at an average price of £1.07 and Paul Curtis purchased 10,000 shares in the Company at an average price of £1.034).

REMUNERATION REPORT (CONTINUED)

Directors' interests in share options

The Company operates a share option scheme, the Performance Share Plan 2018 (PSP 2018) which was established during 2018. An Employee Benefit Trust (EBT) was settled also in 2018 and is operated through a third-party trustee. The objective of the EBT is to benefit the Group's employees and in particular, to provide a mechanism to satisfy share option exercises and reduce dilution for shareholders. Requests made to the EBT trustee are approved by the Remuneration Committee. Details of the share option schemes in operation during the year are given in note 18.

	Date of grant	Option price (p)	Earliest exercise date	Latest exercise date	At 1 October 2018	At 30 September 2019	At 31 December 2019
Peter Pollock							
2007 Scheme	Jul 2007	36.0	31 Jul 2010	7 Feb 2022∞	540,000	540,000	540,000
2007 Scheme	Apr 2011	32.0	1 Apr 2014	31 Mar 2021	100,000	100,000	100,000
2007 Scheme	Feb 2012	49.0	8 Feb 2015	7 Feb 2022	150,000	150,000	150,000
2019 Scheme	Aug 2018	104.8	1 Aug 2021	1 Aug 2028	30,000	30,000	30,000
					820,000	820,000	820,000
Paul Curtis							
2018 Scheme	Aug 2018	104.8	1 Aug 2021	1 Aug 2028	60,000	60,000	60,000
Chris Buckenham							
2018 Scheme	Aug 2018	104.8	1 Aug 2021	1 Aug 2028	60,000	60,000	60,000
					940,000	940,000	940,000

∞ on 19 June 2018 the terms of 771,500 options granted in July 2007 under the 2007 Scheme were amended such that the options would not lapse on 30 July 2018 but would instead remain exercisable until 7 February 2022.

During the year no share options were awarded, (2018: 150,000 share options were awarded under the PSP 2018 at a discretionary value based on the three dealing day average market price of 104.83p).

Len Porter
Senior Non-Executive Director
27 January 2020

COMPANY INFORMATION

Directors

Peter Pollock – Chairman, born 1946, has an MA degree from the University of St Andrews and is a Fellow of the Institute of Chartered Accountants in England and Wales, with over fifty years manufacturing industry experience. He joined LPA Group in April 1997. Previous appointments include Chairman of Lionheart plc, Valematic Limited and Ferrabyrne Limited, non-executive director of Mentmore Abbey plc and Menvier Swain plc, Chief Executive of ML Holdings plc, Finance Director UK of Fisher Controls International Inc. and Financial Director of Hawker Siddeley Power Transformers Ltd. He was also member of Council of the Society of British Aerospace Companies, a Director of the Railway Industry Association, and a member of Council of the Rail Supply Group representing SME's.

Paul Curtis – Chief Operating Officer (COO) and Chief Executive designate, born 1972, joined Channel Electric Equipment Ltd ("LPA Channel Electric"), LPA's highly successful distribution and manufacturing business, as an apprentice in September 1988 and achieved an MBA. He has fulfilled engineering and sales management roles during his career. He served as Sales and Marketing Director of LPA Connection Systems from 2007 to 2010, before returning to LPA Channel as Managing Director, when he became a member of the Group Executive, reporting to the Group Chief Executive. Following his appointment to COO on 1 October 2018, the Group Executive report to him.

Chris Buckenham – Chief Financial Officer (CFO) and Company Secretary, born 1971, trained and qualified as a chartered certified accountant in 1996 and registered auditor in 1998, working in accountancy practice where he became Partner. He specialised as a Lead Advisor with Grant Thornton's corporate finance team in 2000, focussed on SME's and traditional industries, providing advice, working with management teams alongside financial institutions and professional advisors, before leaving the profession in 2005. Prior to joining LPA Group in October 2018, he held Finance Director positions in privately owned manufacturing and engineering businesses and worked for the Smurfit Kappa Group, following their acquisition of CRP Print & Packaging Ltd in 2013. He joined the Board in March 2018 having joined the Group in October 2017.

Len Porter – Senior Non-Executive Director, born 1952, has specific skills in technical innovation, knowledge-based decision making, asset management and sustainable development; over a successful career has worked in the rail, oil & gas and marine sectors. He joined the Board in August 2014. He is currently a non-executive director of Angel Trains Group Ltd (a train leasing company) and a non-executive director of Jetwing Symphony Ltd (a Sri Lankan hotel group). Previously he was non-executive Chairman of eAsset Management Ltd and Chief Executive of the Rail Safety and Standards Board where he was a member of the cross-industry Technical Strategy Steering Group and chaired the committee responsible for the Sustainable Rail Programme. Before this he was at Lloyd's Register where he was responsible for developing services in the rail sector. He chairs the Board's Audit and Remuneration committees.

Michael Rusch – Non-Executive Director & President, born 1945, joined the Company in 1966. He has been on the Board since 1967. He relinquished his executive duties in 2000 having been CEO for many years and retired as non-executive Chairman on 30 September 2018, taking up the role of non-executive President. He is a member of the Board's committees.

COMPANY INFORMATION (CONTINUED)

Company contacts

Secretary	Chris Buckenham
Registered office	Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ
Registered number	686429
Website	www.lpa-group.com
Nominated adviser	Cairn Financial Advisers LLP 62-63 Cheapside London EC2V 6AX
Auditors	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Registrars	Link Asset Services 65 Gresham Street London EC2V 7NQ
Broker	finnCap 60 New Broad Street London EC2M 1JJ
Bankers	Barclays Bank Plc PO Box 885 Mortlock House Vision Park, Histon Cambridge CB24 9DE
Solicitors	Eversheds Sutherland (International) LLP 115 Colmore Row Birmingham B3 3AL

Trading subsidiaries

LPA Group Plc headquarters is situated at, and all LPA Group entities have their registered address at:
Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK.

Trading addresses:

LPA Group entities operate as distinct businesses through appointed Executive Teams.

Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK.
LPA Industries Ltd / Haswell Engineers Ltd
- trading as LPA Connection Systems

LPA House, Ripley Drive, Normanton, West Yorkshire, WF6 1QT, UK.
Excil Electronics Ltd - trading as LPA Lighting Systems

Bath Road, Thatcham, Berkshire, RG18 3ST, UK.
Channel Electric Equipment Ltd - trading as LPA Channel Electric

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of LPA Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2019, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Overview of our audit approach

- Overall materiality: £116,000, which represents 5% of the group's expected profit before taxation;
- Key audit matters were identified as the valuation of manufactured inventory and revenue recognition; and
- We have performed full scope audit procedures on the financial statements of LPA Group Plc and on the financial information of LPA Industries Limited, Haswell Engineers Limited, Excil Electronics Limited, Channel Electric Equipment Holdings Limited and Channel Electric Equipment Limited. There were no changes in scope from the prior year.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters identified for the parent company.

Key Audit Matter – Group	How the matter was addressed in the audit
Valuation of manufactured inventory Inventory is recognised in the balance sheet at the cost of bringing it to its present location and condition. The cost of inventory includes direct materials, direct labour and a proportion of production overheads based on normal levels of activity. We identified a risk that the valuation of manufactured inventory may be misstated due to incorrect pricing of component costs within the bill of materials and/or management judgements and estimates involved in absorption costing. We therefore identified valuation of manufactured inventory as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the stated accounting policy for inventory is consistent with the requirements of International Accounting Standard (IAS) 2 Inventories • testing that the stated accounting policy has been applied accurately and consistently, by checking the cost allocated to a sample of stock lines is appropriate • agreeing a sample of work in progress and finished goods to the underlying bill of materials and corroborating material costs to purchase invoice documentation and corroborating labour and overhead costs to supporting documentation • examining labour and overhead absorption rates for reasonableness and consistency by reperforming calculations and agreeing on a sample basis to underlying records; and • challenging management on normal production efficiency rates within their labour and overhead absorption rates. The group's accounting policy on inventories is shown in note 1.I to the financial statements and related disclosures are included in note 11. **Key observations** Based on our audit work, we did not identify any evidence of material misstatement of manufactured inventory.

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

Key audit matters (continued)

Key Audit Matter – Group	How the matter was addressed in the audit
Revenue recognition Under International Standard on Auditing (UK) 240 'The Auditors Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue. The Group has adopted IFRS 15 'Revenue from Contracts with Customers' for the first time for the year ended 30 September 2019. The group is engaged in contracts which are often delivered and invoiced in stages. Revenue arises from the sale, refurbishment, repair or installation of product and comprises the value of performance obligations completed in the year representing the value of design, manufacture and supply of products excluding value added tax, trade or volume discounts, or values related to future performance obligations. Depending on the nature of a contract these can have one or more performance obligations which are recognised either at a point in time or over time depending on the nature of the performance obligation. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement. .	Our audit work included, but was not restricted to: • Assessing whether the Group's accounting policy is compliant with IFRS 15; • Obtaining management's board paper setting out their assessment of the impact of IFRS 15; • Considering key judgement areas in management's assessment of the impact of IFRS 15. This included an assessment of management's conclusions of (a) revenue streams that were distinct and represent separate performance obligations, (b) judgements over the allocation of revenue to each performance obligation, (c) appropriate measurement of progress on performance obligations as at the balance sheet date; and (d) calculations of revenue to be recognised in line with these judgements; • Challenging management as to whether their calculation is in line with IFRS15 and applies a consistent approach across all contracts; • Testing that the stated policy has been applied accurately and consistently by examining sales terms in underlying documentation on a sample basis; • Testing management's calculations supporting the allocation and measurement of revenue to performance obligations • Corroborating a sample of revenue transactions to proof of delivery or subsequent cash receipt to verify the occurrence of the sale; • Analysing revenue trends across the year, by month and by revenue stream, in comparison to prior periods; and • Testing a sample of sales transactions in the final quarter of the year and either side of the balance sheet date to evidence of dispatch, to assess the timing of delivery and that revenue has been recognised in the correct period. The group's accounting policy on revenue recognition, including revenue from contracts, is shown in notes 1.C, 1.N and 1.Q to the financial statements and related disclosures are included in note 2. **Key observations** Based on our audit work, we did not identify any evidence of material misstatement of revenue.

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

Our application of materiality

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

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole.	£196,000 which is 1% of estimated revenue at the planning stage of the audit. This benchmark is considered the most appropriate because the group monitors revenue based metrics as key performance indicators. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2018.	£156,000 which is 2% of total assets. This benchmark is considered the most appropriate because the entity is a holding company and therefore its asset base is more relevant to the activities of the parent company. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2018 using the same basis.
Performance materiality used to drive the extent of our testing.	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality.	We determined a lower level of specific materiality for certain areas such as directors' remuneration, auditors remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration, auditors remuneration and related party transactions.
Communication of misstatements to the audit committee.	£9,850 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

An overview of the scope of our audit

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

- The entities in the group are based at three locations, each with a discrete accounting function. In assessing the risk of material misstatement to the group financial statements we considered the transactions undertaken by each entity where the focus of our work was required, taking into account the operation of the three accounting functions, and as a result we have performed an audit of the financial information of each non-dormant entity in the group. The group engagement team conducted all the audit work on each entity in the group and visited each location.
- The audit risks identified for each entity are the same audit risks identified for the group as a whole, except for the significant risk of valuation of manufactured inventory which does not apply to Channel Electric Equipment Limited, Channel Electric Equipment Holdings Limited and LPA Group Plc (the parent company).
- We performed full scope audits on the financial information of the parent company LPA Group Plc and the entities LPA Industries Limited, Haswell Engineers Limited, Excil Electronics Limited, Channel Electric Equipment Holdings Limited and Channel Electric Equipment Limited.
- The total percentage coverage of full scope procedures over the group's total revenues and total assets was 100%.
- Our audit approach in the current year is consistent with the audit approach adopted for the year ended 30 September 2018, being substantive in nature.

Other information

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

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

We have nothing to report in this regard.

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 14 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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.

Paul Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
27 January 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2019

	Note	2019 £000	2018 £000
Revenue	2	19,533	27,979
Cost of sales		(15,174)	(20,862)
Gross profit		4,359	7,117
Distribution costs		(1,588)	(1,931)
Administrative expenses - before exceptional and non-underlying items		(2,570)	(2,942)
Operating profit before exceptional and non-underlying items		201	2,244
Exceptional and non-underlying items	6	(403)	(175)
Operating (loss) / profit		(202)	2,069
Finance costs	4	(99)	(80)
Finance income	5	64	35
(Loss) / profit before tax	6	(237)	2,024
Taxation	7	185	(253)
(Loss) / profit for the year		(52)	1,771
Attributable to:			
- Equity holders of the parent		(52)	1,771
Earnings per share	8		
Basic		(0.43p)	14.34p
Diluted		(0.43p)	13.45p

All activities are continuing.

The notes on pages 37 to 72 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2019

	Note	2019 £000	2018 £000
(Loss) / profit for the year		(52)	1,771
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Actuarial gain on pension scheme	19	10	962
Deferred tax on actuarial gains and losses	16	(7)	(178)
Other comprehensive income net of tax		3	784
Total comprehensive income for the year		(49)	2,555
Attributable to:			
- Equity holders of the parent		(49)	2,555

The notes on pages 37 to 72 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 September 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	9	1,359	1,200
Property, plant and equipment	10	7,006	7,216
Retirement benefits	19	2,250	2,409
		10,615	10,825
Current assets			
Inventories	11	3,824	3,881
Trade and other receivables	12	4,437	5,540
Current Tax Receivable		59	-
Cash and cash equivalents		889	956
		9,209	10,377
Total assets		19,824	21,202
Current liabilities			
Bank loans and other borrowings	14	(2,805)	(322)
Current tax payable		-	(266)
Trade and other payables	13	(3,839)	(4,868)
		(6,644)	(5,456)
Non-current liabilities			
Bank loans and other borrowings	14	(504)	(2,605)
Deferred tax liabilities	16	(352)	(430)
		(856)	(3,035)
Total liabilities		(7,500)	(8,491)
Net assets		12,324	12,711
Equity	17		
Share capital		1,266	1,238
Investment in own shares		(324)	(214)
Share premium account		708	628
Un-issued shares reserve		82	122
Merger reserve		230	230
Retained earnings		10,362	10,707
Equity attributable to shareholders of the parent		12,324	12,711

The notes on pages 37 to 72 form an integral part of these financial statements.

The financial statements were approved by the Board on 27 January 2020 and signed on its behalf by:

P V CURTIS
Director

C J BUCKENHAM
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2019

2019	Share capital £000	Investment in own shares £000	Share premium account £000	Un-issued shares reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 October 2018	1,238	(214)	628	122	230	10,707	12,711
Loss for the year	-	-	-	-	-	(52)	(52)
Actuarial gain on pension scheme	-	-	-	-	-	3	3
Total comprehensive income attributable to equity holders of the parent	-	-	-	-	-	(49)	(49)
Dividends	-	-	-	-	-	(357)	(357)
Proceeds from issue of shares	28	-	80	-	-	-	108
Cost of Investment in own shares	-	(110)	-	-	-	-	(110)
Tax benefit on share-based payments	-	-	-	(7)	-	25	18
Share-based payments	-	-	-	(33)	-	36	3
Transactions with owners	28	(110)	80	(40)	-	(296)	(338)
At 30 September 2019	1,266	(324)	708	82	230	10,362	12,324

2018	Share capital £000	Investment in own shares £000	Share premium account £000	Un-issued shares reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 October 2017	1,238	-	628	134	230	8,491	10,721
Profit for the year	-	-	-	-	-	1,771	1,771
Actuarial gain on pension scheme	-	-	-	-	-	784	784
Total comprehensive income attributable to equity holders of the parent	-	-	-	-	-	2,555	2,555
Dividends	-	-	-	-	-	(339)	(339)
Cost of Investment in own shares	-	(214)	-	-	-	-	(214)
Tax charge on share-based payments	-	-	-	(14)	-	-	(14)
Share-based payments	-	-	-	2	-	-	2
Transactions with owners	-	(214)	-	(12)	-	(339)	(565)
At 30 September 2018	1,238	(214)	628	122	230	10,707	12,711

The notes on pages 37 to 72 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2019

	2019 £000	2018 £000
(Loss) / profit before tax	(237)	2,024
Finance costs	99	80
Finance income	(64)	(35)
Operating (loss) / profit	(202)	2,069
Adjustments for:		
Depreciation	693	652
Amortisation of intangible assets	48	12
Gain on sale of property, plant and equipment	(2)	(10)
Past service cost liability recognition (GMP)	333	-
	870	2,723
Movements in working capital and provisions:		
Change in inventories	57	536
Change in trade and other receivables	1,102	(486)
Change in trade and other payables	(1,059)	(190)
Cash generated from operations	970	2,583
Income taxes paid	(210)	(35)
Retirement benefits (DB pension contributions)	(100)	(100)
Net cash from operating activities	660	2,448
Purchase of property, plant and equipment and software	(399)	(496)
Proceeds from sale of property, plant and equipment	3	10
Capitalised development expenditure	(124)	(27)
Purchase of own shares	(110)	(214)
Net cash used in investing activities	(630)	(727)
Drawdown of bank loans	2,626	-
Repayment of bank loans	(2,242)	(196)
Repayment of Hire Purchase obligations	(201)	(109)
Interest paid	(31)	(24)
Proceeds from issue of share capital	108	-
Dividends paid	(357)	(339)
Net cash (used in) financing activities	(97)	(668)
Net (decrease) / increase in cash and cash equivalents	(67)	1,053
Cash and cash equivalents at start of the year	956	(97)
Cash and cash equivalents at end of the year	889	956

Reconciliation of cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents in current assets	889	956
Cash and cash equivalents at end of the year	889	956

The notes on pages 37 to 72 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A. Basis of preparation

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

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

B. Going concern

The Group's business activities and the factors likely to affect its future performance are set out in the Strategic Report (which comprises information about LPA's Business and Strategy, the Chairman's Statement, the Chief Operating Officer's Review, the Financial Review, Key Performance Indicators and Principal Risks and Uncertainties) on pages 3 to 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are included in the Financial Review. In addition, the Group's treasury policy, its approach to the management of financial risk, and its exposure to liquidity and credit risks are outlined in note 15.

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

After making enquiries, inclusive but not limited to updated forecasts and expectations, liabilities and risks and following confirmation of ongoing support from the Group's bank, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

C. New standards and interpretations adopted and those not applied

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year to September 2019 and have not been adopted early:

Operating leases

International Financial Reporting Standard (IFRS) 16 (effective for accounting periods commencing on or after 1 January 2019) introduces a single, on-balance sheet accounting model for leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short term leases and the use of low value items.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group will adopt the requirements of IFRS16 for the first time for the year ending 30 September 2020. As a result, it will recognise a balance sheet asset and corresponding obligation relating to its use of assets classified under IFRS16. The Group will not apply IFRS16 to its commitments under operating leases on certain low value assets if classed below the de-minimus value of $5,000.

NOTES TO THE FINANCIAL STATEMENTS

1. **Accounting Policies (continued)**

C. New standards and interpretations adopted and those not applied (continued)

Operating leases (continued)

Rental payments made under leases will be accounted for as repayments of the balance sheet liability, which will include an implied interest element, and the asset recognised will be depreciated over the remaining lease term on a straight line basis. The Group will adopt the modified approach to transition where the initial asset values will be equal to the present value of the future lease payments as at the date of transition. This will result in all existing leases being capitalised over their remaining lives, as if they had just been entered into, and the Group's accounts will reflect a higher interest charge following adoption. It is estimated that on transition the opening balance sheet position for 2019 will be adjusted to include approximately £0.2m of right-of-use assets and a corresponding lease liability. The effect on the Group's net profit before tax for 2019 is not expected to be material with the pre IFRS 16 rental charge being replaced by depreciation and interest. The depreciation will be charged on a straight-line basis; however, interest is charged on the outstanding lease commitment by reference to the implied liabilities and will therefore be higher in the earlier years and will decrease over time. The transition to IFRS16 will have no effect on cash flows.

The following new standards, amendments to standards and interpretations have been adopted during the year:

Financial Instruments – International Financial Reporting Standard (IFRS) 9

IFRS9 (Financial Instruments) effective for accounting periods beginning on or after 1 January 2018 addresses the classification and measurement of financial assets and liabilities and replaces IAS39.

The standard introduces a forward looking credit loss impairment model whereby entities need to consider and recognise impairment triggers that might occur in the future – the expected credit loss model. The Board has considered the impact of IFRS9 and determined that it does not have a significant impact on the reported values in these or previous financial statements.

Within these financial statements the Group has classified its financial instruments as required under IFRS9. The Group has no derivative financial instruments either designated as cashflow or not qualifying for hedge accounting. At 30 September 2019 The Group held a forex swap contract totalling €904,000 (2018: nil).

Financial assets previously classified in the "loans and receivables" category and measured at amortised cost under IAS39 (being trade and other receivables and amounts owed by equity accounted investments) continue to be classified in the "amortised cost" category under IFRS9.

As required by IFRS9, the Group will apply the impairment requirements and recognise a loss allowance for expected credit losses on its financial assets. At each reporting date, it will always measure the loss allowance at an amount equal to the lifetime expected credit loss. The Group will recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS9.

Revenue – International Financial Reporting Standard (IFRS) 15

IFRS15 (Revenue from Contracts with Customers, effective for accounting periods beginning on or after 1 January 2018), the Standard, has been adopted for the current and future financial years and comparatives for prior year have been reviewed. No adjustments were found to be required.

In the normal course, revenues arise from the sale, refurbishment, repair or installation of product. Product sales value include, design and engineering, Non-Recurring Costs (NRC's), accreditation, test and specific tooling related to the supply. On occasion, particularly in respect of complex or large contracts, customers may require NRC's to be a specific deliverable to exclude these costs being embedded in the price of subsequent product orders.

The nature of large procurement contracts is evolving. Some are increasing in scope to include a broader responsibility, for product interfaces and compliance. Such contracts, with IFRS 15, require a new approach to income recognition.

1. Accounting Policies (continued)

C. New standards and interpretations adopted and those not applied (continued)

Revenue – International Financial Reporting Standard (IFRS) 15 (continued)

To determine whether to recognise revenue, the Group follows the 5-step process, recommended by the Standard:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s).

   Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or providing services to its customers. At the point of recognising revenue, the Group also recognises contract liabilities in respect of unsatisfied performance obligations that have been invoiced and reports these amounts as other liabilities. Similarly, if the Group satisfies a performance obligation before it invoiced the customer, the Group recognises a contract asset in its statement of financial position.

D. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and both its subsidiaries and the Employee Benefit Trust (the "EBT"), (together the "Group"). Subsidiaries are those entities over which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. The Company obtains and exercises control through voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. The EBT is established through a third-party Trustee and is not controlled by the Group. However, the Trust's objective is to benefit the Group's employees, activities including acquiring shares in the Company to satisfy the exercise of share options. The Company is required to fund the activities and costs of the EBT and as such is required to consolidate the accounts of the EBT, which are prepared by the Trustee.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

E. Intangible assets

Goodwill

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

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

Research and development

Research expenditure is expensed in the income statement as incurred.

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

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

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

Software

All finite-lived intangible assets, including separately identifiable purchased software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described at H. The following useful lives are applied:

Software	25% - 33%

Amortisation has been provided within impairment of non-financial assets. Subsequent expenditure on the maintenance of computer software are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement within other income or expenses.

F. Property, plant and equipment

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

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

Residual values are reviewed annually.

A profit or loss on disposal is recognised in the consolidated 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)

G. Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases or financed through hire purchase contracts are capitalised and included in property, plant and equipment. Assets acquired under finance leases are capitalised 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. Assets are depreciated over their useful economic lives. Obligations related to finance leases and hire purchase finance agreements, 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 consolidated income statement.

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

H. Impairment of assets

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. The carrying values of property, plant and equipment and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired.

In an impairment test, the recoverable amount of the cash generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use to the Group. An impairment loss is recognised in the income statement to the extent that the carrying value exceeds the recoverable amount.

In determining a cash-generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows.

A previously recognised impairment loss, other than goodwill, is reversed only if there has been a change in the previous indicator used to determine the assets' recoverable amount since the last impairment loss was recognised. The reinstated carrying amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years.

I. Inventories

Inventories are stated at the lower of cost and net realisable value. The costs of ordinarily interchangeable items are based on a first-in, first-out basis. Cost includes direct materials, direct labour and an appropriate proportion of production overheads based on normal levels of activity.

J. Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

K. Financial instruments

Financial assets

IFRS9 replaces IAS39 (Financial Instruments Recognition and Measurement) and makes changes to the classification and measurement of financial assets and introduces an "expected credit loss" model for impairment of financial assets.

The Group has reviewed its business model for its financial assets, which comprise only basic receivables and concluded that they are held for collecting contractual associated cashflows. Therefore, under the new guidance, receivables are initially recognised at fair value and will subsequently be measured at amortised cost.

As required by IFRS9, the Group will apply the impairment requirements and recognise a loss allowance for expected credit losses on financial assets. At each reporting date, it will always measure the loss allowance at an amount equal to the lifetime expected credit losses.

The Group will recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

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.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost within the consolidated income and expenditure statement.

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

Derivative financial instruments

Derivative financial instruments, comprising foreign exchange contracts, are used by the Group in the management of its foreign currency exposures. At each reporting date, it will always measure the loss allowance at an amount equal to the lifetime expected credit loss. The Group will recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS9.

L. Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising are credited or charged to the income statement within net operating costs in the period in which they arise.

M. Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

M. Taxation (continued)

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 or offset against deferred tax liabilities.

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

N. Revenue

Revenue arises from the sale, refurbishment, repair or installation of product and comprises the value of performance obligations completed in the year representing the value of design, manufacture and supply of products excluding value added tax, trade or volume discounts, or values related to future performance obligations. Depending on the nature of a contract these can have one or more performance obligations which are recognized either at a point in time or over time depending on the nature of the performance obligation.

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. See also Notes 1 C and Q.

O. Employee benefits

Short-term compensated absences

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

Equity-settled share-based payments

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

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

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

Defined contribution pension plans

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

O. Employee benefits (continued)

Defined benefit pension scheme

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

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

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

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

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

P. Exceptional and non-underlying items

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

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

Exceptional and non-underlying items are not defined under IFRS. Exceptional items are classified as those which are separately identifiable by virtue of their size, nature or expected frequency and therefore warrant separate presentation. Non-underlying items are other items that we consider should be presented separately to allow a better understanding of the underlying performance of the business. Presentation of these measures is not intended to be a substitute for or to promote them above statutory measures.

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

Q. Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements on the application of the Group's accounting policies and make estimates about the future. Actual results may differ from these assumptions. Other than revenue recognition, management believe there are no critical judgements made in arriving at the amounts included in the financial statements. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

Q. Use of judgements, estimates and assumptions (continued)

Impairment of goodwill

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

Defined benefit pension scheme

The retirement benefit position shown in the balance sheet is sensitive to changes in the assumptions used in the calculation of the defined benefit obligation in particular assumptions about the discount rate, inflation, mortality and future pension increases. The carrying amount of assets and liabilities relating to the defined benefit pension plan together with the key assumptions used in the calculation of the defined benefit obligation are disclosed in note 19.

Provisions for slow moving or obsolete inventories

Inventories are carried at the lower of cost and net realisable value (NRV), taking account of material costs and absorbed manufacturing costs which are inclusive of direct labour and a proportion of production overheads. These are based on normal levels of activity which require judgements and estimates to apply appropriate cost absorptions to achieve a manufactured cost. NRV is reviewed in detail on an on going basis and provision for obsolete inventory is made based on a number of factors including age of inventories, the risk of technical obsolescence and the expected future usage.

Differences between such estimates and actual market conditions may have a material impact on the amount of the carrying value of inventories and may result in adjustments to cost of sales. See note 11 for details of the inventory provisions and the amounts written off to consolidated income statement in the year.

Timing of revenue and cost recognition

The adoption of IFRS15, see note 1C, required the Group to identify its performance obligations, determine the transaction price and allocate this to the performance obligations to recognise revenue at the point each performance obligation is satisfied within its contracts. The Group's judgement is, that where separately identified the undertaking of Non-Recurring Costs (NRC's), which include bespoke engineering and design services, accreditation, certification and test protocols; are ordinarily separately identifiable performance obligations to which revenue is attributable. In such instances the Customer requests, simultaneously receives and consumes the outputs from each performance obligation.

Where product is supplied with engineering support, or design and engineering is not separately identifiable and forms part of a single deliverable, typically a non-bespoke product sale, revenues are attributed to each of the product deliverables, with any separately identifiable direct costs and overhead absorption matched through work in progress.

During the year the Group recognised £279,000 as deferred income (2018: Nil), against invoiced values of £520,000, recognising £241,000 as revenue. These revenues are a subjective estimate of the value attributable to the services provided against the contractual invoicing profile within such contracts. The deferred income will be apportioned across the contracted product supply, recognising the engineering support of the supply. The revenue recognised is calculated by reference to actual engineering costs, similar activities and the added value that would be ordinarily be expected from such activities.

R&D expenditure and tax credits

The tax credit/charge for the year reflects managements judgements in respect of the application of tax regulations, in particular R&D tax credits available.

The Group's estimates maybe different to the final values adopted once the annual tax computations have been finalised with the Group's appointed advisors, resulting in a different tax payable or recoverable from that provided. The tax note (note 7) identifies prior year tax adjustments where R&D spend has differed to the values provided in past years.

NOTES TO THE FINANCIAL STATEMENTS

2. Operating Segments

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom. For management purposes the Group comprises three product groups (in accordance with IAS8) - Electro-mechanical, Lighting and Distribution (which collectively design, manufacture and market industrial electrical and electronic accessories) - less centre costs, which operate across three market segments – rail; aerospace & defence and other. It is on this basis that the board of directors assess Group performance. The split is as follows:

	2019 £000	2018 £000
Electro-mechanical	7,516	12,173
Lighting	6,921	11,124
Distribution	5,096	4,682
Operational revenue	19,533	27,979
Operational profit	1,370	3,019
Corporate costs	(1,169)	(775)
Operating profit before exceptional and non-underlying items	201	2,244

Corporate costs increased in the year following group management charge and property rent waivers to Excil Electronics Ltd and LPA Industries Ltd respectively, recognising a challenging trading year at both subsidiaries.

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

	2019 %	2018 %
Rail	69%	79%
Aerospace and defence	16%	13%
Other	15%	8%
	100%	100%

	2019 £000	2018 £000
United Kingdom	12,984	17,461
Rest of Europe	4,059	4,808
Rest of World	2,490	5,710
	19,533	27,979

Two individual customers (2018: two) represented more than 10% of Group revenue.

3. Employee Information

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

	2019 Number	2018 Number
Production	122	137
Sales and distribution	31	30
Administration	25	25
	178	192

The employee benefit expense for the year amounted to:

	2019 £000	2018 £000
Wages and salaries	5,336	6,077
Social security costs	519	628
Pension costs - defined contribution arrangements (note 19)	244	194
Pension costs - death in service insurance premiums	25	36
	6,124	6,935

Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report. Non-underlying employee benefit expenses included above, are reflected through the Income statement within exceptional costs as shown in note 6.

4. Finance Costs

	2019 £000	2018 £000
Bank loans and overdrafts	69	63
Hire purchase contracts	30	17
Finance costs	99	80

5. Finance Income

	2019 £000	2018 £000
Net pension interest income (note 19)	64	35

NOTES TO THE FINANCIAL STATEMENTS

6. Profit before Tax

The following items have been charged in arriving at profit before tax:

A. Within operating profit before exceptional and non-underlying items	**2019 £000**	**2018 £000**
Depreciation	693	652
Amortisation of intangible assets	48	12
Operating lease rentals - plant and equipment	117	131
Foreign exchange loss	13	28
Research and development expenditure	566	613
Fees payable to the Company's auditor for:		
- the audit of the Company's annual accounts	20	20
- the audit of the Company's subsidiaries pursuant to legislation	41	40
- other assurance services	-	5

B. Within exceptional and non-underlying items	**2019 £000**	**2018 £000**
GMP Pension equalisation recognition	333	-
Reorganisation costs	70	96
Centre: duplicated finance function costs	-	74
Centre: other non-underlying costs	-	5
Exceptional and non-underlying items	403	175

The Guaranteed Minimum Pensions (GMP) equalisation recognition of £333,000 is a one off cost recognised through the Consolidated Income Statement, in line with the High Court ruling in October 2018, requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under GMP. This is a historical cost which has been recognised in the current financial year as a change in basis having been quantified following the High Court ruling.

The reorganisation costs of £70,000 are associated with a continued cost base review at the Group's Electro-mechanical site (2018: £96,000).

In 2018 exceptional costs included those incurred as part of the Board's succession planning, with the single largest item being duplicated finance function costs of £74,000; other associated costs, including costs related to the establishment of the Group's Employee Benefit Trust and corporate finance costs totalling £5,000.

7. Taxation

A. Recognised in the income statement	**2019 £000**	**2018 £000**
Current tax expense		
UK coporation tax	(57)	267
Adjustment in respect of prior years	(68)	(31)
Deferrred taxation		
Net origination and reversal of temporary differences	(60)	17
Total corporation tax (credit) / expense	(185)	253

7. Taxation (continued)

B. Reconciliation of effective tax rate	**2019 £000**	**2018 £000**
(Loss) / profit before tax	(237)	2,024
Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)	(45)	385
Effects of:		
- Utilisation of tax losses	-	(37)
- Retirement benefits (defined benefit scheme)	(31)	(23)
- Deduction in respect of share option exercises	(31)	-
- Enhanced deduction for qualifying R&D expenditure	(49)	(57)
- Prior periods deduction for qualifying R&D expenditure	(49)	(48)
- Other prior periods adjustments	(19)	17
- Disallowed expenditure	26	7
- Other differences	13	9
Total income tax (credit) / expense	(185)	253

C. Deferred tax recognised in other comprehensive income	**2019 £000**	**2018 £000**
Deferred tax on actuarial gain on pension scheme	7	178

D. Current and deferred tax recognised directly in equity	**2019 £000**	**2018 £000**
Tax (benefit) / cost arising on share options	(18)	14

8. Earnings Per Share

The calculation of earnings per share is based upon the loss for the year of £0.05m (2018: profit £1.77m) and the weighted average number of ordinary shares in issue during the year, less investment in own shares, of 12.238m (2018: 12.350m).

	2019 Earnings £000	**2019 Weighted average number of shares Million**	**2019 Earnings per share Pence**	**2018 Earnings £000**	**2018 Weighted average number of shares Million**	**2018 Earnings per share Pence**
Basic earnings per share	(52)	12.238	(0.43)	1,771	12.350	14.34
Effect of share options	-	-	-	-	0.813	(0.89)
Diluted earnings per share	(52)	12.238	(0.43)	1,771	13.163	13.45

Diluted earnings per share

Basic and diluted earnings per share are equal for the year ended to 30 September 2019, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 30 September 2019 there were 975,000 outstanding share options (2018: 1,256,500), of which 825,000 were exercisable (2018: 1,106,500).

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible assets

	Goodwill	Development costs	Software	Total
	£000	£000	£000	£000
Cost				
At 1 October 2017	1,234	315	-	1,549
Additions	-	27	-	27
Disposals	-	-	-	-
At 1 October 2018	1,234	342	-	1,576
Transferred *	-	-	514	514
Additions	-	124	25	149
Disposals	-	-	-	-
At 30 September 2019	1,234	466	539	2,239
Amortisation				
At 1 October 2017	85	279	-	364
Charge for the Year	-	12	-	12
Disposals	-	-	-	-
At 1 October 2018	85	291	-	376
Transferred *	-	-	456	456
Charge for the Year	-	20	28	48
Disposals	-	-	-	-
At 30 September 2019	85	311	484	880
Net carrying amount				
At 30 September 2019	1,149	155	55	1,359
At 30 September 2018	1,149	51	-	1,200

* Software has been recognised as an Intangible Asset during the year, in accordance with IAS38, where previously shown as a Tangible Asset. The brought forward cost and accumulated depreciation have been transferred in the year without impact on the current or retained earnings or asset values. Prior period values are not restated as the reclassification is not considered material.

Goodwill

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

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 1.50% (2018: 1.75%) which is considered to be consistent with the long term average growth rate for the businesses concerned. The discount rate applied was 11.0% (2018: 12.0%), a pre-tax rate that reflects an assessment of the time value of money and the risks specific to the cash-generating units concerned. No impairment arose in the year. Management believe that the key assumptions on which the recoverable amount is based are appropriate and that any reasonable change in these assumptions would not lead to a materially different conclusion.

9. Intangible assets (continued)

Goodwill (continued)

Goodwill on acquisitions prior to January 1998

The aggregate amount of goodwill arising on acquisitions prior to January 1998 which had been deducted from retained earnings and incorporated into the IFRS transitional balance sheet as at 1 October 2006 amounted to £3.092m.

10. Property, Plant and Equipment

	Freehold land & buildings £000	Plant, vehicles & equipment £000	Total £000
Cost			
At 1 October 2017	4,527	7,185	11,712
Additions	87	930	1,017
Disposals	-	(248)	(248)
At 1 October 2018	4,614	7,867	12,481
Transferred *	-	(514)	(514)
Additions	33	509	542
Disposals	-	(40)	(40)
At 30 September 2019	4,647	7,822	12,469
Depreciation			
At 1 October 2017	211	4,650	4,861
Charge for the year	60	592	652
Disposals	-	(248)	(248)
At 1 October 2018	271	4,994	5,265
Transferred *	35	(491)	(456)
Charge for the year	95	598	693
Disposals	-	(39)	(39)
At 30 September 2019	401	5,062	5,463
Net carrying amount			
At 30 September 2019	4,246	2,760	7,006
At 30 September 2018	4,343	2,873	7,216

Included with plant, vehicles and equipment is £1.08m (2018: £0.93m) in respect of assets acquired under hire purchase. Depreciation for the year in respect of these assets was £0.12m (2018: £0.07m).

* Software has been recognised as an Intangible Asset during the year, in accordance with IAS38, where previously shown as a Tangible Asset, within plant, vehicles and equipment. The brought forward cost and accumulated depreciation have been transferred in the year without impact on the current or retained earnings or asset values. Prior period values are not restated as the reclassification is not considered material.

Depreciation includes a reclassification from plant, vehicles and equipment to freehold land and buildings recognising a historical allocation transfer, with nil effect on the net carrying value or reserves.

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NOTES TO THE FINANCIAL STATEMENTS

11. Inventories

	2019 £000	2018 £000
Raw materials and consumables	1,177	1,153
Work in progress	637	644
Finished goods and goods for resale	2,010	2,084
	3,824	3,881

In 2019 the cost of inventories recognised as an expense within cost of sales amounted to £16.58m (2018: £20.51m). This included the write-down of inventories to net realisable value of £16,000 (2018: £190,000), and write-down utilisation of £155,000 (2018: £113,000).

12. Trade and Other Receivables

	2019 £000	2018 £000
Trade receivables	4,047	4,999
Other receivables	64	169
Prepayments and accrued income	326	372
	4,437	5,540
Trade receivables are stated after an allowance for impairment of:	66	74

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

13. Trade and Other Payables

	2019 £000	2018 £000
Current		
Trade payables	2,302	3,273
Social security and other taxes	446	343
Other payables	12	100
Accruals	800	1,152
Deferred income	279	-
	3,839	4,868

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

14. Borrowings

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

	2019 £000	2018 £000
Current		
Bank loan	2,585	142
Hire purchase obligations	220	180
Overdraft	-	-
Bank loans and other borrowings	2,805	322
Non-current		
Bank loan	-	2,028
Hire purchase obligations	504	577
Bank loans and other borrowings	504	2,605
Total borrowings	3,309	2,927

NOTES TO THE FINANCIAL STATEMENTS

14. Borrowings (continued)

Bank loans and overdraft

The Group's principal banking facilities are with Barclays and its main finance is a £2.63m bank loan drawn down in 2019 repayable over 5 years. The loan was utilised to repay the previous loan which had a maturity and bullet repayment due in 2021. As at 30 September 2019 the amount outstanding was £2.58m (2018: £2.17m); the loan is to be repaid from October 2019 through 18 quarterly instalments of £0.06m, with the residual repayable in March 2024: interest is chargeable at base rate plus 2.25%. The bank loan has been classified as current and falling due within 1 year (see Note 15B), not in accordance with the above terms, due to a breach of financial covenant as at 30 September 2019. The position has been discussed with the Bank who have expressed their continued support for the Group.

The overdraft agreement provides for a facility limited to 1/3 of the value of under 90 day external trade debtors, up to a maximum of £1.5m: At the year-end the Group had an overdraft of £nil (2018: £nil) and had £1.14m of facility available (2018: £1.5m). Interest is payable at base plus 2.0%.

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

Hire purchase obligations

Hire purchase obligations typically have a five year term and bear interest fixed at the time of the commitment. The Group's obligations under hire purchase are secured by the finance providers title to the asset held under hire purchase. The minimum payments under hire purchase, and their present value, fall due as follows:

	Minimum hire purchase payments		Present value of minimum hire purchase payments	
	2019	2018	2019	2018
	£000	£000	£000	£000
Within one year	242	205	220	180
Within two to five years	530	613	504	577
	772	818	724	757
Future finance charges	(48)	(61)		
Present value of hire purchase obligations	724	757		

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, Hire Purchase obligations, cash and cash equivalents, together with trade and other receivables and trade and other payables that arise directly from its operations. The main risks arising from the Group's financial instruments and the approaches to them are detailed below.

B. Capital management

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

The Group's capital structure is as follows:

	2019 £000	2018 £000
Equity	12,324	12,711
Net debt - bank loan & hire purchase commitments less cash balances	2,420	1,971
Overall financing	14,744	14,682
Gearing (net debt as a % of total equity)	19.6%	15.5%

Gearing, which is the principal measure used by the Group to monitor its capital structure, increased from 15.5% to 19.6%, largely as a consequence of the trading in the current year, whilst the bank loan increased following refinancing of the facility.

The Board routinely monitors other aspects of financial performance to ensure compliance with bank borrowing requirements. During the year the Directors forecast a breach of the debt servicing covenant and gained an intention of support from the Bank for the continued provision of facilities on unchanged terms. The covenant is measured following publication of the annual accounts based on the financial position of the company as at 30 September 2019 and its financial results for the year then ended.

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

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)

C. Currency risk

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

Currency exposures

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

	2019			2018		
	Cash and cash equivalents	Other net monetary assets and liabilities	Total net monetary assets and liabilities	Cash and cash equivalents	Other net monetary assets and liabilities	Total net monetary assets and liabilities
	£000	£000	£000	£000	£000	£000
Euro	410	456	866	444	408	852
US Dollar	14	-	14	2	(9)	(7)
Aus Dollar	-	6	6	-	38	38
Swiss Franc	-	-	-	-	(7)	(7)
	424	462	886	446	430	876

Derivative financial instruments

At 30 September 2019 the Group had commitments under non-cancellable forward exchange contracts totalling €0.90m (2018: £Nil) taken out to hedge foreign currency sales, over and above expected purchase commitments.

Sensitivity

At 30 September 2019 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:

	2019		2018	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
	£000	£000	£000	£000
Sterling weakens by 10% against the euro	96	-	95	-
Sterling strengthens by 10% against the euro	(79)	-	(77)	-

15. Financial Instruments (continued)

D. Interest rate risk

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

The only financial liabilities of the Group which are subject to interest charges are bank loans, overdrafts and hire purchase 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. During the year their weighted average interest rate was 4.1% (2018: 3.2%). Fixed rate liabilities comprise Hire Purchases which bear interest at the negotiated market rate prevailing at the time the commitment is made. In the year the weighted average interest rate of the fixed rate financial liabilities was 4.5% (2018: 4.5%).

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

	2019 £000	2018 £000
Floating rate		
Cash and cash equivalents	(889)	(956)
Overdraft	-	-
Bank loan	2,585	2,170
	1,696	1,214
Fixed rate		
Hire purchase obligations	724	757

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 2019, with all other variables held constant the pre-tax profit would have been lower by £23,000, (2018: £25,000).

E. Liquidity risk

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

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

Un-drawn committed facilities

The Group's un-drawn committed borrowing facilities at 30 September 2019 comprise its bank overdraft expiring in one year or less at £1.14m (2018: £1.5m).

15. Financial Instruments (continued)

E. Liquidity risk (continued)

Maturity profile of the Group's financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

2019	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 3 years £000	Between 3 and 4 years £000	Between 4 and 5 years £000	Over 5 years £000	Total £000
Overdraft	-	-	-	-	-	-	-
Bank loan (note 15B)	2,585	-	-	-	-	-	2,585
Hire purchase obligations	220	222	155	115	12	-	724
Borrowings	2,805	222	155	115	12		3,309
Trade and other payables	3,381	-	-	-	-	-	3,381
	6,186	222	155	115	12	-	6,690

2018	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 3 years £000	Between 3 and 4 years £000	Between 4 and 5 years £000	Over 5 years £000	Total £000
Overdraft	-	-	-	-	-	-	-
Bank loan	198	198	1,774	-	-	-	2,170
Hire purchase obligations	180	188	189	121	79	-	757
Borrowings	378	386	1,963	121	79		2,927
Trade and other payables	4,425	-	-	-	-	-	4,425
	4,803	386	1,963	121	79	-	7,352

F. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade receivables, but also from cash and cash equivalents, and other financial assets.

Trade receivables

The Group's exposure to credit risk is principally influenced by the individual characteristics of each customer as opposed to a more general demographic of the customer base. Credit risk is managed on an ongoing basis by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. Credit risk is minimised through cash flow management and the use of proforma remittances or guarantees where appropriate.

15. Financial Instruments (continued)

F. Credit risk (continued)

Cash and cash equivalents

The Group monitors counterparties with whom it deposits cash and transacts other financial instruments so as to control exposure to any one institution. The Group have assessed Barclays Bank to provide a low risk of exposure.

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 2019 these totalled £4.05m (2018: £5.00m). The Group held no collateral as security against any trade receivables.

The concentration of credit risk is sensitive to the timing of larger projects. The Group's most significant customer accounted for 46.9% of trade receivables at September 2019 (2018: 28.9%).

Impairment losses

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

	2019		2018	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	1,901	(1)	1,832	-
Past due 1-30 days	900	-	1,892	(4)
Past due 31-90 days	1,036	(29)	1,096	(11)
Past due 91 days to less than a year	276	(36)	253	(59)
	4,113	(66)	5,073	(74)

The Group works closely with customers to recover all trade receivables without impairment. In circumstances where this cannot be achieved the Group utilises third party collection agencies and specialists to recover all such receivables. Only where there is reasonable expectation that these steps will not be successful would an impairment be written off.

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

	2019	2018
	£000	£000
Balance at start of the year	74	29
Charged to the income statement	-	45
Released	(9)	-
Utilised	1	-
Balance at end of the year	66	74

The impairment release of £9,000 (2018: £Nil release) relates to the movement in the Group's assessment of the risk of non-recovery from a range of customers.

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)

G. Classification and fair values of financial assets and liabilities

The table below sets out the Group's accounting classification of each class of financial asset and financial liability. The directors consider that the carrying value of financial assets and liabilities approximate their fair values.

For cash and cash equivalents and floating rate borrowings the fair values are the same as the carrying value.

2019	**Amortised cost**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**
Financial assets - loans and receivables			
Trade and other receivables	4,047	4,047	4,047
Cash and cash equivalents	889	889	889
	4,936	4,936	4,936
Financial liabilities - at amortised cost			
Borrowings - overdraft	-	-	-
Borrowings - bank loan	(2,585)	(2,585)	(2,585)
Trade and other payables	(3,381)	(3,381)	(3,381)
	(5,966)	(5,966)	(5,966)
Net financial liabilities	(1,030)	(1,030)	(1,030)

2018	**Amortised cost**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**
Financial assets - loans and receivables			
Trade and other receivables	4,999	4,999	4,999
Cash and cash equivalents	956	956	956
	5,955	5,955	5,955
Financial liabilities - at amortised cost			
Borrowings - overdraft	-	-	-
Borrowings - bank loan	(2,170)	(2,170)	(2,170)
Trade and other payables	(4,425)	(4,425)	(4,425)
	(6,595)	(6,595)	(6,595)
Net financial liabilities	(640)	(640)	(640)

15. Financial Instruments (continued)

H. Fair value hierarchy

The Group's uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

16. Deferred Tax

	Property, plant and equipment £000	Retirement benefits £000	Tax losses £000	Other £000	Total £000
At 1 October 2017	(56)	(249)	33	51	(221)
Recognised in income statement	(3)	(6)	(7)	2	(14)
Recognised in other comprehensive income	-	(178)	-	(17)	(195)
At 1 October 2018	(59)	(433)	26	36	(430)
Recognised in income statement	(11)	46	52	(27)	60
Recognised in other comprehensive income / equity	-	(7)	-	25	18
At 30 September 2019	(70)	(394)	78	34	(352)

Deferred tax assets of £196,000 (2018: £201,000) have not been recognised in respect of unrelieved tax losses of £1.12m (2018: £1.12m) 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
Deferred tax assets	21	-	78	60	159
Deferred tax liabilities	(91)	(394)	-	(26)	(511)
At 30 September 2019	(70)	(394)	78	34	(352)
Deferred tax assets	20	-	26	60	106
Deferred tax liabilities	(79)	(433)	-	(24)	(536)
At 30 September 2018	(59)	(433)	26	36	(430)

17. Equity

Share capital

Share capital is the total of the nominal value (10p) of shares issued.

	2019		2018	
	Number	**£000**	**Number**	**£000**
Issued and fully paid				
In issue at the start of the year	12,376,729	1,238	12,376,729	1,238
Allotted under share plans	281,500	28	-	-
In issue at the end of the year	12,658,229	1,266	12,376,729	1,238

During the year 281,500 options were exercised (2018: nil) at a weighted average option price of 38p (2018: nil).

The market price of the Company's shares on 30 September 2019 was 80.0p per share (2018: 111.0p per share) and the price range during the year was 79.0p to 112.5p (2018: 95.0p to 184.0p).

NOTES TO THE FINANCIAL STATEMENTS

17. Equity (continued)

Proposed dividends

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

	2019 £000	2018 £000
Proposed - Final 1.80p Per Share (2018: 1.80p)	223	223

Dividends

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

	2019 £000	2018 £000
Final - In Respect of Preceding Year 1.80p Per Share (2018: 1.65p)	222	204
Interim - In Respect of Current Year 1.10p Per Share (2018: 1.10p)	135	135
	357	339

Investment in Own Shares

This reserve records the share capital acquired in the Company including share premium paid, by the Company as Treasury Shares or by the LPA Group Plc Employee Benefit Trust.

Share premium account

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

Un-issued shares reserve

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

Merger reserve

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

Retained earnings reserve

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

18. Share Based Payments

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

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

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

The 2018 Performance Share Plan: The option price for grants under this scheme is nil, unless specified otherwise in the award certificate or the award agreement. Options will normally be exercisable between three and ten years following grant:

Outstanding options to subscribe for ordinary shares of 10p each at 30 September 2019 are as follows:

Scheme	Date of grant	Price	Dates when exercisable	Number of options 2019	2018
2007 Employee Share Option scheme	Jul 2007	36.0p	31 Jan 2010 to 07 Feb 2022	540,000	771,500
	Apr 2011	32.0p	1 Apr 2014 to 31 Mar 2021	100,000	100,000
	Feb 2012	49.0p	8 Feb 2015 to 7 Feb 2022	185,000	235,000
				825,000	1,106,500
2018 Performance Share Plan	Aug 2019	104.8p	2 Aug 2021 to 1 Aug 2028	150,000	150,000
				975,000	1,256,500

18. Share Based Payments (continued)

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

	2019		2018	
	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)	Number of options
Outstanding at the beginning of the year	46.3	1,256,500	38.4	1,106,500
Granted during the year	-	-	104.8	150,000
Exercised during the year	38.3	(281,500)	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	48.6	975,000	46.3	1,256,500
Exercisable at the end of the year	38.4	825,000	38.4	1,106,500

The options outstanding at the end of the year have an exercise price in the range of 32p to 104.8p and a weighted average contractual life of 3.3 years (2018: 4.1 years).

There were 281,500 options exercised during the year (2018: Nil). The weighted average share price at the date of exercise of share options was 38.3p (2018: Nil).

The Group's share-based remuneration expense recognised in the year was £3,000 (2018: £2,000).

19. Employee Benefits

A. Defined contribution schemes

The Group makes contributions to several defined contribution arrangements. The pension cost charged to the income statement for the year in respect of these schemes was £244,000 (2018: £194,000).

B. Defined benefit scheme

The Group also sponsors a funded defined benefit pension arrangement. There is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 159 past employees as at 31 March 2018. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

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

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

A full actuarial valuation was carried out as at 31 March 2018 in accordance with the scheme funding requirements of the Pension Act 2004 and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a surplus of £1,064,000. The Group has agreed with the trustees that it will meet the expenses of the plan and levies to the Pension Protection Fund. In addition, the Group has agreed with the trustees that regardless of the Scheme being in surplus at the valuation date the payment of annual contributions of £100,000 will continue to be made until the year ended 31 March 2021.

For the purposes of IAS19 the actuarial valuation as at 31 March 2018, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2019. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

19. Employee Benefits (continued)

Amounts included in the balance sheet

	2019 £000	2018 £000	2017 £000
Fair value of scheme assets	16,655	14,755	14,691
Present value of defined benefit obligation	(14,405)	(12,346)	(13,380)
Asset to be recognised	2,250	2,409	1,311

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

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

Reconciliation of the impact of the asset ceiling

The Group has reviewed implications of the guidance provided by IFRIC14 and has concluded that it is not necessary to make any adjustments to the IAS19 figures in respect of an asset ceiling or Minimum Funding Requirement as at 30 September 2019.

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

	2019 £000	2018 £000
Defined benefit obligation at start of the year	12,346	13,380
Interest cost	343	342
Actuarial losses / (gains) due to scheme experience	5	(246)
Actuarial (gains) due to changes in demographic assumptions	(127)	(249)
Actuarial losses / (gains) due to changes in financial assumptions	2,011	(406)
Benefits paid	(506)	(475)
Past service costs (GMP equalisation)	333	-
Defined benefit obligation at end of the year	14,405	12,346

An allowance has been made for GMP Equalisation within the scheme's liabilities, the impact has been allowed for as a plan amendment. There have been no curtailments or settlements in the accounting period.

19. Employee benefits (continued)

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

	2019 £000	2018 £000
Fair value of scheme assets at start of the year	14,755	14,691
Interest income	407	377
Return on plan assets (excluding amounts included in interest income)	1,899	62
Contributions by the Group	100	100
Benefits paid	(506)	(475)
Fair value of scheme assets at end of the year	16,655	14,755

The actual return on the plan assets over the period ending 30 September 2019 was £2,306,000 (2018: £439,000).

Defined benefit (costs) / gains recognised in profit or loss

	2019 £000	2018 £000
Interest income	407	377
Interest cost	(343)	(342)
Net interest income	64	35
Past service costs (GMP equalisation)	(333)	-
Net (cost) / income	(269)	35

Defined benefit costs recognised in the statement of other comprehensive income

	2019 £000	2018 £000
Return on plan assets (excluding amounts included in interest income) – gain	1,899	61
Experience (losses) / gains arising on the defined benefit obligation	(5)	246
Effect of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	127	249
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligations - (loss) / gain	(2,011)	406
Amount recognised in other comprehensive income – gain	10	962

NOTES TO THE FINANCIAL STATEMENTS

19. Employee benefits (continued)

Assets

	2019 £000	2018 £000	2017 £000
Equities	4,357	4,095	4,957
Corporate bonds	4,209	3,629	8,387
Government bonds	6,461	5,445	-
Diversified growth funds	1,626	1,496	1,263
Cash and net current assets	2	90	84
Total assets	16,655	14,755	14,691

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

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

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

Significant actuarial assumptions

	2019 % per annum	2018 % per annum	2017 % per annum
Rate of discount	1.80	2.80	2.60
Inflation (RPI)	3.15	3.25	3.25
Inflation (CPI)	2.45	2.55	2.55
Allowance for revaluation of deferred pensions of CPI or 5.0% pa if less	2.45	2.55	2.55
Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less	2.45	2.50	2.50
Allowance for pension in payment increases of RPI or 5.0% pa if less	3.00	3.10	3.10
Allowance for pension in payment increases of CPI or 3.0% pa if less	2.00	2.10	2.10
Allowance for commutation of pension for cash at retirement	80% of Post A Day	80% of Post A Day	80% of Post A Day

The mortality assumptions adopted at 30 September 2019 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2018 converging to 1.25% p.a. These imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019:	21.8
Female retiring in 2019:	23.6
Male retiring in 2039:	23.1
Female retiring in 2039:	25.2

19. Employee Benefits (continued)

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

Assumption	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.10% p.a.	Increase by 1.6%
Rate of inflation	Increase of 0.10% p.a.	Increase by 1.0%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.2%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.4%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 30 September 2019 is 16 years.

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

The contributions expected to be paid by the Group to the plan for the period commencing 1 October 2019 is £100,000.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial Commitments

Operating lease commitments

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

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

	Plant and equipment	
	2019 £000	2018 £000
Within one year	95	80
Within two to five years	96	107
	191	187

Capital commitments

Contracted for but not provided in the accounts amounted to £297,000 (2018: £165,000).

21. Related Party Transactions

Remuneration of key management personnel

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

	2019 £000	2018 £000
Short-term employee benefits	603	575
Post employment benefits	37	10
Share based payments	2	1
	642	586
Dividends	47	50

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 (2018: none).

22. Contingent Liabilities

As at 30 September 2019 Group contingent liabilities relating to guarantees in the normal course of business amounted to £169,000 (2018: £234,000).

COMPANY BALANCE SHEET

At 30 September 2019

Company No. 686429	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	C5	2,540	2,646
Investments	C6	5,411	5,411
		7,951	8,057
Current assets			
Debtors	C7	548	585
Cash at bank and in hand		3	219
		551	804
Creditors: Amounts falling due within one year	C8	(5,090)	(2,910)
Net current liabilities		(4,539)	(2,106)
Total assets less current liabilities		3,412	5,951
Creditors: Amounts falling due after more than one year	C9	(700)	(2,729)
Net assets		2,712	3,222
Capital and reserves	C13		
Called up share capital		1,266	1,238
Investment In own shares		(324)	(214)
Share premium account		708	628
Un-issued shares reserve		82	122
Merger reserve		784	784
Retained earnings ♦		196	664
Total equity shareholders' funds		2,712	3,222

♦ The Company has not presented a separate retained earnings account as permitted by Section 408 of the Companies Act 2006. The loss dealt with in the financial statements of the Company amounted to £0.17m (2018: profit of £0.43m).

The financial statements were approved by the Board on 27 January 2020 and signed on its behalf by:

P V CURTIS
Director

C J BUCKENHAM
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2019

	Share capital £000	Investment in own shares £000	Share premium account £000	Un-issued shares reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 October 2017 - restated ^	1,238	-	628	134	784	573	3,357
Profit for the year	-	-	-	-	-	430	430
Dividends	-	-	-	-	-	(339)	(339)
Investment in own shares	-	(214)	-	-	-	-	(214)
Issue of shares	-	-	-	-	-	-	-
Tax cost on share-based payments	-	-	-	(14)	-	-	(14)
Share based payments	-	-	-	2	-	-	2
At 30 September 2018 -	1,238	(214)	628	122	784	664	3,222
(Loss) for the year	-	-	-	-	-	(172)	(172)
Dividends	-	-	-	-	-	(357)	(357)
Proceeds from issue of shares	28	-	80	-	-	-	108
Investment in own shares	-	(110)	-	-	-	-	(110)
Tax benefit on share-based payments	-	-	-	(7)	-	25	18
Share-based payments	-	-	-	(33)	-	36	3
At 30 September 2019	1,266	(324)	708	82	784	196	2,712

^ The Triennial review of FRS102 was early adopted in 2018. Land and buildings, previously shown as Investment Properties are now shown at historical cost and depreciated (see note C5). The financial impact on reserves at 30 September 2018 (eliminating the revaluation reserve and impact of brought forward depreciation in retained earnings) was £0.82m.

The Investment in own shares reserve represents the shareholding of the LPA Group Plc Employee Benefit Trust, which during the year acquired 100,000 ordinary shares of 10p each in LPA Group Plc (2018: 200,000), at a cost of £0.110m (2018: £0.214m).

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C1. Company Information

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

C2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS102" as revised December 2018), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

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

- The requirements of Section 4 Statement of Financial Position 4.12 (a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 33; Key management and personnel paragraph 33.7 and Related Party Disclosures paragraph 33.3; and
- The requirements of Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues.

This information is included in the consolidated financial statements of LPA Group plc as at 30 September 2019.

C3. Accounting Policies

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

A. Tangible fixed assets

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

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

Buildings	2%
Plant and machinery	10%

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

B. Investments

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

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C3. Accounting Policies (continued)

C. Taxation

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

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

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

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

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

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

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

D. Defined contribution pension schemes

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

E. Equity-settled share-based payments

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

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

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

F. Significant judgements and estimates

The preparation of the financial statements requires management to make judgements on the application of its accounting policies and make estimates about the future. Actual results may differ from these assumptions. There are no critical judgements made in arriving at the amounts included in these financial statements nor are there key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C4. Employee Information

With the exception of the directors the number of people employed by the Company was Nil (2018: Nil). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

C5. Tangible Fixed Assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 October 2018 and 30 September 2019	2,393	716	3,109
Depreciation			
At 1 October 2018	162	301	463
Charged in year	34	72	106
At 30 September 2019	196	373	569
Net book value			
At 30 September 2019	2,197	343	2,540
At 30 September 2018	2,231	415	2,646

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C6. Investments

Investments in subsidiary undertakings

	Cost	Provision for impairment	Carrying amount
	£000	£000	£000
At 1 October 2018 and 30 September 2019	6,459	(1,048)	5,411

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

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

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

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

C7. Debtors

	2019	2018
	£000	£000
Amounts due from subsidiary undertakings	377	517
Other taxation and social security debtor	39	-
Prepayments and accrued income	18	15
Deferred taxation (note C11)	114	53
	548	585

C8. Creditors: Amounts Falling Due Within One Year

	2019 £000	2018 £000
Bank overdraft	24	-
Bank loans	2,585	142
Debt	2,609	142
Trade creditors	39	6
Amounts owed to subsidiary undertakings	2,318	2,452
Other creditors	3	-
Other taxation and social security	-	42
Accruals	122	268
	5,090	2,910

C9. Creditors: Amounts Falling Due After More Than One Year

	2019 £000	2018 £000
Debt - bank loans	-	2,029
Amounts owed to subsidiary undertakings	700	700
	700	2,729

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C10. Borrowings

	2019 £000	2018 £000
Due within one year		
Bank overdraft	24	-
Bank loan	2,585	142
	2,609	142
Non-current		
Bank loan	-	2,029
Total borrowings	2,609	2,171
Repayable		
Within one year	2,609	142
Between one and two years	-	142
Between two and five years	-	1,887
	2,609	2,171

See Group Financial Statements Note 14 for terms and security.

C11. Provisions for Liabilities

Deferred tax

	£000
At 1 October 2018	(53)
Charged to Retained Earnings In The Year	(43)
Recognised directly in equity	(18)
At 30 September 2019	(114)

Recognised deferred tax assets and liabilities

Deferred taxation provided in the accounts is as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(14)	(11)
Tax Benefit on Losses	(39)	-
Tax benefit on share-based payments	(61)	(42)
	(114)	(53)

Deferred tax assets are disclosed in note C7.

Unrecognised deferred tax

A deferred tax asset of £0.15m (2018: £0.15m) has not been recognised in respect of unrelieved management expenses of £0.83m (2018: £0.83m). The unrelieved management expenses have no expiry date and have not been recognised because of uncertainty over the timing of their recoverability.

A deferred tax asset of £Nil (2018: £0.11m) in respect of the tax benefit that would arise upon the exercise of certain outstanding share options has not been recognised because of uncertainties as to the timing of their exercise.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C12. Share Capital

	2019		2018	
	Number	£000	Number	£000
Issued and fully paid				
In issue at the start of the year	12,376,729	1,238	12,376,729	1,238
Allotted under share plans	281,500	28	-	-
In issue at the end of the year	12,658,229	1,266	12,376,729	1,238

During the year 281,500 options were exercised (2018: nil) at a weighted average option price of 38.3p (2018: nil).

At the year end, 300,000 (2018: 200,000) ordinary shares in the Company were held in the Company as Investment in Own Shares, the shares having been acquired by the LPA Group Plc Employee Benefit Trust.

Dividends

Details of dividends paid and proposed in the year are given in note 17 to the Group Financial Statements.

C13. Reserves

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

Investment in Own Shares
This reserve records the share capital acquired in the Company, by the Company as Treasury Shares or by the LPA Group Plc Employee Benefit Trust, at nominal value.

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

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

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

Retained Earnings
This reserve includes all current and prior period retained profits and losses.

C14. Share Based Payments

Details of the Company's share option schemes, a reconciliation of movements therein and options granted in the year are given in note 18 to the Group Financial Statements. The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The Company recognised a share-based remuneration expense in the year of £2,000 (2018: £2,000).

C15. Related Party Transactions

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

C16. Contingent Liabilities

The following security is provided to Barclays Bank plc in respect of the Company's £2.6m term loan facility: (i) a legal charge over the developed freehold property owned by the Company; (ii) a debenture from the Company; and (iii) a cross guarantee by the Company as guarantor on account of the obligations of each Group company to Barclays Bank plc.

FIVE YEAR SUMMARY

Unaudited information

Summary income statement	**2015 £000**	**2016 £000**	**2017 £000**	**2018 £000**	**2019 £000**
Revenue	16,265	21,422	22,482	27,979	19,533
EBITDA †	795	2,014	2,474	2,908	942
Depreciation, amortisation, share payments	(504)	(481)	(579)	(664)	(741)
Operating profit before exceptional items	291	1,533	1,895	2,244	201
Exceptional items	545	14	73	(175)	(403)
Net finance costs	(43)	(31)	(54)	(45)	(35)
Profit before taxation	793	1,516	1,914	2,024	(237)
Taxation	(99)	(54)	(146)	(253)	185
Profit for the year	694	1,462	1,768	1,771	(52)

Summary balance sheet	**2015 £000**	**2016 £000**	**2017 £000**	**2018 £000**	**2019 £000**
Property, plant and equipment	4,721	5,624	6,851	7,216	7,006
Net trading assets	3,732	3,764	4,348	4,285	4,482
Net operating assets *	8,453	9,388	11,199	11,502	11,488
Net debt (see group note 15)	(2,717)	(2,541)	(2,753)	(1,971)	(2,420)
Deferred taxation	(74)	(25)	28	4	42
Net assets before pension and intangibles	5,662	6,822	8,474	9,535	9,110
Intangible assets	1,222	1,194	1,185	1,200	1,359
Pension asset net of deferred tax	1,103	673	1,062	1,974	1,855
Net assets	7,987	8,689	10,721	12,709	12,324

Other information	**2015**	**2016**	**2017**	**2018**	**2019**
EBITDA to sales	4.9%	9.4%	11.0%	10.4%	4.76%
Basic earnings per share	5.86p	12.30p	14.40p	14.34p	(0.43p)
Dividends per ordinary share	1.70p	2.50p	2.70p	2.90p	2.90p
Net assets per ordinary share	67.4p	72.7p	86.6p	102.7p	97.4p
Net debt / EBITDA	3.42	1.26	1.11	0.68	2.57
Gearing (net debt as a % of total equity)	34.0%	29.2%	25.7%	15.5%	19.6%

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

* - net operating assets – -the total of inventories and receivables less payables, excluding net debt.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifty Seventh Annual General Meeting of LPA Group plc (the "Company") will be held at the offices of LPA Lighting Systems, Ripley Drive, Normanton, West Yorkshire, WF6 1QT on Wednesday 18 March 2020 at 12.00 noon for the following purposes:

Routine business

1. To receive the accounts for the year ended 30 September 2019, together with the reports of the directors and the auditors thereon.
2. To declare a final dividend of 1.80p per ordinary share of 10p each ("Ordinary Share") for the year ended 30 September 2019, payable on 27 March 2020 to shareholders on the register at the close of business on 28 February 2020.
3. To re-elect as a director Peter Pollock who retires by rotation, in accordance with the Company's Articles of Association.
4. To re-appoint Grant Thornton UK LLP as auditors to the Company, to hold office until the end of the next general meeting at which accounts are laid before the Company, and to authorise the directors to fix the auditors' remuneration.

Special 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 £234,177 provided that this authority shall expire at the end of the next annual general meeting of the Company after the passing of this resolution or at the close of business on the date falling 15 months after the date of the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or arrangement as if the authority conferred hereby had not expired.

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

6. That subject to the passing of resolution 5 above, the directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the said Act) for cash pursuant to the authority conferred by resolution 7 above as if section 561(1) of the said Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:
   a. in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and
   b. (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £126,582 (representing 10% of the issued share capital), such authority to expire at the end of the next annual general meeting of the Company after the passing of this resolution or the close of business on the date falling 15 months after the date of the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or arrangement as if the power conferred hereby had not expired.

NOTICE OF MEETING (CONTINUED)

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 and pursuant to section 701 of the Companies Act 2006, 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 on such terms and in such manner as the directors of the Company may from time to time determine, provided that:
   a. The maximum number of Ordinary Shares hereby authorised to be purchased is 1,265,823 representing 10% of the issued share capital of the Company;
   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 shall not be more than the higher of (i) five per cent above the average middle market quotation for Ordinary Shares as derived from the AIM appendix to London Stock Exchange Daily Official List for the five business days before the date on which the contract for the purchase is made, and (ii) an amount equal to the higher of the price of the last independent trade and highest current independent bid as derived from the trading venue where the purchase was carried out;
   d. The authority hereby conferred shall, unless renewed prior to such time, expire at the end of the annual general meeting of the Company to be held in 2021 or on 20 March 2021, whichever is earlier, provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred hereby had not expired.

By order of the Board
Chris Buckenham
Secretary
18 February 2020

Registered office:
Light & Power House, Shire Hill
Saffron Walden, CB11 3AQ

Notes:

Entitlement to Attend and Vote

1. To be entitled to attend and vote at the Meeting (and for the purposes of the determination by the Company of the votes that may be cast in accordance with Regulation 41 of the Uncertified Securities Regulations 2001), only those members registered in the Company's register of members at close of business on 16 March 2020 (or, if the Meeting is adjourned, close of business on the date which is two business days before the adjourned Meeting) shall be entitled to attend and vote at the Meeting. Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

Website giving information regarding the meeting

2. Information regarding the Meeting, including the information required by Section 311A of the Act, is available from www.lpa-group.com.

Attending in person

3. If you wish to attend the Meeting in person, please bring some form of identification.

Appointment of proxies

4. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can appoint a proxy only using the procedures set out in these notes and the notes to the proxy form.

5. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please indicate on your proxy submission how many shares it relates to.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

NOTICE OF MEETING (CONTINUED)

Notes (continued):

Appointment of proxy using hard copy proxy form

8. A hard copy form of proxy (* see page 90) has been included within the Annual Reports and Accounts for reference only as indicated in the Company's publication 'The Digital Future', dated 5 July 2019. Future Annual Report and Accounts will not include this. A detachable form of proxy has not been sent to you, but you can request a form of proxy, directly from the registrars Link Asset Services' general helpline team on Tel: 0371 664 0300, or utilise the hard copy enclosed herein. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Or via email at shareholderenquiries@linkgroup.co.uk or via postal address at Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. For the purposes of determining the time for delivery of proxies, no account has been taken of any part of a day that is not a working day.

Appointment of a Proxy Online

9. You may submit your proxy electronically using the Share Portal service at www.signalshares.com. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 48 hours (excluding non-working days) before the time of the meeting applies. Shareholders will need to use the unique personal identification Investor Code ("IVC") printed on your share certificate. If you need help with voting online, please contact our Registrar, Link Asset Services' portal team on 0371 664 0391. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Or via email at shareholderenquiries@linkgroup.co.uk.

Appointment of proxies through CREST

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 12 Noon on 16 March 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

    CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

    In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

NOTICE OF MEETING (CONTINUED)

Notes (continued):

Appointment of proxy by joint members

11. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding, the first-named being the most senior.

Changing proxy instructions

12. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Asset Services as per the communication methods shown in note 9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

13. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, at the address shown in note 9. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed, or a duly certified copy of such power or authority, must be included with the revocation notice. The revocation notice must be received by Link Asset Services no later than 48 hours before the Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

    CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

    In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

14. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

15. As at 27 January 2020, the Company's issued share capital comprised 12,658,229 Ordinary Shares of 0.10p each (300,000 held in Treasury). Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company on 27 January 2020 is 12,658,229. The website referred to in note 2 will include information on the number of shares and voting rights.

NOTICE OF MEETING (CONTINUED)

Notes (continued):

Questions at the meeting

16. Under Section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the Meeting unless:

- answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

Website publication of audit concerns

17. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

Documents on display

18. Copies of the letters of appointment of the Directors of the Company and a copy of the Articles of Association of the Company will be available for inspection at the registered office of the Company from the date of this notice until the end of the Meeting.

LPA GROUP PLC - FORM OF PROXY (HARD COPY*)

For use at the Annual General Meeting to be held at 12.00 noon on Wednesday 18 March 2020 at the offices of LPA Lighting Systems, LPA House, Ripley Drive, Normanton, West Yorkshire, WF6 1QT.

I/We ....

of ....

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

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

Signed ....Dated 2020

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

Resolution		For	Against	Vote witheld	Discreti-onary
1.	To receive the accounts for the year ended 30 September 2019.				
2.	To declare a final dividend of 1.80p per Ordinary Share for the year ended 30 September 2019.				
3.	To re-elect Peter Pollock as a director of the Company.				
4.	To re-appoint Grant Thornton UK LLP as auditors and to authorise the directors to fix the auditors' remuneration.				
5.	To authorise the directors to allot shares in the Company pursuant to section 551 of the Companies Act 2006.				
6.	To authorise the directors (pursuant to section 570 of the Companies Act 2006) to allot shares in the Company for cash.				
7.	To authorise the Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.				

LPA GROUP PLC - FORM OF PROXY (HARD COPY*) (CONTINUED)

Notes:

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

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

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

4. In the case of joint holdings the vote of the first-named holder in the register will be accepted to the exclusion of the other joint holders.

5. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

6. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.

7. If two or more valid forms of proxy are delivered in respect of the same share, the one which was delivered last (regardless of its date or the date of its execution) will be valid.

8. Appointment of a proxy will not preclude a member from attending and voting in person should he/she subsequently decide to do so.

9. Any alterations made in this form of proxy should be initialled.

NOTES

Group Directory

LPA Group Plc
Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ
Tel: +44 (0)1799 512800 Website: www.lpa-group.com

Electro-mechanical systems

LPA Connection Systems
Light & Power House
Shire Hill
Saffron Walden
CB11 3AQ
Tel: +44 (0)1799 512800
Email: enquiries@lpa-connect.com

· Rail, aircraft & industrial connectors
· Ethernet backbones
· Auxiliary battery power systems
· Shore supply systems
· Control panels & boxes
· Transport turnkey services
· Fabricated metal engineering
· Enclosures, fabrications, form & weld
· Laser cutting

Engineered component distribution

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

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

LED lighting and electronic systems

LPA Lighting Systems
LPA House
Ripley Drive
Normanton
West Yorkshire
WF6 1QT
Tel: +44 (0)1924 224100
Email: enquiries@lpa-light.com

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

Long Life Reliability
does not cost the earth

LPA Group Plc
Light & Power House, Shire Hill,
Saffron Walden, CB11 3AQ

T +44 (0)1799 512800

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