Long Life Reliability
does not cost the earth

LPA Group Plc

Annual Report & Accounts 2018

www.lpa-group.com

LPA Connection Systems
Continued investment

LPA Group

- is a market leading manufacturer of high reliability LED lighting and electro-mechanical systems and is a distributor of engineered components
- employs around 180 people at three locations in the UK
- is focussed on transportation (including rail, infrastructure and aviation) and the aerospace & defence markets, with rail accounting for more than 65% of revenue
- has developed a successful export capability - most notably in Europe, Asia and Australia - with, on average, around a third of turnover being exported to fifty or so countries
- has a reputation for innovation, engineering cost effective solutions (in both benign and hostile environments) to improve reliability and reduce maintenance and life cycle costs
- serves a wide range of blue-chip customers which include Airbus, Alstom Transportation, BAA, BAE Systems, Bombardier Trans-por-tation, CAF, Compin, CRRC, Downer EDI, First Group, Hitachi, ITW, Kinki Sharyo, Knorr Bremse, Leonardo, London Underground, Siemens, SNCF, Stadler, Stagecoach, TRFC, Unipart Rail and Wabtec

Light & Power House
Expanding capabilities by investing in automation

FINANCIAL HIGHLIGHTS

For the year ended 30 September 2018

	2018 £000	2017 £000
REVENUE	27,979	22,482
OPERATING PROFIT BEFORE EXCEPTIONAL AND NON-UNDERLYING ITEMS	2,244	1,895
EXCEPTIONAL AND NON-UNDERLYING ITEMS	(175)	73
PROFIT BEFORE TAX	2,024	1,914
BASIC EARNINGS PER SHARE	14.34p	14.40p
DIVIDENDS PER SHARE	2.90p	2.70p
GEARING	15.5%	25.7%

Commentary

The 2018 financial year proved exceptional, delivering a third successive year of record sales and profits, exceeding expectations.

As expected, order entry fell back relative to the very high levels achieved in 2017 reflecting the fluctuating demands of our markets, but, were nevertheless very high in historical terms and the fifth highest on record.

As previously reported, some major rail projects, including CrossRail, have been delayed and, as a consequence, the current year has started quietly, reflecting the lower current demand which is expected to pick up substantially as the year progresses.

Happily, orders entered in the first quarter have been a new record at over £9m, exceeding order entry for the first half of last year and under pinning progress in the medium term.

After a slow start the year as a whole should be satisfactory.

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CHAIRMAN'S STATEMENT

Overview

In his statement at the half year my predecessor Michael Rusch, now our Group President, commented that the level of sales and profits last year would be exceptional and maybe under pressure in the current year, but the funnel of opportunities, which leads to our pipeline of orders, was very encouraging. As usual, he has proved to be pretty accurate, although, he could not have foreseen the unexpected delays to Crossrail and other major projects which affected the final quarter of last year and will affect the first half of the current year. These orders have not been lost, merely delayed, and should contribute later this year and next year, although the extent of the delays has not yet been defined.

However, the funnel of opportunities has been very productive yielding over £9m of orders in the first quarter, a record, giving increased confidence for the future.

Sales for the year increased 24.5% to £28.0m (2017: £22.5m) and operating profit before exceptional and non-underlying items was up 18.4% at £2.2m (2017: up 26.6% at £1.9m). Profit before tax, after exceptional costs of £0.18m (2017: gain of £0.07m), increased 5.7% to £2.0m (2017: £1.9m). Basic earnings per share for the year were 14.3p (2017: 14.4p), held back by a less benign tax rate. Gearing reduced to 15.5% (2017: 25.7%).

Order entry fell back to £20.2m from the exceptional level of £26.1m achieved in 2017 and this together with the exceptional levels of output, was reflected in the order book at the end of the year which amounted to £13.8m (2017: £21.6m). This trend reversed in the first quarter of the current year when record order entry of £9m was achieved.

Dividends

Given this excellent performance and our confidence in the future, subject to shareholder approval at the forthcoming annual general meeting to be held at the offices of Instinctif Partners, 65 Gresham Street, London EC2V 7NQ at 12 noon on Thursday 21st March 2019 - your Board proposes to increase the final dividend by 9.1% to 1.80p (2017: 1.65p), making a total for the year of 2.90p (2017: 2.70p). The dividend, if approved, will be paid on 29th March 2019 to shareholders registered at the close of business on 8th March 2019.

Corporate Governance

The Group has adopted the Quoted Companies Alliance Corporate Governance Code. This places responsibility for oversight, adoption and communication of the Group's Corporate Governance Model with the Chair.

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 annually and updated as necessary and are set out on pages 15 to 18 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 15 of the Annual Report. The Annual Report and other information is available on the Group's website www.lpa-group.com.

CHAIRMAN'S STATEMENT (CONTINUED)

Board and management

Stephen Brett, our Finance Director and Company Secretary of seventeen years and Per Staehr, one of our Non-Executive Directors having served ten years on the Board, retired from the board at the annual general meeting on 21st March 2018. I should like to thank them both for their exemplary service to the Group.

Len Porter assumed the role of Senior Non-Executive director and Chair of the Audit and Remuneration Committees with effect from 21st March 2018.

Chris Buckenham succeeded Stephen in the role of Chief Financial Officer and Company Secretary with effect from 22nd March 2018.

Michael Rusch, our Chairman with more than fifty years' service to the Group, relinquished the Chair on 30th September 2018 and assumed the position of Group President and Non-Executive Director. I should like to pay tribute to him for his excellent service to the Group.

I succeeded Michael as Chairman on 1st October 2018, relinquishing my role of Group Chief Executive. Paul Curtis, Managing Director of LPA Channel Electric was appointed Chief Operating Officer of the Group with effect from 1st October 2018. It is expected that Paul will be promoted to Chief Executive Officer at the conclusion of the AGM in March 2020, when my role will become Non-Executive.

Michael Raynor was appointed General Manager of LPA Channel Electric with effect from 1st October 2018 and joins the Group Executive alongside Greg Howell, Managing Director of LPA Connection Systems and John Hesketh, Managing Director of LPA Lighting Systems.

We expect to appoint a further Non-executive director in due course.

Employees

Our people remain our most important asset. During the year we experienced huge swings in demand from those which temporarily exceeded capacity to those which required a downward adjustment in capacity. At the same time, we have been making substantial capital investments and training to upskill our workforce, to improve productivity and secure future employment opportunities. As a consequence, we have had to largely eliminate our core of temporary employees and make certain permanent roles redundant, releasing some valued colleagues to the employment market. We wish our employees, past and present, all the best for the future.

Outlook

Although the current year is challenging, as previously reported, our order book has recovered strongly, our pipeline is encouraging and our funnel full of opportunities at home and abroad. We have reviewed our Brexit strategy and find that we have a strong long-term order book, a strong balance sheet, a skilled workforce and great experience in importing and exporting, which we believe will sustain us in a good position. Though we foresee challenges, we look forward to the future with confidence.

Peter Pollock
Chairman
23 January 2019

CHIEF OPERATING OFFICER'S REVIEW

Trading results

Following the excellent results of 2017, the year to 30th September 2018 has been another record year. This is despite the many challenges that we face in the market and the unprecedented political conditions the UK faces at this time. We have previously advised of delays in rail projects such as CrossRail, which impacted the end of 2018, and although these are starting to come back online, there will continue to be an element of disruption from these felt in the first half of 2019. That said, all areas of the Group have contributed well to the year, structural changes have bedded in quickly with minimal disruption, and the Group is focused on the task in hand.

2018 Summary

- Order entry £20.2m (2017: £26.1m)
- Sales up 24.5% at £28.0m (2017: £22.5m)
- Profit, before exceptional and non-underlying items, up 18.4% to £2.2m (2017: £1.9m)

The exceptional order entry from 2017 culminated in record output on several projects resulting in excellent sales for the year. Projects do however attract slightly lower added value and margins compared to routine orders and, as such, have the effect of slightly reducing the added value percentage realised throughout the year to 48.6% (2017: 52.1%).

Markets

Rail, Aviation and niche industrial markets remain strong for LPA and will continue to be the focus for the coming year. These markets require excellent products and support and, therefore align with the LPA mantra of long-life reliability, which is a recurring feature across all our products.

The UK is experiencing record investment in both mainline and metro rail, with high volumes of vehicles to be delivered in the coming years, providing many opportunities to pursue. Worldwide rail is also enjoying strong investment, and, markets that have served the Group well in the past all have projects to target in the coming months and years. Weak Sterling continues to help the export cause and its impact on import costs is being managed.

Aviation continues to grow worldwide providing opportunities in both the aircraft and aircraft ground support markets. Projects, such as A350 and C Series, are in the early days of production build and the Group is well positioned to benefit as build rates increase. A programme of refreshing our aircraft ground support products, to improve performance and economies of manufacture, is also nearly complete and will launch in 2019 with a view of increasing this business throughout the 50+ countries we export to.

Our Industrial markets feature areas which benefit from or require a high level of reliability such as high bay and tunnel lighting, station infrastructure and marine applications, to name a few. These areas, as with any, are subject to market fluctuation but in general remain strong and are targeted for increased efforts over the coming years.

With the investments made throughout the Group there is now an excellent capability in all aspects of electronic and electro-mechanical engineering, a capability the UK is valuing more and more. Efforts are now being made to see how these capabilities can be further leveraged to increase business in both current and new markets.

Design and development

As previously mentioned, the aircraft ground support range of connectors, manufactured by LPA Connection Systems, is concluding a complete re-fresh, which will see common design elements providing economies of scale, whilst also giving the customer a world leading product and service. This design effort will continue, with both the rail and industrial ranges of connectors, targeted for investment and improvement, ensuring that we are able to continue to serve our markets for the coming years.

LPA Lighting Systems also continued product developments and, during the year, launched its new range of smart lighting, which will feature strongly in future rail bids and, keeps us at the forefront of technology in this field. LED remains the product of choice in most of our customers lighting projects. LPA has a growing reputation for excellence in LED lighting.

LPA Channel, our engineered components business, is now the standard for many of the applications providing passenger device charging on trains and features on many of the new builds to be delivered over the coming years. Other initiatives in product development should also come on stream during the second part of 2019 helping to secure the longer term.

CHIEF OPERATING OFFICER'S REVIEW (CONTINUED)

Operations

Production improvement initiatives and investments have yielded excellent results as follows:

- Efficiencies on production lines;
- The installation of robotic welding giving increased efficiency whilst improving repeatability and quality;
- Adoption of robotics into production gaining efficiencies in manual repeatable tasks;
- The implementation of a new 5 axis machining centre improving both efficiency and capability; and
- 3D printing to assist rapid prototyping and the easy creation of jigs and fixtures for manufacturing.

These investments, which have been well received by our customer base, have resulted in new opportunities and therefore this is an area we are targeting for growth over the coming period. The Group is committed to investment in its capability and efficiency and this will continue for the coming year as we strive for better service, performance and quality in all areas of the business.

2019 will see the implementation of four new lean lift stores systems at the Connection Systems site, which will free up much needed space and, eliminate the need for renting of additional space to meet increased spikes in production requirements, as seen in 2018. In addition to this the Lighting Systems business has built a further extension on its site to improve storage, which will again eliminate the need for external storage capacity as required during 2018.

Following the spike in 2018 and with the consequence of delays in certain projects, it has been necessary to restructure some areas of the business. This involved releasing a few of our permanent team but was mostly accomplished with the release of our temporary workers. We continue to believe that our staff are our greatest asset and maintain our commitment to training and development in all areas of the business.

Outlook

In the 2017 report we stated that 2018 would start strongly and then settle. Unfortunately, the settled run rate has been impacted in the first half of 2019 by project delays, including Crossrail. However, the delayed projects should benefit the second half and lead to a positive year with a recovery overall. The market is strong and still providing many opportunities for the current and later years, a case in point being the 1st quarter of the 2019 year providing record order entry levels at over £9m. Transportation, whether Aviation or Rail, are markets that continue to see worldwide investment and, with both Siemens and CAF committed to new build train facilities in the UK, with potentially others to follow, coupled with projects like Deep Tube for London and HS2, LPA is well placed to benefit from the opportunities that we expect to arise in the coming years.

Paul Curtis
Chief Operating Officer
23 January 2019

FINANCIAL REVIEW

Trading performance

Revenue in the current year rose by £5.50m (24.5%) to £27.98m (2017: £22.48m) with increased rail project activity being the main factor. Gross margins fell 2.8% to 25.4% (2017: 28.2%), reflecting the higher volume of lower margin rail projects and some additional costs borne to alleviate capacity constraints, including temporary labour. Gross profit of £7.12m (2017: £6.34m) resulted. Other operating expenses reduced by 2.4% of sales to 17.4% (2017: 19.8%), increasing in total by £0.43m at £4.87m (2017: £4.44m) – key changes being increased sales and distribution costs of £0.35m, 6.9% of sales (2017: 7.0%), increased administration and overheads of £0.08m, 10.5% of sales (2017: 12.8%), including increased bonus awards of £116,000 (2017: £98,000), increased pension administration and governance inclusive of triennial defined benefit and contribution scheme reviews, at £171,000 (2017: £102,000) and share option related credit of £17,000 (2017: £6,000).

An operating profit before exceptional and non-underlying items of £2.24m (2017: £1.90m) was achieved, up £0.34m (18.4%).

In the first half of the year sales of £13.93m (2017: £10.80m), up 28.9%, produced an operating profit before exceptional and non-underlying items of £1.12m (2017: £0.77m), up 45.4%, on the corresponding period last year. The second half was comparable with sales of £14.05m (2017: £11.68m) delivering an operating profit before exceptional and non-underlying items of £1.12m (2017: £1.12m). Sales in the second half were up by £0.12m on the first half (0.9%), profits constant across each of the last three half years.

Exceptional and non-underlying items

Net exceptional costs in the period totalled £175,000 (2017: net gain £73,000), a net cost increase of £248,000 over 2017.

The period included £175,000 of non-underlying costs (2017: £268,000), key items comprising: (i) reorganisation costs of £96,000 - associated with cost base reductions at the Group's Electro-Mechanical site (2017: £45,000, costs associated with the relocation of the groups lighting facility); (ii) extra centre costs arising from Board succession planning including duplicated finance function costs of £74,000 (2017: £102,000); (iii) professional and recruitment fees associated with the Board succession and establishment of the Group's Employee Benefit Trust £3,000 (2017: £60,000); (iv) corporate finance costs £2,000 (2017: £61,000).

In 2017 the sale of the Group's former lighting factory realised an exceptional gain of £341,000.

Finance costs and income

Within finance costs the interest on borrowings increased by 6.7% to £80,000 (2017: £75,000). The weighted average interest rate increased from 2.4% to 2.7%, both through increased hire purchase funding, despite an overall average rate reduction of 0.57% on 2017, and two UK base rate rises of 0.25% in the year, increasing the term loan average rate by 0.35% overall. Finance income, which comprises the net interest income on the pension asset, was £35,000 (2017: £21,000).

Profit before tax, taxation and earnings per share

Profit before tax was £2.02m (2017: £1.91m) resulting in a tax charge of £0.25m (2017: £0.15m). The effective tax rate in the year was 12.5% (2017: 7.6%), materially below the UK corporation tax rate of 19.0% (2017: 19.5%), with the reduction largely the consequence of tax loss utilisation 1.2% (2017: 2.6%), qualifying R&D expenditure 2.8% (2017: 3.0%). In 2017 no tax was anticipated on the exceptional property gain attributing to a further reduction of 3.4%; the effective tax rate on profit before tax, exceptional and non-underlying items was 11.3% (2017: 7.7%). The profit for the year was £1.77m (2017: £1.77m) representing basic earnings per share of 14.34p (2017: 14.40p).

Balance sheet

Shareholders' funds rose by £1.99m (18.5%) in the year to £12.71m (2017: £10.72m) giving a net asset value per ordinary share of 104.4p (2017: 86.6p). The tangible net asset value per share (calculated excluding intangibles and pension asset, net of deferred tax, from the calculation) was 78.3p (2017: 68.5p). Net debt reduced £0.78m to £1.97m (2017: £2.75m) with gearing (net debt as a % of total equity) falling to 15.5% (2017: 25.7%).

Shareholders' funds include Investment in Own Shares at £0.02m par value and £0.19m share premium (2017: nil), representing ordinary shares held in the Company by the LPA Group Plc Employee Benefit Trust.

Intangible assets, which comprise goodwill and capitalised development costs, were £1.20m (2017: £1.19m). Goodwill relates to the Group's investment in Excil Electronics and was unchanged at £1.15m. Capitalised development costs, associated with the development of LED lighting products, were £0.05m (2017: £0.04m).

FINANCIAL REVIEW (CONTINUED)

Property, plant and equipment at 30 September was £7.22m (2017: £6.85m), of which property made up £4.34m (2017: £4.32m) and plant and equipment £2.87m (2017: £2.54m). Additions in the year were £1.02m (2017: £1.97m), 2017 including the remaining cost of the new lighting facility at £0.93m. Disposals at net book value amounted to £nil (2017: £0.20m). The depreciation charge increased 20.2% at £0.65m (2017: £0.54m).

The IAS19 actuarial surplus recognised at 30 September 2018 on the Group's closed defined benefit pension arrangement was £2.41m (2017: £1.31m). Changes over the course of the year comprised an income statement credit of £0.04m (2017: £0.02m), employer contributions received of £0.10m (2017: £0.10m) plus an actuarial gain of £0.96m (2017: £0.35m) recognised in the statement of comprehensive income. The actuarial gain resulted from changes to demographic assumptions in line with market indices (primarily caused through a slight reduction in overall life expectancy) and changes in financial assumptions of £0.41m (primarily reflecting the higher discount rate applicable at September 2017, 2.8% as opposed to 2.6%) plus an experience gain on liabilities of £0.25m plus a return on plan assets of £0.06m.

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were 1.4% lower at £4.29m (2017: £4.35m).

Cash flow

Net cash from operating activities was £2.45m (2017: £1.49m) made up of a trading cash inflow of £2.72m (2017: £2.23m) less an increase in working capital of £0.14m (2017: £0.53m), tax payments of £0.03m (2017: £0.11m) and pension contributions of £0.10m (2017: £0.10m).

Capital expenditure outflows reduced to £0.5m (2017: £1.6m), including £0.09m spent on the new lighting facility (2017: £0.93m). The year contained asset disposal proceeds of £0.01m (2017: £0.53m relating to the sale of the Group's old lighting facility). Capitalised development expenditure was £0.03m (2017: £0.03m).

Loan repayments of £0.20m were made (2017: £0.70m which included repayment of a development loan to assist bridge the sale and purchase of the new lighting premises). Finance lease repayments were £0.11m (2017: £0.08m). Interest payments on borrowings amounted to £0.02m (2017: £0.02m). Dividend payments increased 7.6% in the year to £0.34m (2017: £0.32m).

During the year, £0.25m was loaned to the Group's Employee Benefit Trust to facilitate the acquisition of LPA Group plc shares (2017: nil). The transactions associated with the Employee Benefit Trust are consolidated within these accounts. No monies were received from the exercise of share options, with no option exercises during the year (2017: £0.17m was received).

Overall there was a net increase in the cash position of £1.05m (2017: decrease of £0.11m).

Net debt

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

	Bank loans £000	Finance lease obligations £000	Cash & cash equivalents £000	Net debt £000
At 1 October 2017	2,311	345	97	2,753
New finance lease obligations	-	521	-	521
Interest and arrangement fee	55	-	-	55
Repayment of borrowings	(196)	(109)	304	-
Cash generated	-	-	(1,358)	(1,358)
At 30 September 2018	2,170	757	(956)	1,971

The Group's main bank finance is a £2.475m bank loan drawn down in 2016 and repayable over 5 years. As at September 2018 the amount outstanding was £2.17m (2017: £2.31m); the loan is to be repaid through 14 quarterly instalments, £0.05m from October 2018, with the residual balance repayable in April 2021; interest is payable at base rate plus 1.95%.

In the year £0.52m of plant and equipment additions were financed through new finance leases.

Interest on the £1.50m overdraft facility is payable at base rate plus 1.95% and headroom within the facility at 30 September was £1.50m (2017: £1.24m).

Treasury

The Group's treasury policy has not changed in the year: further details on the Group's borrowings, financial instruments, and its approach to financial risk management are given in notes 14 and 15 to the Annual Report.

Chris Buckenham
Chief Financial Officer
23 January 2019

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 Officers Review and the Financial Review on pages 3 to 8.

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth decreased to 0.72 in the current year (2017: 1.16, 2016: 0.97);
- Sales growth (the increase in year-on-year sales as a percentage of prior year sales) as a measure of current growth showed an increase of 24.5% for the current year (2017: 4.9%, 2016: 31.7%);
- 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 48.6% (2017: 52.1%, 2016: 53.8%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 25.4% in the current year (2017: 28.2%, 2016: 29.3%);
- Operating profit before exceptional and non-recurring items, as a measure of return on activities, 8.0% of sales (2017: 8.4% of sales, 2016: 7.2% 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 inflow of £1.57m for the current year (2017: inflow of £0.01m, 2016: inflow of £0.21m).

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, and now is set to enjoy substantial expansion with investment in the UK by offshore OEM's establishing a number of new rail vehicle assembly plants. The manufacturing 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 38% 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 Bremese, Leonardo, London Underground, Siemens, SNCF, Stadler, Stagecoach, TRFC, Unipart Rail and Wabtec.

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

Group revenues are derived from both large value 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.

BUSINESS AND STRATEGY (CONTINUED)

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 43% of Group revenues (2017: 42%) 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, 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 40% of Group revenues (2017: 40%). Marketed as LPA Lighting Systems it serves rail, infrastructure and other industrial markets. The operation is housed at LPA House in Normanton, a facility that the Group refurbished and extended in 2017; and
- Engineered component distribution: which comprises 17% of Group revenues (2017: 18%) derived from the rail and aerospace & defence markets. It has a focus upon high level customer service, is marketed as LPA Channel Electric and is located in Thatcham.

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

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

The principal risks and uncertainties confronting the Group are set out on page 10 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 10 was approved by the Board on 23 January 2019 and signed on its behalf by:

Chris Buckenham
Secretary

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 30 September 2018.

Results and dividends

The profit for the year amounted to £1.771m (2017: £1.768m). The directors recommend the payment of a final ordinary dividend of 1.80p (2017: 1.65p), which together with the interim dividend of 1.10p (2017: 1.05p) makes a total for the year of 2.90p per share (2017: 2.70p).

Principal activities

The principal activity of the Group continues to be the design, manufacture and marketing of industrial electrical and electronic accessories. Descriptions of the Group's development and performance during the year, position at the year end and likely future prospects are reviewed in the Strategic Report on pages 3 to 10.

Going concern

A statement regarding the going concern of the business is set out in accounting policies on page 35.

Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2018 representing 3 per cent or more of the issued share capital were:

	No. of shares	%
Canaccord Genuity Group Inc	987,500	7.98%
Michael Rusch (director)	808,000	6.53%
Ellen Rusch	804,044	6.50%
Peter Pollock (director)	760,000	6.14%
Rights & Issues Investment Trust Plc	650,000	5.25%
Marilyn Porter	532,651	4.30%
Susan Thynne	426,674	3.45%

Research and development

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

Employment policies

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

Applications for employment 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 operate in a responsible manner with regard to the environment.

Directors and their interests

The current directors of the Company and brief biographical details are given on page 4. During the year one Director was appointed, one appointed on 1st October after the year end and two resigned (2017 all served through the year). A statement of their remuneration and interests in the ordinary shares of the Company and share options are set out in the Remuneration Report. No director had any material interest in any contract with the Group. In accordance with the articles of association Michael Rusch retires by rotation at the forthcoming annual general meeting, and, being eligible, offers himself for re-election. Chris Buckenham and Paul Curtis stand for re-appointment at their first Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)

Two Directors, Len Porter and Michael Rusch, are currently judged to be independent. The appointment of a further non-executive director in due course will reinforce the independent element of the Board. Directors are judged to have made the necessary time commitment to fulfil their roles. The non-executive directors are from varied backgrounds and bring with them a range of skills and experience in commerce and industry.

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 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 (who is Chairman of both from 22nd March 2018) and Michael Rusch. Per Staehr, who was Chairman of both, retired on 21st March 2018.

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 2018	**Board meetings**	**Audit committee**	**Remuneration committee**	**AGM 2018**
No of meetings	9	3	7	1
Executives:				
P G Pollock	9	n/a	n/a	1
P V Curtis (appointed 01/10/18)	n/a	n/a	n/a	n/a
C J Buckenham (appointed (22/03/18)	4	n/a	n/a	n/a
S K Brett (resigned 21/03/18)	4	n/a	n/a	1
Non-executives:				
M Rusch	9	3	7	1
L Porter	9	3	7	1
P Staehr (resigned 21/03/18)	4	1	3	-

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.

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 to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Annual general meeting

The annual general meeting is to be held at 12 noon on Thursday 21st March 2019 at the offices of Instinctif Partners, 65 Gresham Street, London EC2V 7NQ. The Notice of Meeting is set out on pages 81 to 82. Special business includes thee 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.

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
Secretary
23 January 2019

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 has decided to adopt and comply 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 annual 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 9 to 10.

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.

The Group gives regular updates on progress through the year and publishes significant events via the Regulated News Service

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 2 (continued)

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 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 is 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 KPI's 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 10. 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.

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 in the Directors' 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

After a long period of stability, the board is 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 1st October 2018.

It is planned to appoint an additional non-executive director in due course and that, after this period of transition is concluded, the Chief Operating Officer will become Chief Executive and the part time Chair will be become non-executive and further reduce his time commitment.

Two Directors are currently judged to be independent. The appointment of a further non-executive director in due course will reinforce the independent element of the Board. 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.

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 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. The main issue on which external advice was sought during the year was on the design and introduction of a new long-term incentive scheme and Employee Benefit Trust.

Principle 7

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

The new board has only been in post since 1st October 2018. Future Annual 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.

The Chair's corporate governance statement in future Annual Reports will comment upon how the culture is consistent with the company's objectives, strategy and business model contained in the strategic report, the principle 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 11 to 14 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.

Peter Pollock
Chairman
23 January 2019

REMUNERATION REPORT

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

Unaudited information

Remuneration policy

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

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

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

Executive directors are entitled to accept appointments outside the Company providing that the Senior Non-Executive Director's permission is sought.

Executive directors' remuneration and terms of appointment

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

Peter Pollock has a service contract dated 19 January 2007 (amended in 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 his 75th birthday in September 2021. As at 1 January 2019 Peter Pollock's annual (part time) salary was £123,600 (January 2018: £195,600 full time) and he is entitled to the provision of a car allowance with car insurance and private health insurance. In addition, and subject to the achievement of the Group's growth objectives, he is entitled to payments under the Company's discretionary bonus scheme. The service contract will automatically cease when he is appointed Non-Executive Chairman. At that time, his salary will reduce by 50% and he will no longer be entitled to payments under the Company's discretionary bonus scheme.

Paul Curtis has a service contract dated 26 September 2018, with a notice period of 6 months. As at 1 January 2019 his annual salary was £149,350, 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 with car insurance 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.

Chris Buckenham has a service contract dated 22 March 2018, with a notice period of 6 months. As at 1 January 2019 his annual salary was £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.

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

Michael Rusch (non-executive president) has a term of office through to his 75th birthday in June 2020, as set out in his letter of re-appointment dated 26 September 2018. As at 1 January 2019 he receives fees of £30,612 per annum (January 2018: £29,720) and he is entitled to the provision of a car or 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 2019 he receives fees of £36,050 per annum (January 2018: £25,750; July 2018 £35,000).

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 2018 £000	Total 2017 £000
Peter Pollock	195	29	26	-	250	241
Chris Buckenham (from April 2018)	67	19	5	7	98	-
Stephen Brett (to March 2018)	60	-	10	-	70	177
Paul Curtis (appointed October 2018)	-	-	-	-	-	-
Executives	322	48	41	7	418	418
Michael Rusch	30	-	21	-	51	49
Per Staehr (to March 2018)	12	-	-	-	12	25
Len Porter	28	-	-	-	28	25
Non-executives	70	-	21	-	91	99
Total	392	48	62	7	509	517

Directors' pension arrangements

During the year ending 30 September 2018 Peter Pollock, Michael Rusch and Stephen Brett were in receipt of a pension from the LPA Industries Limited Pension Scheme: no future pension benefits are being accrued. Chris Buckenham received employer contributions to the Group's defined contribution scheme.

Directors' shareholdings

Shareholdings of those serving at:

	Number of ordinary shares		
	1 October 2017	**30 September 2018**	**31 December 2018**
Michael Rusch	808,000	808,000	808,000
Peter Pollock	725,000	760,000	760,000
Stephen Brett (resigned 21/03/2018)	366,000	-	-
Chris Buckenham (appointed 22/03/2018)	-	5,000	5,000
Paul Curtis (appointed 01/10/2018)	-	-	38,300
Per Staehr (resigned 21/03/2018)	185,500	-	-
Len Porter	25,000	25,000	25,000
	2,144,500	1,598,000	1,636,300

During the year, Chris Buckenham purchased 5,000 shares in the Company at an average price of £1.07. Paul Curtis purchased 10,000 shares in the Company at an average price of £1.034 during the year.

REMUNERATION REPORT (CONTINUED)

Directors' interests in share options

During the year a new share option scheme was established, the Performance Share Plan 2018 (PSP 2018). This followed the expiry of previous schemes. An Employee Benefit Trust (EBT) was settled 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	Earliest exercise date	Latest exercise date	At 1 October 2017	At 30 September 2018	At 31 December 2017
Peter Pollock							
2007 Scheme	Jul 2007	36.0p	31 Jul 2010	7 Feb 2022∞	540,000	540,000	540,000
2007 Scheme	Apr 2011	32.0p	1 Apr 2014	31 Mar 2021	100,000	100,000	100,000
2007 Scheme	Feb 2012	49.0p	8 Feb 2015	7 Feb 2022	150,000	150,000	150,000
2018 Scheme	Aug 2018	104.8p	1 Aug 2021	1 Aug 2028	-	30,000	30,000
					790,000	820,000	820,000
Paul Curtis							
2018 Scheme	Aug 2018	104.8p	1 Aug 2021	1 Aug 2028	-	60,000	60,000
Chris Buckenham							
2018 Scheme	Aug 2018	104.8p	1 Aug 2021	1 Aug 2028	-	60,000	60,000
					790,000	940,000	940,000

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

During the year, share options were issued 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
23 January 2019

COMPANY INFORMATION

Directors

Peter Pollock – Chairman, born 1946, is a chartered accountant, with over fifty years manufacturing industry experience. He joined LPA Group in April 1997. He is non-executive Chairman of Ferrabyrne Ltd. Previous positions include Chairman of Lionheart plc, non-executive director of Mentmore Abbey plc and Menvier Swain plc, Chairman of Valetmatic Ltd, Chief Executive of ML Holdings plc, Finance Director UK of Fisher Controls International Inc. and Financial Director of Hawker Siddeley Power Transformers Ltd. 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"), 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, 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 ultimately left as 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 2017, 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 Company 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 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
PR Advisors	Instinctif Partners 65 Gresham Street London EC2V 7NQ

Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Bankers	Barclays Bank Plc PO Box 885 Mortlock House Vision Park, Histon Cambridge CB24 9DE
Solicitors	Eversheds Sutherland LLP 115 Colmore Row Birmingham B3 3AL

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 - trading as LPA Connection Systems
Haswell Engineering Ltd - trading as LPA Haswell Engineers; Transport+©

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 2018 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 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

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

Overview of our audit approach

- Overall materiality: £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

We have considered the audit risks and their relative significance based on the extent of the financial statement impact and the extent of management judgement. 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters for the group and parent company	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; and • examining labour and overhead absorption rates for reasonableness and consistency by reperforming calculations and agreeing on a sample basis to underlying timesheet records. 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.
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. Group revenue comprises income from the design, manufacture and supply of products net of trade and volume discounts. Revenue is recognised when the significant risks and rewards associated with ownership have been transferred, generally upon despatch, and reliable measurement is possible. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the stated accounting policy for revenue recognition is consistent with International Accounting Standard (IAS) 18 Revenue • testing that the stated policy has been applied accurately and consistently by examining sales terms on underlying documentation on a sample basis • corroborating a sample of revenue transactions to proof of delivery or subsequent cash receipt to verify the occurrence of the sale • undertaking a review of 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 is shown in note 1.N 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.	£116,000 which is 5% of the Group's expected profit before taxation. This benchmark is considered the most appropriate because the group is a commercially focused organisation with the aim of generating a profit for shareholders. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2017 using the same basis, as forecast profits were higher than those forecast for the prior year.	£87,000 which is 2% of total assets, reduced to 75% of group materiality. 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 2017 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.	Directors' remuneration and transactions with related parties have a specific materiality of £5,800 as the nature of these transactions and disclosures have a lower tolerance of errors as reflected by this rate.	Directors' remuneration and transactions with related parties have a specific materiality of £4,350 as the nature of these transactions and disclosures have a lower tolerance of errors as reflected by this rate.
Communication of misstatements to the audit committee.	£5,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£4,350 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)

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, 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 adopted a comprehensive approach for 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
- 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 scope of the current year audit increased from the prior year with respect to the valuation of manufactured inventory, which is considered a key audit matter.
- 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 2017, 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 set out on pages 3 to 24, 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 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2018

	Note	2018 £000	2017 £000
Revenue	2	27,979	22,482
Cost of sales		(20,862)	(16,145)
Gross profit		7,117	6,337
Distribution costs		(1,931)	(1,580)
Administrative expenses - before exceptional and non-underlying items		(2,942)	(2,862)
Operating profit before exceptional and non-underlying items		2,244	1,895
Exceptional and non-underlying items	6	(175)	73
Operating profit		2,069	1,968
Finance costs	4	(80)	(75)
Finance income	5	35	21
Profit before tax	6	2,024	1,914
Taxation	7	(253)	(146)
Profit for the year		1,771	1,768
Attributable to:			
- Equity holders of the parent		1,771	1,768
Earnings per share	8		
Basic		14.34p	14.40p
Diluted		13.45p	13.42p

All activities are continuing.

The notes on pages 35 to 68 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2018

	Note	2018 £000	2017 £000
Profit for the year		1,771	1,768
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on pension scheme	19	962	349
Deferred tax on actuarial gains and losses	16	(178)	(77)
Other comprehensive income net of tax		784	272
Total comprehensive income for the year		2,555	2,040
Attributable to:			
- Equity holders of the parent		2,555	2,040

The notes on pages 35 to 68 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 September 2018

	Note	2018 £000	2017 £000
Non-current assets			
Intangible assets	9	1,200	1,185
Property, plant and equipment	10	7,216	6,851
Retirement benefits	19	2,409	1,311
		10,825	9,347
Current assets			
Inventories	11	3,881	4,417
Trade and other receivables	12	5,540	5,054
Cash and cash equivalents		956	119
		10,377	9,590
Total assets		21,202	18,937
Current liabilities			
Bank overdraft	14	-	(216)
Bank loans and other borrowings	14	(322)	(227)
Current tax payable		(266)	(64)
Trade and other payables	13	(4,868)	(4,969)
		(5,456)	(5,476)
Non-current liabilities			
Bank loans and other borrowings	14	(2,605)	(2,429)
Deferred tax liabilities	16	(430)	(221)
Other payables	13	-	(90)
		(3,035)	(2,740)
Total liabilities		(8,491)	(8,216)
Net assets		12,711	10,721
Equity	17		
Share capital		1,238	1,238
Investment in own shares		(214)	-
Share premium account		628	628
Un-issued shares reserve		122	134
Merger reserve		230	230
Retained earnings		10,707	8,491
Equity attributable to shareholders of the parent		12,711	10,721

The notes on pages 35 to 68 form an integral part of these financial statements.

The financial statements were approved by the Board on 23 January 2019 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 2018

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)
Proceeds from issue of shares	-	-	-	-	-	-	-
Cost of Investment in own shares	-	(214)	-	-	-	-	(214)
Tax benefit 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

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

The notes on pages 35 to 68 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2018

	2018 £000	2017 £000
Profit before tax	2,024	1,914
Finance costs	80	75
Finance income	(35)	(21)
Operating profit	2,069	1,968
Adjustments for:		
Depreciation	652	543
Amortisation of intangible assets	12	36
Gain on sale of property, plant and equipment	(10)	(321)
Loan arrangement fees	-	4
	2,723	2,230
Movements in working capital and provisions:		
Change in inventories	536	(1,387)
Change in trade and other receivables	(486)	(376)
Change in trade and other payables	(190)	1,237
Cash generated from operations	2,583	1,704
Income taxes paid	(35)	(112)
Retirement benefits (pension contributions)	(100)	(100)
Net cash from operating activities	2,448	1,492
Purchase of property, plant and equipment	(496)	(1,643)
Proceeds from sale of property, plant and equipment	10	525
Capitalised development expenditure	(27)	(27)
Purchase of own shares	(214)	-
Net cash used in investing activities	(727)	(1,145)
Drawdown of bank loans	-	500
Repayment of bank loans	(196)	(702)
Repayment of obligations under finance leases	(109)	(81)
Interest paid	(24)	(23)
Proceeds from issue of share capital	-	166
Dividends paid	(339)	(315)
Net cash (used in) financing activities	(668)	(455)
Net increase / (decrease) in cash and cash equivalents	1,053	(108)
Cash and cash equivalents at start of the year	(97)	11
Cash and cash equivalents at end of the year	956	(97)

Reconciliation of cash and cash equivalents

Cash and cash equivalents in current assets	956	119
Bank overdraft in current liabilities	-	(216)
Cash and cash equivalents at end of the year	956	(97)

The notes on pages 35 to 68 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 10. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are included in the Financial Review. In addition, the Group's treasury policy, its approach to the management of financial risk, and its exposure to liquidity and credit risks are outlined in note 15.

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

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

C. New standards and interpretations not applied

IFRS 15 Revenue Recognition has been applied in the year without impact on the Group's results.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year to September 2018 and have not been adopted early:

IFRS16 Leases (effective date 1 January 2019) will require that operating leases be accounted for 'on balance sheet' in a manner similar to current finance lease accounting with, at commencement, both a right-of-use asset and an associated lease liability being recognised. Subsequently the asset will be subject to depreciation over the lease term and lease payments will be apportioned between interest expense and reduction of the lease liability. Cost recognised in the income statement under IFRS16 will thus comprise the depreciation charge and interest expense in contrast to the present accounting for operating leases where the lease rentals are included within operating costs on a straight-line basis over the term of the lease. Whilst the cost recognised in the income statement is not expected to be materially different from that at present, with the majority of the Group's current operating leases (primarily motor vehicles) being accounted for 'off-balance sheet' there will be a need for them to be recognised as assets with a corresponding liability: there is no impact upon cash flow. The Group will carry out a detailed assessment to determine the full impact of adoption of IFRS16 on its consolidated results and financial position.

NOTES TO THE FINANCIAL STATEMENTS

1. **Accounting Policies (continued)**

D. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

F. Property, plant and equipment

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

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

Residual values are reviewed annually.

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

G. Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised and included in property, plant and equipment at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, and then depreciated over their useful economic lives. Obligations related to finance leases, net of finance charges in respect of future periods, are included within liabilities on the balance sheet. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

H. Impairment of assets

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

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

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

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

I. Inventories

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

J. Cash and cash equivalents

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

K. Financial instruments

Financial liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

K. Financial instruments (continued)

Financial assets

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

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

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

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

Derivative financial instruments

Derivative financial instruments, comprising foreign exchange contracts, are used by the Group in the management of its foreign currency exposures. Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at fair value at the balance sheet date. The gain or loss on re-measurement is taken to the income statement except where the derivative is part of a designated cash flow hedge.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. **Accounting Policies (continued)**

M. Taxation (continued)

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

N. Revenue

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

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

O. Employee benefits

Short-term compensated absences

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

Equity-settled share-based payments

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

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

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

Defined contribution pension plans

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

Defined benefit pension scheme

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

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

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. 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:

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Operating Segments

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom. For management purposes the Group comprises three product groups within a single operating segment - electro-mechanical, lighting and distribution (which collectively design, manufacture and market industrial electrical and electronic accessories) - less centre costs. It is on this basis that the board of directors assess Group performance. The split is as follows:

	2018	2017
	£000	£000
Electro-mechanical	12,173	9,431
Lighting	11,124	8,989
Distribution	4,682	4,062
Operational revenue	27,979	22,482
Operational profit	3,019	2,791
Corporate costs	(775)	(896)
Operating profit before exceptional and non-underlying items	2,244	1,895

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

	2018	2017
	£000	£000
United Kingdom	17,461	12,857
Rest of Europe	4,808	3,501
Rest of World	5,710	6,124
	27,979	22,482

Two individual customers (2017: two) represented more than 10% of Group revenue.

3. Employee Information

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

	2018	2017
	Number	Number
Production	137	126
Sales and distribution	30	31
Administration	25	24
	192	181

NOTES TO THE FINANCIAL STATEMENTS

3. Employee Information (continued)

The employee benefit expense for the year amounted to:

	2018 £000	2017 £000
Wages and salaries	6,077	5,518
Social security costs	628	593
Pension costs - defined contribution arrangements (note 19)	194	178
Pension costs - death in service insurance premiums	36	29
	6,935	6,318

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

	2018 £000	2017 £000
Bank loans and overdrafts	63	63
Hire purchase contracts	17	12
Finance costs	80	75

5. Finance Income

	2018 £000	2017 £000
Net pension interest income (note 19)	35	21

6. Profit before Tax

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

A. Within operating profit before exceptional and non-underlying items	2018 £000	2017 £000
Depreciation	652	543
Amortisation of intangible assets	12	36
Operating lease rentals - plant and equipment	131	131
Foreign exchange loss	28	56
Research and development expenditure	613	552
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	40	40
- taxation compliance services	-	15
- other assurance services	5	4

NOTES TO THE FINANCIAL STATEMENTS

6. Profit before Tax (continued)

B. Within exceptional and non-underlying items	2018 £000	2017 £000
Reorganisation costs	96	45
Centre: duplicated finance function costs	74	102
Centre: other non-underlying costs	5	60
Corporate finance costs	-	61
Exceptional and non-underlying costs	175	268
Gain on sale of property, plant and equipment	-	(341)
Exceptional and non-underlying items	175	(73)

The reorganisation costs of £96,000 are associated with a cost base review at the Group's Electro-Mechanical site undertaken at year end (2017: £45,000 associated with the relocation of the Group's lighting activity).

As part of the Board's succession planning additional centre costs were incurred in both 2018 and 2017. The single largest item was duplicated finance function costs of £74,000 (2017: £102,000) but there were other associated costs, including costs related to the establishment of the Group's Employee Benefit Trust of £3,000 (2017: £60,000).

The Group incurred £2,000 of corporate finance costs (2017 £61,000).

The sale of the Group's former lighting factory in Normanton, West Yorkshire was completed in 2017 with sale proceeds of £0.53m realising an exceptional gain of £0.34m in the prior year.

7. Taxation

A. Recognised in the income statement	2018 £000	2017 £000
Current tax expense		
UK coporation tax	267	155
Adjustment in respect of prior years	(31)	(10)
Deferrred taxation		
Net origination and reversal of temporary differences	17	1
Total income tax expense	253	146

7. Taxation (continued)

B. Reconciliation of effective tax rate	**2018 £000**	**2017 '000**
Profit before tax	2,024	1,914
Tax at the UK corporation tax rate of 19.0% (2017: 19.5%)	385	373
Effects of:		
- Utilisation of tax losses	(37)	(66)
- Retirement benefits (largely pension scheme contributions)	(23)	(21)
- Deduction in respect of share option exercises	-	(16)
- Enhanced deduction for qualifying R&D expenditure	(57)	(77)
- Adjustment for exceptional property gain	-	(67)
- Disallowed expenditure	7	26
- Other differences	(22)	(6)
Total income tax expense	253	146

C. Deferred tax recognised in other comprehensive income	**2018 £000**	**2017 £000**
Deferred tax on actuarial gain / loss on pension scheme	178	77

D. Current and deferred tax recognised directly in equity	**2018 £000**	**2017 £000**
Tax cost / (benefit) arising on share options	14	(141)

8. Earnings Per Share

The calculation of earnings per share is based upon the profit for the year of £1.771m (2017: £1.768m) and the weighted average number of ordinary shares in issue during the year, less investment in own shares, of 12.350m (2017: 12.276m). The weighted average number of ordinary shares diluted for the effect of outstanding share options, was 13.163m (2017: 13.179m).

	2018			2017		
	Earnings £000	**Weighted average number of shares Million**	**Earnings per share Pence**	**Earnings £000**	**Weighted average number of shares Million**	**Earnings per share Pence**
Basic earnings per share	1,771	12.350	14.34	1,768	12.276	14.40
Effect of share options	-	0.813	(0.89)	-	0.903	(0.98)
Diluted earnings per share	1,771	13.163	13.45	1,768	13.179	13.42

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible Assets

	Goodwill			Capitalised development costs			Total
	Cost	Accumulated impairment losses	Carrying amount	Cost	Amortisation	Carrying amount	Carrying amount
	£000	£000	£000	£000	£000	£000	£000
At 1 October 2016	1,234	(85)	1,149	288	243	45	1,194
Additions	-	-	-	27	-	27	27
Amortisation for year	-	-	-	-	36	(36)	(36)
At 1 October 2017	1,234	(85)	1,149	315	279	36	1,185
Additions	-	-	-	27	-	27	27
Amortisation for year	-	-	-	-	12	(12)	(12)
At 30 September 2018	1,234	(85)	1,149	342	291	51	1,200

Goodwill

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

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

Initial cash flows reflect the most recent plans approved by management. They are based on past experience and take into account management expectations of future developments in markets and operations. The initial cash flows covered the first two years of the projections: thereafter cash flow projections were extrapolated into perpetuity at a growth rate of 1.75% (2017: 2.0%) which is considered to be consistent with the long term average growth rate for the businesses concerned. The discount rate applied was 12.0% (2017: 12.0%), a pre-tax rate that reflects an assessment of the time value of money and the risks specific to the cash-generating units concerned. No impairment arose in the year. Management believe that the key assumptions on which the recoverable amount is based are appropriate and that any reasonable change in these assumptions would not lead to a materially different conclusion.

Goodwill on acquisitions prior to January 1998

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

10. Property, Plant and Equipment

	Freehold land & buildings £000	Plant, vehicles & equipment £000	Total £000
Cost			
At 1 October 2016	3,913	6,171	10,084
Additions	934	1,040	1,974
Disposals	(320)	(26)	(346)
At 1 October 2017	4,527	7,185	11,712
Additions	87	930	1,017
Disposals	-	(248)	(248)
At 30 September 2018	4,614	7,867	12,481
Depreciation			
At 1 October 2016	271	4,189	4,460
Charge for the year	68	475	543
Disposals	(128)	(14)	(142)
At 1 October 2017	211	4,650	4,861
Charge for the year	60	592	652
Disposals	-	(248)	(248)
At 30 September 2018	271	4,994	5,265
Net carrying amount			
At 30 September 2018	4,343	2,873	7,216
At 30 September 2017	4,316	2,535	6,851

Included with plant, vehicles and equipment is £0.93m (2017: £0.51m) in respect of assets acquired under finance leases. Depreciation for the year in respect of these assets was £68,000 (2017: £50,000).

NOTES TO THE FINANCIAL STATEMENTS

11. Inventories

	2018 £000	2017 £000
Raw materials and consumables	1,153	1,330
Work in progress	644	959
Finished goods and goods for resale	2,084	2,128
	3,881	4,417

In 2018 the cost of inventories recognised as an expense within cost of sales amounted to £20.51m (2017: £16.22m). This included the write-down of inventories to net realisable value of £190,000 (2017: £59,000), and write-down utilisation of £113,000 (2017: £236,000).

12. Trade and Other Receivables

	2018 £000	2017 £000
Trade receivables	4,999	4,729
Other receivables	169	10
Prepayments and accrued income	372	315
	5,540	5,054
Trade receivables are stated after an allowance for impairment of:	74	29

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

	2018 £000	2017 £000
Current		
Trade payables	3,273	3,669
Social security and other taxes	343	286
Other payables	100	29
Accruals and deferred income	1,152	985
	4,868	4,969
Non-current		
Other payables	-	90

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.

	2018 £000	2017 £000
Current		
Bank loan	142	145
Finance lease obligations	180	82
Overdraft	-	216
Bank loans and other borrowings	322	443
Non-current		
Bank loan	2,028	2,166
Finance lease obligations	577	263
Bank loans and other borrowings	2,605	2,429
Total borrowings	2,927	2,872

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 £2.475m bank loan drawn down in 2016 repayable over 5 years. As at September 2018 the amount outstanding was £2.17m (2017: £2.31m); the loan is to be repaid through 10 quarterly instalments of £49,469, from October 2018, with the residual balance repayable in April 2021: interest is payable at base rate plus 1.95%.

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 (2017: £0.22m) and had the full £1.5m of un-drawn facility available (2017; £1.24m). Interest is payable at base plus 2.0%.

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

Finance lease obligations

Finance leases typically have a five year term and bear interest fixed at the time of the commitment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. The minimum lease payments under finance leases, and their present value, fall due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	£000	£000	£000	£000
Within one year	205	96	180	82
Within two to five years	613	283	577	263
	818	379	757	345
Future finance charges	(61)	(34)		
Present value of finance lease obligations	757	345		

15. Financial Instruments

A. Financial risk management

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

B. Capital management

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

The Group's capital structure is as follows:

	2018 £000	2017 £000
Equity	12,709	10,721
Net debt	1,971	2,753
Overall financing	14,680	13,474
Gearing (net debt as a % of total equity)	15.5%	25.7%

Gearing, which is the principal measure used by the Group to monitor its capital structure, improved from 25.7% to 15.5%, largely as a consequence of the strong trading in the current year.

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

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

C. Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)

C. Currency risk (continued)

Currency exposures

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

	2018			2017		
	Cash and cash equivalents £000	Other net monetary assets and liabilities £000	Total net monetary assets and liabilities £000	Cash and cash equivalents £000	Other net monetary assets and liabilities £000	Total net monetary assets and liabilities £000
Euro	444	408	852	133	9	142
US Dollar	2	(9)	(7)	11	-	11
Aus Dollar	-	38	38	-	-	-
Swiss Franc	-	(7)	(7)	-	-	-
	446	430	876	144	9	153

Derivative financial instruments

At 30 September 2018 the Group had no commitments under non-cancellable forward exchange contracts (2017: £Nil) taken out to hedge foreign currency sales and purchases.

Sensitivity

At 30 September 2018 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:

	2018		2017	
	Effect on profit before tax £000	Effect on equity £000	Effect on profit before tax £000	Effect on equity £000
Sterling weakens by 10% against the euro	95	-	16	-
Sterling strengthens by 10% against the euro	(77)	-	(13)	-

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 finance lease obligations. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

Interest rate risk profile

Interest rates are managed by using fixed and floating rate borrowings. Floating rate liabilities comprise bank loans and overdrafts. During the year their weighted average interest rate was 3.2% (2017: 2.2%). Fixed rate liabilities comprise finance leases which bear interest at the negotiated market rate prevailing at the time the commitment is made: in the year the weighted average interest rate of the fixed rate financial liabilities was 4.5% (2017: 4.7%).

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

	2018 £000	2017 £000
Floating rate		
Cash and cash equivalents	(956)	(119)
Overdraft	-	216
Bank loan	2,170	2,311
	1,214	2,408
Fixed rate		
Finance lease obligations	757	345

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 2018, with all other variables held constant the pre-tax profit would have been lower by £25,000, (2017: £29,000).

E. Liquidity risk

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

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

Un-drawn committed facilities

The Group's un-drawn committed borrowing facilities at 30 September 2018 comprise its bank overdraft expiring in one year or less at £1.50m (2017: £1.24m).

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Instruments (continued)

E. Liquidity risk (continued)

Maturity profile of the Group's financial liabilities

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

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
Finance lease 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

2017	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 3 years £000	Between 3 and 4 years £000	Between 4 and 5 years £000	Over 5 years £000	Total £000
Overdraft	216	-	-	-	-	-	216
Bank loan	195	194	195	1,888	-	-	2,472
Finance lease obligations	96	85	86	80	32	-	379
Borrowings	507	279	281	1,968	32		3,067
Trade and other payables	4,654	-	-	-	-	-	4,654
	5,161	279	281	1,968	32		7,721

F. Credit risk

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

Trade receivables

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

15. Financial Instruments (continued)

F. Credit risk (continued)

Cash and cash equivalents

The Group monitors counterparties with whom it deposits cash and transacts other financial instruments so as to control exposure to any one institution.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. At the end of 2018 these totalled £4.999m (2017: £4.729m). 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 28.9% of trade receivables at September 2018 (2017: 23.2%).

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:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	1,832	-	3,605	(8)
Past due 1-30 days	1,892	(4)	795	(1)
Past due 31-90 days	1,096	(11)	312	(18)
Past due 91 days to less than a year	253	(59)	46	(2)
	5,073	(74)	4,758	(29)

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

	2018	2017
	£000	£000
Balance at start of the year	29	164
Charged to the income statement	45	22
Released	-	(11)
Utilised	-	(146)
Balance at end of the year	74	29

The impairment charge of Nil (2017: £11,000 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.

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)

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

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 2016	(60)	(168)	16	19	(193)
Recognised in income statement	4	(4)	17	(18)	(1)
Recognised in other comprehensive income	-	(77)	-	50	(27)
At 1 October 2017	(56)	(249)	33	51	(221)
Recognised in income statement	(3)	(6)	(7)	2	(14)
Recognised in other comprehensive income / equity	-	(178)	-	(17)	(195)
At 30 September 2018	(59)	(433)	26	36	(430)

Deferred tax assets of £201,000 (2017: £208,000) have not been recognised in respect of unrelieved tax losses of £1.119m (2017: £1.200m) because of uncertainty over the timing of their recoverability. The tax losses have no expiry date.

A deferred tax asset of £105,000 (2017: £142,000) in respect of the tax benefit that would arise upon the exercise of certain outstanding share options has not been recognised because of uncertainties as to the timing of their exercise.

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

	Property, plant and equipment £000	Retirement benefits £000	Tax losses £000	Other £000	Total £000
At 30 September 2018					
Deferred tax assets	20	-	26	60	106
Deferred tax liabilities	(79)	(433)	-	(24)	(536)
	(59)	(433)	26	36	(430)
At 30 September 2017					
Deferred tax assets	27	-	33	58	118
Deferred tax liabilities	(83)	(249)	-	(7)	(339)
	(56)	(249)	33	51	(221)

17. Equity

Share capital

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

	2018		2017	
	Number	**£000**	**Number**	**£000**
Issued and fully paid				
In issue at the start of the year	12,376,729	1,238	11,958,229	1,196
Allotted under share plans	-	-	418,500	42
In issue at the end of the year	12,376,729	1,238	12,376,729	1,238

During the year no options were exercised (2017: 418,500) at a weighted average option price of nil (2017: 39.7p).

The market price of the Company's shares on 30 September 2018 was 111.0p per share (2017: 132.5p per share) and the price range during the year was 95.0p to 184.0p (2017: 123.0p to 206.0p).

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.

	2018 £000	2017 £000
Proposed - Final 1.80p Per Share (2017: 1.65p)	223	204

Dividends

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

	2018 £000	2017 £000
Final - In Respect of Preceding Year 1.65p Per Share (2017: 1.50p)	204	185
Interim - In Respect of Current Year 1.10p Per Share (2017: 1.05p)	135	130
	339	315

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

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 2018 are as follows:

Scheme	Date of grant	Price	Dates when exercisable	Number of options 2018	Number of options 2017
2007 Employee Share Option scheme	Jul 2007	36.0p	31 Jan 2010 to 07 Feb 2022	771,500	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	235,000	235,000
				1,106,500	1,106,500
2018 Performance Share Plan	Aug 2018	104.8p	2 Aug 2021 to 1 Aug 2028	150,000	-
				1,256,500	1,106,500

NOTES TO THE FINANCIAL STATEMENTS

18. Share Based Payments (continued)

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

	2018		2017	
	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)	Number of options
Outstanding at the beginning of the year	38.4	1,106,500	38.7	1,525,000
Granted during the year	104.8	150,000	-	-
Exercised during the year	-	-	39.7	(418,500)
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	46.3	1,256,500	38.4	1,106,500
Exercisable at the end of the year	38.4	1,106,500	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 4.1 years (2017: 4.3 years).

There were no options exercised during the year. The weighted average share price at the date of exercise of share options exercised during the previous year was 163.6p.

The Group's share-based remuneration expense recognised in the year was £2,000 (2017: £Nil).

19. Employee Benefits

A. Defined contribution schemes

The Group makes contributions to several defined contribution arrangements. The pension cost charged to the income statement for the year in respect of these schemes was £194,000 (2017: £178,000).

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

This actuarial valuation showed a surplus of £355,000. The Group has agreed with the trustees that it will meet the expenses of the plan and levies to the Pension Protection Fund. In addition, the Group has agreed with the trustees that regardless of the Scheme being in surplus at the valuation date the payment of annual contributions of £100,000 will continue to be made until the year ended 31 March 2021.

For the purposes of IAS19 the actuarial valuation as at 31 March 2015, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2018. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

NOTES TO THE FINANCIAL STATEMENTS

19. Employee Benefits (continued)

Amounts included in the balance sheet

	2018 £000	2017 £000	2016 £000
Fair value of scheme assets	14,755	14,691	14,796
Present value of defined benefit obligation	(12,346)	(13,380)	(13,955)
Asset to be recognised	2,409	1,311	841

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 2018.

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

	2018 £000	2017 £000
Defined benefit obligation at start of the year	13,380	13,955
Interest cost	342	329
Actuarial (gains) due to scheme experience	(246)	(98)
Actuarial (gains) due to changes in demographic assumptions	(249)	-
Actuarial (gains) due to changes in financial assumptions	(406)	(292)
Benefits paid	(475)	(514)
Defined benefit obligation at end of the year	12,346	13,380

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

19. Employee benefits (continued)

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

	2018 £000	2017 £000
Fair value of scheme assets at start of the year	14,691	14,796
Interest income	377	350
Return on plan assets (excluding amounts included in interest income)	62	(41)
Contributions by the Group	100	100
Benefits paid	(475)	(514)
Fair value of scheme assets at end of the year	14,755	14,691

The actual return on the plan assets over the period ending 30 September 2018 was £439,000 (2017: £309,000).

Defined benefit costs recognised in profit or loss

	2018 £000	2017 £000
Interest income	377	350
Interest cost	(342)	(329)
Net interest income	35	21

Defined benefit costs recognised in the statement of other comprehensive income

	2018 £000	2017 £000
Return on plan assets (excluding amounts included in interest income) – gain / (loss)	61	(41)
Experience gains arising on the defined benefit obligation	246	98
Effect of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain / (loss)	249	-
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	406	292
Amount recognised in other comprehensive income – gain / (loss)	962	349

NOTES TO THE FINANCIAL STATEMENTS

19. Employee benefits (continued)

Assets

	2018 £000	2017 £000	2016 £000
Equities	4,095	4,957	4,434
Corporate bonds	3,629	8,387	8,596
Government bonds	5,445	-	-
Diversified growth funds	1,496	1,263	1,766
Cash and net current assets	90	84	-
Total assets	14,755	14,691	14,796

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

	2018 % per annum	2017 % per annum	2016 % per annum
Rate of discount	2.80	2.60	2.4
Inflation (RPI)	3.25	3.25	3.0
Inflation (CPI)	2.55	2.55	2.3
Allowance for revaluation of deferred pensions of CPI or 5.0% pa if less	2.55	2.55	2.3
Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less	2.50	2.50	2.3
Allowance for pension in payment increases of RPI or 5.0% pa if less	3.10	3.10	3.0
Allowance for pension in payment increases of CPI or 3.0% pa if less	2.10	2.10	2.3
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 2018 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2015 converging to 1.25% p.a. These imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2018:	21.9
Female retiring in 2018:	23.8
Male retiring in 2038:	23.3
Female retiring in 2038:	25.4

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 0.80%
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 0.5%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 30 September 2018 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 to be paid by the Group to the plan for the period commencing 1 October 2018 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	
	2018	**2017**
	£000	**£000**
Within one year	80	78
Within two to five years	107	57
	187	135

Capital commitments

Contracted for but not provided in the accounts amounted to £165,000 (2017: £114,000).

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.

	2018	**2017**
	£000	**£000**
Short-term employee benefits	575	569
Post employment benefits	10	3
	585	572
Dividends	50	55

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 (2017: none).

22. Contingent Liabilities

As at 30 September 2018 Group contingent liabilities relating to guarantees in the normal course of business amounted to £234,000 (2017: £325,000).

COMPANY BALANCE SHEET

At 30 September 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	C5	2,646	2,752
Investments	C6	5,411	5,411
		8,057	8,163
Current assets			
Debtors	C7	585	738
Cash at bank and in hand		219	4
		804	742
Creditors: Amounts falling due within one year	C8	(2,910)	(2,682)
Net current liabilities		(2,106)	(1,940)
Total assets less current liabilities		5,951	6,223
Creditors: Amounts falling due after more than one year	C9	(2,729)	(2,866)
Net assets		3,222	3,357
Capital and reserves	C13		
Called up share capital		1,238	1,238
Investment In own shares		(214)	-
Share premium account		628	628
Un-issued shares reserve		122	134
Merger reserve		784	784
Retained earnings ♦		664	573
Total equity shareholders' funds		3,222	3,357

♦ The Company has not presented a separate retained earnings account as permitted by Section 408 of the Companies Act 2006. The profit dealt with in the financial statements of the Company amounted to £0.43m (2017: profit of £0.03m).

The financial statements were approved by the Board on 23 January 2019 and signed on its behalf by:

P G POLLOCK
Director

C J BUCKENHAM
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

	Share capital £000	Investment in own shares £000	Share premium account £000	Un-issued shares reserve £000	Merger reserve £000	Re-valuation reserve £000	Retained earnings £000	Total £000
At 1 October 2016	1,196	-	504	183	784	698	736	4,101
Elimination of revaluation reserve ^	-	-	-	-	-	(698)	-	(698)
Depreciation charge ^	-	-	-	-	-	-	(69)	(69)
At 1 October 2016 - restated ^	1,196	-	504	183	784	-	667	3,334
Profit for the year - restated ^	-	-	-	-	-	-	31	31
Dividends	-	-	-	-	-	-	(315)	(315)
Issue of shares	42	-	124	-	-		-	166
Tax benefit on share-based payments	-	-	-	-	-	-	141	141
Transfer	-	-	-	(49)	-	-	49	-
At 30 September 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)
Tax benefit on share-based payments	-	-	-	(14)	-	-	-	(14)
Share-based payments	-	-	-	2	-	-	-	2
At 30 September 2018	1,238	(214)	628	122	784	-	664	3,222

^ The Triennial review of FRS102 has been early adopted. 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) is £0.82m.

The Investment in own shares reserve represents the shareholding of the LPA Group Plc Employee Benefit Trust, which during the year acquired 200,000 ordinary shares of 10p each in LPA Group Plc, at a cost of £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 2017), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

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

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

This information is included in the consolidated financial statements of LPA Group plc as at 30 September 2018.

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 (2017: 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 2017 and 30 September 2018	2,393	716	3,109
Depreciation			
At 1 October 2017	128	229	357
Charged in year	34	72	106
At 30 September 2018	162	301	463
Net book value			
At 30 September 2018	2,231	415	2,646
At 30 September 2017	2,265	487	2,752

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C6. Investments

Investments in subsidiary undertakings

	Cost	Provision for impairment	Carrying amount
	£000	£000	£000
At 1 October 2017 and 30 September 2018	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

	2018	2017
	£000	£000
Amounts due from subsidiary undertakings	517	640
Other taxation and social security debtor	-	8
Prepayments and accrued income	15	22
Deferred taxation (note C11)	53	68
	585	738

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C8. Creditors: Amounts Falling Due Within One Year

	2018 £000	2017 £000
Bank overdraft	-	516
Bank loans	142	145
Debt	142	661
Trade creditors	6	29
Amounts owed to subsidiary undertakings	2,452	1,706
Other creditors	-	3
Other taxation and social security	42	-
Accruals	268	283
	2,910	2,682

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

	2018 £000	2017 £000
Debt - bank loans	2,029	2,166
Amounts owed to subsidiary undertakings	700	700
	2,729	2,866

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C10. Borrowings

	2018 £000	2017 £000
Due within one year		
Bank overdraft	-	516
Bank loan	142	145
	142	661
Non-current		
Bank loan	2,029	2,166
Total borrowings	2,171	2,827
Repayable		
Within one year	142	661
Between one and two years	142	145
Between two and five years	1,887	2,021
	2,171	2,827

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C11. Provisions for Liabilities

Deferred tax

	£000
At 1 October 2017	(68)
Charged to Retained Earnings In The Year	1
Recognised directly in equity	(14)
At 30 September 2018	(53)

Recognised deferred tax assets and liabilities

Deferred taxation provided in the accounts is as follows:

	2018 £000	2017 £000
Accelerated capital allowances	(11)	(12)
Tax benefit on share-based payments	(42)	(56)
	(53)	(68)

Deferred tax assets are disclosed in note C7.

Unrecognised deferred tax

A deferred tax asset of £0.15m (2017: £0.16m) has not been recognised in respect of unrelieved management expenses of £0.83m (2017: £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 £0.11m (2017: £0.14m) 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.

C12. Share Capital

	2018		2017	
	Number	£000	Number	£000
Issued and fully paid				
In issue at the start of the year	12,376,729	1,238	11,958,229	1,196
Allotted under share plans	-	-	418,500	42
In issue at the end of the year	12,376,729	1,238	12,376,729	1,238

During the year no options were exercised (2017: 418,500 at a weighted average option price of 39.7p).

At the year end, 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.

COMPANY NOTES TO THE 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.

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

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 (2017: £Nil).

C15. Related Party Transactions

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

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C16. Financial Commitments

Operating lease commitments

At 30 September 2018 the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, all of which relate to plant & machinery, which fall due as follows:

	2018 £000	2017 £000
Within one year	-	1

Capital commitments

Contracted for but not provided in the accounts amounted to £Nil (2017: £Nil).

C17. Contingent Liabilities

The following security is provided to Barclays Bank plc in respect of the Company's £2.17m term loan facility: (i) a legal charge over the freehold property owned by the Company; (ii) a debenture from the Company; and (iii) a cross guarantee by the Company as guarantor on account of the obligations of each Group company to Barclays Bank plc.

FIVE YEAR SUMMARY

Unaudited information

Summary income statement	**2014 £000**	**2015 £000**	**2016 £000**	**2017 £000**	**2018 £000**
Revenue	16,835	16,265	21,422	22,482	27,979
EBITDA †	987	795	2,014	2,474	2,908
Depreciation, amortisation, share payments	(351)	(504)	(481)	(579)	(664)
Operating profit before exceptional items	636	291	1,533	1,895	2,244
Exceptional items	(319)	545	14	73	(175)
Net finance costs	(22)	(43)	(31)	(54)	(45)
Profit before taxation	295	793	1,516	1,914	2,024
Taxation	-	(99)	(54)	(146)	(253)
Profit for the year	295	694	1,462	1,768	1,771

Summary balance sheet	**2014 £000**	**2015 £000**	**2016 £000**	**2017 £000**	**2018 £000**
Property, plant and equipment	4,909	4,721	5,624	6,851	7,216
Net trading assets	2,418	3,732	3,764	4,348	4,285
Net operating assets	7,327	8,453	9,388	11,199	11,502
Net debt	(1,494)	(2,717)	(2,541)	(2,753)	(1,971)
Provisions	(567)	-	-	-	-
Deferred taxation	(11)	(74)	(25)	28	4
Net assets before pension and intangibles	5,255	5,662	6,822	8,474	9,535
Intangible assets	1,235	1,222	1,194	1,185	1,200
Pension asset net of deferred tax	595	1,103	673	1,062	1,974
Net assets	7,085	7,987	8,689	10,721	12,709

Other information	**2014**	**2015**	**2016**	**2017**	**2018**
EBITDA to sales	5.9%	4.9%	9.4%	11.0%	10.4%
Basic earnings per share	2.50p	5.86p	12.30p	14.40p	14.34p
Dividends per ordinary share	1.55p	1.70p	2.50p	2.70p	2.90p
Net assets per ordinary share	59.8p	67.4p	72.7p	86.6p	102.7p
Net debt / EBITDA	1.51	3.42	1.26	1.11	0.68
Gearing (net debt as a % of total equity)	21.1%	34.0%	29.2%	25.7%	15.5%

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

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 Instinctif Partners, 65 Gresham Street, London EC2V 7NQ on Thursday 21st March 2019 at 12.00 noon for the following purposes:

Routine business

1. To receive the accounts for the year ended 30 September 2018, 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 2018, payable on 29th March 2019 to shareholders on the register at the close of business on 8th March 2019.
3. To re-elect as a director Michael Rusch who retires by rotation, in accordance with the Company's Articles of Association.
4. To re-appoint Chris Buckenham as a director of the Company.
5. To re-appoint Paul Curtis as a director of the Company.
6. 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 7 as an ordinary resolution:

7. That, the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £262,327 provided that this authority shall expire 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 7 as a special resolution:

8. That subject to the passing of resolution 7 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 £123,767 (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.

To consider and if thought fit pass resolution 9 as a special resolution:

9. 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 1,237,673 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;

NOTICE OF MEETING (CONTINUED)

9. (continued)

   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 2020 or on 21 March 2020, 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	Registered office:
Chris Buckenham	Light & Power House, Shire Hill
Secretary	Saffron Walden, CB11 3AQ
18 February 2019	

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him/her. A proxy need not be a member of the Company. In order to be valid, any instrument appointing a proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must be received at Link Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, not less than forty-eight hours before the time fixed for the meeting or of any adjournment of the meeting. A Form of Proxy is attached. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should they subsequently decide to do so.

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

3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the Company as at close of business on 19 March 2019 or, if the meeting is adjourned, in the register of members at close of business on the second day prior to the day of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any such adjournment.

LPA GROUP PLC - FORM OF PROXY

For use at the Annual General Meeting to be held at 12.00 noon on Thursday 21 March 2019 at the offices of Instinctif Partners, 65 Gresham Street, London EC2V 7NQ.

I/We ....

of ....

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

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

Signed ....Dated 2019

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 2018.				
2.	To declare a final dividend of 1.80p per Ordinary Share for the year ended 30 September 2018.				
3.	To re-elect Michael Rusch as a director of the Company.				
4.	To re-appoint Chris Buckenham as a director of the Company.				
5.	To re-appoint Paul Curtis as a director of the Company.				
6.	To re-appoint Grant Thornton UK LLP as auditors and to authorise the directors to fix the auditors' remuneration.				
7.	To authorise the directors to allot shares in the Company pursuant to section 551 of the Companies Act 2006.				
8.	To authorise the directors (pursuant to section 570 of the Companies Act 2006) to allot shares in the Company for cash.				
9.	To authorise the Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.				

LPA GROUP PLC - FORM OF PROXY (CONTINUED)

Notes:

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

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

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

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

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

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

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

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

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

Group Directory

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

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

Engineered component distribution

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

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

LED lighting 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
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