Long Life Reliability
does not cost the earth

LPA Group Plc

Annual Report & Accounts 2020

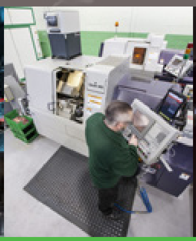
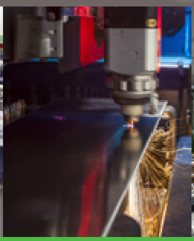
www.lpa-group.com

Manufacturing the future

LPA Group

- Is a market leading designer, manufacturer and supplier of high reliability LED lighting, electronic and electro-mechanical systems, and a distributor of engineered components
- Employs 170 people at three locations in the UK
- Is focussed on rail, aviation, defence, infrastructure and industrial markets
- Has developed a successful export capability and global distribution network. Around a third of turnover is exported to over 50 countries
- Is known for innovating cost-effective engineering solutions (in hostile and challenging applications) to improve product reliability, reduce maintenance and life cycle costs
- Supplies to a wide range of leading organisations including: Airbus, Alstom Transportation, BAA, BAE Systems, Bombardier Transportation, CAF, Compin, CRRC, Downer, EDI, First Group, Heathrow Airport, Hitachi, ITW GSE, Kinki Sharyo, Knorr Bremse, Leonardo, London Underground, Shanghai Pudong Airport, Siemens, SNCF, Stadler, TRSC, Unipart Rail and Wabtec




LPA Group Plc
A brief history

Over 160 years of UK product design and manufacture.

The LPA Group consists of uniquely individual businesses, each offering product innovation, engineering design capabilities and market sector expertise.

www.lpa-group.com

3 brothers set up the company Simmonds Brothers Ltd

1861

Simmonds manufactured marquees, flooring and street furniture including chandeliers

1861

With the invention of the electric light, Simmonds started to design connectors to support this innovation

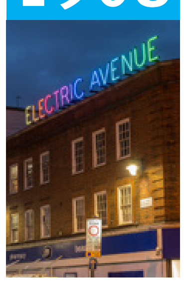
1898

Light and Power Accessories (LPA) was founded by the Lott family in East London

1908

Simmonds was awarded the contract to install the first ever street light in 'Electric Avenue', Brixton

1908

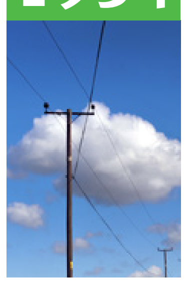


Simmonds trading name changed to Niphan Ltd which is still the brand name of LPA's industrial connector range

1927

LPA designed a range of 'line taps' for N Ireland Electricity Board, for one of the first overhead electricity supply systems

1934

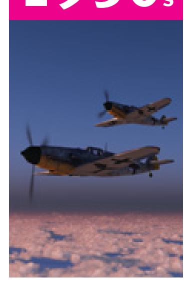


To support the war effort in WW2, the Niphan factory was staffed entirely with women

1940s

The MOD commissioned Niphan to design a range of connectors to supply electrical power to aeroplanes

1950s



Needing more manufacturing space, LPA moved to Saffron Walden, Essex

1960s

LPA secured a flagship rail contract for HST, supplying rolling stock connectors

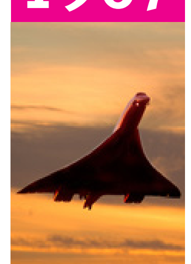
1960s

REM Products (Electrical) Ltd was incorporated. Reselling cable glands and accessories

1961

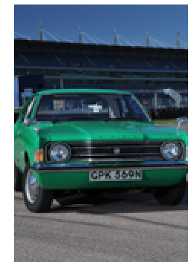
Channel Electric was established to supply specialist electrical inter-connection equipment for Concord

1967



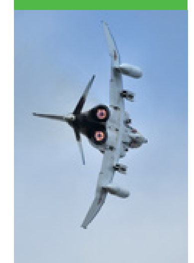
REM expanded into manufacturing and became a public but unquoted company

1967



Haswell Engineers Ltd founded by David Adair. A tool making and power press component manufacturer for the Ford Motor Co

1971

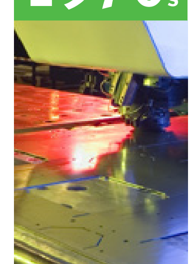


Channel became an approved supplier for many of the UK's military aerospace projects

1970s

Haswell expanded into sheet metal work and was one of the first to use a CNC turret press in the UK

1970s



REM merged to form LPA-REM Electrical Ltd

1976

Haswell continued to be at the forefront of sheet metal work fabrication. Invested in automation and equipment

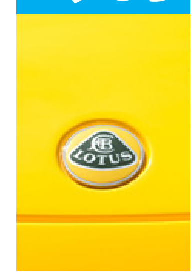
1980s

LPA acquired Niphan Ltd

1981

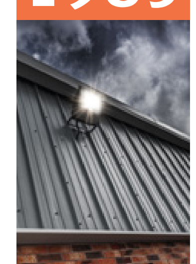
Excil was founded by 2 ex colleagues from Coin Industries. Experts in auto-motive test equipment for Lotus and Luca

1983



Excil relocated to Normanton, Yorkshire. Product range expanded to security lighting and power supplies

1985

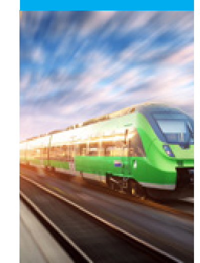


Channel's innovative terminal block product design made it a market leader in the rail sector

1986

Excil was taken over by Telfos (later by Jenbacher Group). Strategic decision to move into the rail market

1990

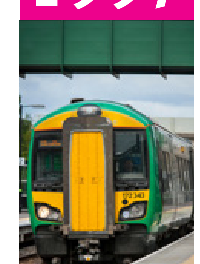


Product innovation continued with Channel supplying high reliability relays to the rail sector

1994

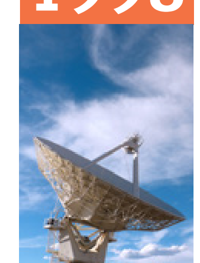
LPA won the first contract for the design and supply of battery rafts for the Turbostar train

1997



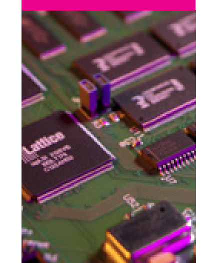
LPA acquired Channel, a component supplier to the aerospace, defence and rail markets

1998



LPA acquired Haswell Engineers Ltd to expand its in-house fabrication capabilities

2000

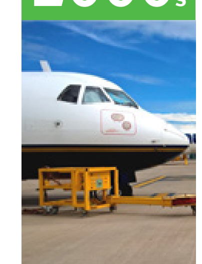


Investing in electronics design expertise, LPA acquired Excil Electronics Ltd

2000

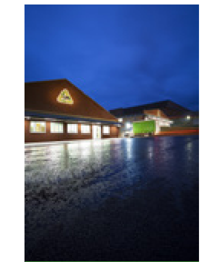
LPA designed and built the 'Crocodile cable carrier'. A new and innovative way of connecting power to aircraft

2000s



LPA was one of the first to supply LED lighting into train interiors - Warahta Sidney

2000s



LPA purchased the first of its two bespoke manufacturing sites, the second one following in 2017

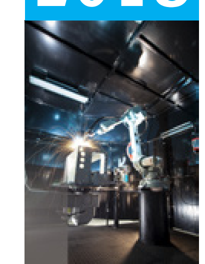
2014

LPA supplied the first passenger USB charging units into UK trains

2015

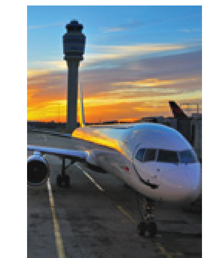
LPA continued to expand its manufacturing capabilities by investing in new machinery and automation

2018



LPA won a major contract to design, manufacture and supply robust electronic control boxes for a new train build project

2018



Product development investment in its new Plane Power aviation product range

2019

Awarded its first export contract to design, manufacture and supply advanced 'at seat' electronics system solution for rail

2020

FINANCIAL HIGHLIGHTS

For the year ended 30 September 2020

	2020 £000	2019 £000
ORDER ENTRY	21,863	27,006
REVENUE	20,711	19,533
UNDERLYING OPERATING PROFIT*	783	204
EXCEPTIONAL COSTS	(131)	(403)
PROFIT/(LOSS) BEFORE TAX	551	(237)
BASIC EARNINGS/(LOSS) PER SHARE	4.82p	(0.43p)
DIVIDENDS PER SHARE	nil	1.10p
GEARING - post IFRS 16 adoption	21.1%	-
- pre IFRS 16	19.6%	19.6%

*Underlying operating profit is stated before share-based payments and exceptional costs

Commentary

In common with our Customers and Suppliers, we have been affected by Covid-19. However, we follow Government guidelines closely, remain open for business, fully utilise the support available in the maintenance of our business and remain more fortunate than many. Thus far our team has suffered very few Covid-19 cases and no fatalities, and led by our Executive, has done a great job in difficult circumstances and delivered a result at least in line with expectations. Cash has been closely controlled and gearing remains unchanged.

However due to further Covid-19 developments, we consider it prudent not to declare a dividend for the Financial year 2020 but to review the situation at the half year announcement June 2021.

Though we were fully prepared for a no deal Brexit, we are delighted that a deal has been done, which will facilitate our continuing success in export markets within the EU and beyond. The Order Book has continued to grow and will be further boosted by very large project awards (subject to contract) during the first quarter, which, together with our strong balance sheet, gives us great confidence of further progress during the current year and in the longer term.

CONTENTS

CHAIRMAN'S STATEMENT

Overview

In my Interim Statement in June 2020, I reported that all three of our sites had remained operational despite the pandemic. I am pleased to report that, thus far, this remains the case and the incidence of Covid-19 infections among our staff has remained very low, with no fatalities. We are following Government guidelines closely and utilise sources of support as widely as possible, and we shall continue to do so.

Our customers and suppliers have suffered and continue to suffer disruption. However, we have a great team, well led by the Executive and they have responded well to the challenges and delivered a result in line with expectations and a significant recovery from last year.

Despite customer delays caused by Covid-19, Sales for the year increased 6.0% to £20.7m (2019: £19.5m). Underlying operating profit increased 284% to £0.78m (2019: £0.20m). Profit before tax amounted to £0.55m (2019: loss £0.24m). Basic earnings per share amounted to 4.82p (2019: loss per share 0.43p). Gearing remained unchanged at 19.6%, increased to 21.1% after adoption of IFRS 16.

Orders entered during the year, like sales, were depressed by the effects of Covid-19, but amounted to £21.9m (2019: £27.0m), however the positive book to bill ratio delivered a 5.4% increase in the closing Order Book to £22.5m (2019: £21.3m). A number of major contracts were delayed and have been awarded to us during the first quarter of the current year, strengthening the ongoing Orders Pipeline (contracts we have been awarded without sufficient delivery information to enable inclusion in the Order Book, or, which remain subject to contract) and the Order book itself.

Though we were fully prepared for a no deal Brexit, we are delighted that a deal has been done, which will facilitate our continuing success in export markets within the EU and beyond.

Dividends

Given the uncertainty due to Covid-19, the Board considered it prudent to cancel the Final Dividend for the year ended 30 September 2019 and not to declare an Interim Dividend in respect of the year ended 30 September 2020 (2019: 1.10p). Circumstances remain extremely uncertain with a further lockdown now in operation. It must be hoped that the Vaccination programme will succeed. However, in such circumstances conserving cash resources to secure the business and to maintain investment in new products and plant and equipment is paramount. The Board believes in a progressive dividend policy and will review this again at the 2021 half year.

Corporate governance

The Group adopted the Quoted Companies Alliance Corporate Governance Code in 2018 and, unless otherwise stated, adheres to it. This provides that the Chairman is responsible for oversight, adoption, and communication of the Group's Corporate Governance Model.

The Group's Annual Report is considered to be a document of record and together with the Group's website www.lpa-group.com, suitable for recording the Group's statements on compliance with the Code. Compliance is reviewed every six months and updated as necessary and appears on pages 20 to 23 of this report and on the website www.lpa-group.com.

Section 172

Major shareholders have been represented on the Board for many years. Thus, the conduct of the board has reflected the long term goals of delivering shareholder value while maintaining and enhancing the reputation of the Group. Involved as the Group is, in long term contracts and exports, good customer relationships have to be long term, and the maintenance of good relations is dependent upon the good conduct of the Group's employees.

The Board also 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 20 of this Annual Report, which is also available together with other information on the Group's website www.lpa-group.com. The Guiding Light, together with our mantra 'Long Life reliability does not cost the earth' has somewhat pre-empted the new focus on Environment, Social Responsibility and Governance. These are factors which have been important to our Corporate Culture for many years.

During the year, the Group has continued to foster a culture which is consistent with the Group's objectives, strategy, and business model, and which recognises the principal risks and uncertainties facing the Group, which are contained in the strategic report on page 13. The Board has long recognised that it is in the Company's shareholders' and employees' best interest that the defined benefit pension scheme should be appropriately funded, thus a voluntary contribution of £100k per year has been made to the scheme to maintain and grow the surplus and the Board has agreed to continue the payment for a further three years. The Board have considered this a prudent approach over the past decade to mitigate levy and associated costs and risks, whilst striving to achieve solvency after full provision and fully satisfy the schemes commitments to cessation.

CHAIRMAN'S STATEMENT (CONTINUED)

Section 172 (continued)

We continue to be committed to a long term capital investment programme with enhanced capabilities and investment in the skills of our workforce. The quality of our facilities, our technology and the skills of our people we believe to be recognised by our customers to be exceptional in the UK.

Shareholders and investors

The Board ensures it is always available to its key stakeholders and works closely with its Brokers to ensure regular and open dialogue.

Board and management

Board members' curriculum vitae and relevant experience are set out on page 28 of the Annual Report and are published on the Group's website www.lpa-group.com.

Michael Rusch retired from the board in June 2020 after more than fifty years' service to the Group.

Following the 2020 AGM, Paul Curtis was appointed Chief Executive Officer (CEO) with effect from 1 April 2020, having successfully completed a period as Chief Operating Officer (COO) from October 2018.

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

Len Porter remains Senior Non-Executive director and Chair of the Audit and Remuneration Committees. He will remain a member of the Audit Committee from 1 April 2021 but will relinquish the Chair, remaining Chair of the Remuneration Committee.

Gordon Wakeford was appointed Non-Executive Director with effect from 1 April 2020 and will assume the Chair of the Audit Committee with effect from 1 April 2021. He is a member of the Remuneration Committee.

On the appointment of Paul Curtis as CEO, I relinquished my main executive responsibilities, although I remain chair of the of LPA Industries Limited Defined Benefit Pension Scheme, an Executive role.

We confirm the appointment of Robert Bodnar-Horvath, as an independent Non-Executive Director and Chair elect to succeed me on my retirement later this year (2021).

Our trading activities continue to be managed independently through local Executive Teams. John Hesketh remains Managing Director of LPA Lighting Systems. In March 2020 Jonathan Rowe was appointed Managing Director of LPA Connection Systems.

Employees

We believe people are the most important asset of any business. During the year we experienced significant challenges through project delays and temporary downturns and the impact of Covid-19, both on business and on the general health and wellbeing of our employees personally. We invested in external support to assess the impacts on our employees mental health while working at home, which we keep under review. We continue to upskill our workforce as we seek to maintain and increase their competitiveness in world markets. We do maintain flexibility through use of agency and temporary contracts, but we have no zero-hour contracts. Covid-19 forced us to closely re-examine again our cost base and organisation and as a consequence a number of positions were made redundant. I should like to thank all our employees, past and present, for their hard work and diligence during this most challenging of years.

Outlook

It would be an understatement to say that the past year has been challenging and it is clear that the immediate future is likely to be similar. However, we are in the fortunate position of having a strong order book, a strong balance sheet, tightly managed cash flow and an executive team which has come of age in the most difficult of circumstances, and delivered. The Company has come through this difficult period and a massive transition of Board and Management remarkably unscathed thus far.

Settling Brexit with a trade deal is very good news. We can continue to do what we do best, satisfying customer requirements at home and in export markets. Covid-19 has changed the transport markets we serve, at least temporarily and perhaps permanently. Happily, we have recognised this, and we are planning for an uncertain future.

Our essential assets are our people, technology and facilities, strong balance sheet and, strong medium term order book which gives us time to adjust to the changed circumstance and the opportunity to benefit from it. I am optimistic about the future for the Group

Peter Pollock
Chairman
25 January 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

Trading results

Despite the worldwide Covid-19 impact to our customer base, and subsequent delays to projects, sales in the year increased 6.0% to £20.7m (2019: £19.5m) with an underlying operating profit of £0.78m (2019: £0.20m) and operating profit of £0.62m (2019: loss £0.20m). Order entry slowed in the second half, as customers adjusted to the Covid-19 challenge, finishing at £21.9m, (2019: £27.0m which was a record year), resulting in an order book of £22.5m (2019: £21.3m).

2020 summary

- Order book increased 5.4% at £22.5m (2019: £21.3m);
- Satisfactory order entry at £21.9m (2019: £27.0m);
- Sales up 6.0% at £20.7m (2019: £19.5m);
- Underlying Operating Profit Increased 284% to £0.78m (2019: £0.20m).

Added Value (a Group KPI) for the year was broadly in line with expectations at 48.6% (2019: 49.3%). Our drive to automate and gain efficiencies across all areas of the business continued throughout the year and was supported by further capital equipment investments and, at year end, a reduction in our workforce of c11%, partially addressing project delays from the market but also reflecting new levels of efficiencies within operations.

Markets

Aviation (aircraft) experienced a significant slowdown in the year as customers looked to delay or cancel their orders. This slowed supply chain requirements significantly and it is envisaged that build rates of our main customers will continue at current levels for the majority of this year, and that any recovery will not impact output until next year.

Aviation (infrastructure) has also seen some Covid-19 related slowdown. However, with many airports taking the opportunity to catch up on maintenance, combined with increased efforts to improve our worldwide presence, distribution network and product offering, the impact has not been as severe as expected and as such this remains a key target area for development over the coming years.

Rail continues to be the Group's main segment representing 77% of sales for the financial year (2019: 69%); aerospace and defence 12% (2019: 16%); other 11% (2019: 15%). Although Covid-19 has affected project timescales, it is envisaged that worldwide investment in this sector will remain, with Rail seen as an essential form of public transport in the new environmentally aware world that has developed. As such, we continue the drive to expand our worldwide presence and product offerings in this segment.

Design and development

The 2020 year saw the launch of our new range of Plane Power connectors, aimed at the aircraft ground power supply market, with initial feedback being favourable. Increased efforts are being focussed in developing this range and associated products with a view to developing both market share and the number of products offered to the sector.

Across the Group we continue the development of our existing product offerings, but are also committed to investigating new technologies, with the aim of strengthening our position in existing markets, as well as creating opportunities in new. The Group has expertise in both electronics and electro-mechanical engineering. New product developments have and are creating expertise in both software and power electronics, and the opportunity to combine and leverage these capabilities in new areas is a focus the Group will be considering as we move forward.

Efforts in shortening product design cycles are ongoing with a view to increasing the quantity of releases brought to market in any given year, a key focus through FY2020. Awareness of how technology is being used by our customer base and how this can be integrated into our products is also a major focus and will ensure our product offering stays current and fit for purpose as market demands change around the world.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Operations

The agility of the Group saw its stiffest test to date with re-schedules and delays imposed almost overnight from many of our customers. Flexing resources, to ensure we maintain the highest levels of service, whilst meeting these fluctuating demands is a challenge, but one we are pleased to have come through to date.

The period also saw several changes in key staff with the addition of a new MD at LPA Connection Systems and the retirement of the GM at LPA Channel Electric. The addition of a new senior sales director, as a combined role between LPA Channel Electric and LPA Connection Systems, plus several other sales and engineering positions in the period, means we enter the new year with arguably the strongest team for quite some time.

Through the year there were several areas identified where vertical integration could enhance Group Added Value. A programme is now underway to implement the necessary actions for this and it is envisaged that benefits will start to filter through in late 2021 and continue thereafter.

Outlook

As we look to move forward, we have a strong orderbook, enhanced resources and capabilities, improved efficiency, and a drive to develop the Group further. There is no doubt that Covid-19 will continue to have an impact throughout the coming year, however, we are confident that medical advances will start to filter through and, as such, opportunities for our customers and ourselves will continue.

Paul Curtis
Chief Executive Officer
25 January 2021

FINANCIAL REVIEW

Trading performance

Revenue in the current year increased by £1.2m (6.0%) to £20.7m (2019: £19.5m) despite continuing delays to rail project activity, heightened by the impacts of Covid-19. Aviation (aircraft) activity slowed dramatically through H2 as a direct consequence of Covid-19, which resulted in order intake for our distribution business falling and sales reducing, this following a strong start to the year. Electro-mechanical had a stronger year and continued to work through its order book, H2 experienced delays driven by customer Covid-19 lock down closures from April 2020, but subsequently customers reopened in the UK and worldwide. Aviation (infrastructure) activity continued through H2 with some maintenance projects accelerated, a result of reduced flights. Lighting Systems had another strong year of project wins and product and market development, which continued into the first quarter of the 2021 financial year. Lighting Systems continues to build for the future, whilst current results lag through project delays as previously announced, combined with a continued shortfall in routine rail refurbishment activity.

Gross margins increased to 22.7% (2019: 22.3%), despite a 0.7% reduction in Added Value reflecting the mix of work towards skilled labour intensive rail projects, offset through cost down activities and labour efficiencies including automation, specifically at our Electro-mechanical site.

In the first half of the year sales increased by 6.8% to £10.8m (2019: £10.1m), delivering an underlying operating profit of £0.2m (2019: £0.2m), up 28.2% on the corresponding period in 2019. The second half delivered sales of £9.9m (2019: £9.4m), up 5.2% on the corresponding period in 2019, down 7.9% on H1 2020 (2019: down 6.4% H2 vs H1) resulting in an underlying operating profit for the year of £0.78m (2019: £0.20m).

Gross profit amounted to £4.7m (2019: £4.4m). Added Value of 48.6% was achieved (2019: 49.3%), a Group KPI. Other operating expenses reduced by 5.3% to £4.4m (2019: £4.7m) - represented by decreased sales and distribution costs of £0.1m, increased administration and overheads net of exceptional costs of £0.1m and exceptional costs of £0.1m (2019: £0.4m inclusive of GMP equalisation recognition). Other operating income of £0.3m (2019: £0.1m) includes Covid-19 Job Retention Scheme ("CJRS") grants, which are not offset against the underlying wage costs during the furlough leave which they supported through H2. Where furlough leave was utilised in the year, staff salaries were paid at the higher of CJRS grants; 80% of salary or statutory rates, whilst employer pension contributions and benefits in kind were maintained by the Group at their full rate. The underlying cost base was reduced following a reorganisation concluded towards year end. The associated £0.1m costs of reorganisation (2019: £0.1m) are detailed within exceptional costs.

Key administration costs and changes comprised pension administration, governance, and defined benefit scheme funding unchanged at £0.2m (2019: £0.2m); loss on disposal of assets £61,000 (2019: £2,000 profit); gain on foreign exchange recognised £50,000 (2019: loss £13,000) and employment costs unchanged at £1.5m (2019: £1.5m) inclusive of £36,000 share-based payment costs (2019: £3,000). No executive bonuses were awarded in the year (2019: £8,000). Other operating income increased to £0.3m (2019: £0.1m), comprising predominantly CJRS grants.

An operating profit of £0.62m (2019: loss £0.20m) was achieved, an improvement of £0.82m year on year. After net finance costs of £0.07m (2019: £0.04m) a profit before tax of £0.55m was recorded (2019: loss £0.24m).

Exceptional costs and non-underlying items

Exceptional costs in the period totalled £0.13m (2019: £0.40m). Key items comprised:

- reorganisation costs of £0.12m (2019: £0.07m) - associated with ongoing cost base reductions across the Group and realignment to address the effects of Covid-19 into 2021;
- £0.01m dual running directors costs associated with the ongoing Board transition (2019: nil).
- 2019: £0.33m (2020: nil) Guaranteed Minimum Pensions (GMP) equalisation recognition in line with the High Court ruling in October 2018, requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under GMP. This is a historical cost which was recognised in the previous financial year as a change in basis, whilst going forward all movements are recognised through the Consolidated Statement of Comprehensive Income alongside all other movements in the Defined Benefit Pension Scheme. Further changes to assumptions relating to GMP, which are not anticipated to be material, including any that are derived from the more recent High Court ruling in November 2020 will be recognised in line with other actuarial movements within the Statement of Consolidated Comprehensive Income.

FINANCIAL REVIEW (CONTINUED)

Finance costs and income

Within finance costs, the interest on borrowings increased by 6.9% to £0.11m (2019: £0.10m), £6,000 of which was attributable to the adoption of IFRS 16. The weighted average interest rate (excluding lease liabilities) reduced from 2.91% to 2.85%, the key driver being the reduction in UK base rate with an overall reduction in term borrowing rates of 0.45% on average.

Finance income, which comprises the net interest income on the pension asset, was £41,000, a reduction of 35.9% (2019: £64,000).

Profit/(loss) before tax, taxation and earnings per share

Profit before tax was £0.55m (2019 Loss: £0.24m) resulting in a tax recovery of £0.04m (2019 recovery: £0.19m). The effective tax rate in the year was 8.0% (2019: -78.0%), with the UK corporation tax rate of 19.0% (2019: 19.0%). The effective tax rate is largely the consequence of tax loss utilisation of 2.0% (2019: 4.6%); qualifying R&D expenditure of 14.2% (2019: 32.9%); prior year R&D expenditure claim increases of 8.9% (2019: 20.7%); exercised share option recognition nil (2019: 8.2%); and defined benefit pension contributions 3.5% (2019: 8.0%). The effective tax rate on the underlying profit was 5.6% (2019: -90.6%). Deferred tax rates provided increased from 17.5% (2019) to 19.0% following cancellation of the anticipated reduction in UK Corporation Tax rates to 17.0%, announced in the March 2020 UK budget.

The profit for the year, after tax, was £0.59m (2019 loss: £0.05m) resulting in basic earnings per share of 4.82p (2019: loss of 0.43p).

Balance sheet

Shareholders' funds increased by £0.23m (1.9%) in the year to £12.55m (2019: £12.32m) giving a net asset value per ordinary share of 99.2p (2019: 97.4p). Net asset value per share (calculated excluding goodwill and the pension asset net of deferred tax) was 77.5p (2019: 73.6p). Net debt increased £0.04m to £2.46m (2019: £2.42m), like for like, with gearing (net debt as a % of total equity) remaining at 19.6% (2019: 19.6%). Inclusive of IFRS 16 leases, net debt increases in total by 9.3%, to £2.65m and gearing 1.5% to 21.1% as the new measure.

Shareholders' funds include Investment in Own Shares (Treasury Shares) at £0.32m including share premium (2019: £0.32m), representing ordinary shares held in the Company by the LPA Group Plc Employee Benefit Trust (EBT).

Intangible assets, which comprise goodwill, capitalised development costs and software purchases, were £1.39m (2019: £1.36m). Goodwill relates to the Group's investment in Excil Electronics and after assessment was unchanged at £1.15m. Capitalised development costs, associated with the development of a new range of ground power connectors for the aviation (infrastructure) sector, Plane Power, and electronic and lighting product developments were £0.10m (2019: £0.12m), including purchased and own labour costs capitalised. £0.29m of previously capitalised and fully amortised developments costs were written off following a review of future revenue opportunities against these technologies, resulting in no effect on the year's results.

Property, plant and equipment as at 30 September 2020, including Right of Use assets, which are now separately reported following adoption of IFRS 16, were £7.0m (2019: £7.0m), of which property made up £4.2m (2019: £4.2m) and plant and equipment £2.8m (2019: £2.8m). Additions in the year were £0.5m (2019: £0.5m) on a comparable basis to 2019 inclusive of assets held on finance leases, including assets capitalised under operating leases following adoption of IFRS 16, £0.6m. Disposals in the year totalled £0.6m with a net book value of £0.07m (2019: £0.04m with a net book value of £1k), including a £0.06m loss taken on disposal of a laser cutting machine. This asset was replaced to achieve significantly enhanced productivity and capabilities to deliver a key work stream for the electro-mechanical site. The depreciation charge increased 6.3% at £0.7m (2019: £0.7m).

The IAS19 actuarial surplus recognised at 30 September 2020 on the Group's closed defined benefit pension arrangement was £1.96m (2019: £2.25m). Changes over the course of the year comprised an income statement credit of £0.04m related to interest (2019: £0.06m). Voluntary employer contributions received from the Company of £0.10m (2019: £0.10m) plus an actuarial loss of £0.43m (2019: gain £0.01m) recognised in the statement of comprehensive income, benefits paid from the scheme totalled £0.51m (2019: £0.51m).

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were 17.2% higher at £5.3m (2019: £4.5m), predominantly because of increased activity.

FINANCIAL REVIEW (CONTINUED)

Cash flow

Net cash inflow from operating activities was £0.8m (2019: £0.7m) made up of a trading cash inflow of £1.5m (2019: £0.9m) an increase in working capital of £0.8m (2019 decrease: £0.1m), 2020 including VAT deferral under the UK Government's Covid-19 assistance programme of £0.14m; tax refunds of £0.13m (2019: payments £0.21m) and defined benefit pension contributions of £0.1m (2019: £0.1m).

Capital expenditure on property, plant and equipment reduced to £0.2m (2019: £0.4m), net of finance lease funding with two key assets acquired in the year:

- a laser cutter at the Electro-mechanical business (£0.35m), replacing an older machine which was disposed of at a loss of £0.06m; and
- a 3D quality scanner at LPA Lighting Systems, with the initial cost reduced through a 10% local authority grant receipt (£0.06m), netted against the asset cost.

Capitalised development expenditure amounted to £0.1m (2019: £0.1m), including expenditure at LPA Connection Systems to develop a new range of aircraft ground power support products and at LPA Lighting Systems, further product developments focussed on Smart Lighting and electronic technologies.

Capital loan repayments of £0.08m were made (2019: £2.2m) which in 2019 included the repayment of term loan and refinance thereof. Repayments in 2020 were reduced with two quarters rescheduled within the existing term of the loan as a precautionary measure, a facility offered by the Group's bank, following the initial Covid-19 lockdown in the UK. Finance lease repayments were £0.3m (2019: £0.2m). Interest payments on borrowings amounted to £0.1m (2019: £0.1m), with a further £0.006m attributable to right of use obligations. Dividend payments were £nil (2019: £0.36m) whilst the Group's dividend policy was paused, a further measure to secure cash reserves through the Covid-19 challenges.

During 2019, £0.08m (2020: nil) was loaned to the Group's Employee Benefit Trust to facilitate the acquisition of LPA Group Plc shares. The transactions associated with the Employee Benefit Trust are consolidated within these accounts. No share options were exercised in 2020. In 2019 £0.11m was received from the exercise of share options. Overall, there was a net decrease in the Group's cash position of £0.04m (2019: decrease of £0.07m).

Treasury

The Group's treasury policy remained unchanged in the year. Further details on the Group's borrowings, financial instruments, and its approach to financial risk management are given in notes 15 and 17 to the Annual Report.

Net debt

The Group's main bank finance, a bank loan drawn down in 2019 at £2.63m, is repayable over 5 years, including a bullet repayment in March 2024 (quarterly repayments calculated on 15 year repayment terms). As at September 2020 the amount outstanding was £2.5m (2019: £2.6m). During the year, two quarterly repayments were rescheduled, by agreement, as a precautionary measure, following the initial UK Covid-19 lockdown. Interest continued to be paid. The capital repayments have been rescheduled across the loan's original term with 14 quarterly repayments now due of £0.06m from October 2020, with the residual balance of £1.82m repayable in March 2024. Interest is payable at base rate plus 2.25%.

All bank covenants are deemed to have been achieved during the year. In 2019, the debt to service covenant was deemed to have been breached, despite acceptance confirmed by the bank and subsequent issue of a formal covenant waiver, following measurement of the covenant on filing of the 2019 Annual Reports. This was deemed to be non-adjusting under IAS 10, and the bank loan was presented as all falling due within one year at 30 September 2019.

In the year £0.36m of new finance lease liabilities were drawn down to fund plant and equipment additions (2019: £0.17m) with interest charged on finance lease obligations of £0.36m (2019: £0.03m) at an average interest rate of 3.9% (2019: 4.0%). In the year additional lease liabilities, previously designated as operating leases, were recognised of £0.16m, with interest applied of £0.06m at an average rate of 3.3%. Interest on the £1.5m (cap) overdraft facility is payable at base rate plus 2.0%. The facility was unutilised as at 30 September 2020 and 2019. The composite interest rate across both borrowings and lease liabilities, as defined following adoption of IFRS 16, was 2.9% (2019: borrowings including finance leases 2.9%).

FINANCIAL REVIEW (CONTINUED)

Covid-19

As a result of the Coronavirus pandemic outbreak (Covid-19), the Group conducted an early assessment on the potential financial and operational risks. The pandemic impacted from the 29 January 2020 leading to the WHO declaring a global health emergency on 30 January 2020. However, whilst little impacted the UK until 28 February 2020, the Board was monitoring the growing risk when the stock markets recorded their worst week since the 2008 financial crisis, following the UK's first confirmed case of Covid-19. The Group postponed its investor event, due to be held on the 18 March 2020 following its 2020 AGM which was held as scheduled. Following the AGM, a Board meeting took place where Pandemic scenarios were considered, and strategy defined.

The Group's Executive met on the 19 March 2020, as scheduled, where an operational plan was actioned, following which the Board issued a Group Pandemic Policy, introducing a range of measures designed to safeguard the employees of the Group, maintain employment, and ensure safe working could be deployed at all sites. Actions introduced, included new flexible working with the use of furlough leave and associated measures, ensuring awareness of advice, ensuring the Group remained compliant to UK Government guidelines and in contact with the relevant Government bodies, including BEISS and the DfT.

Communication protocols were put in place with cross site application, driven by the Board, deployed through the Site's Executive structure. On the 20 March 2020 UK schools closed and lockdown commenced and following the UK Governments message for workers to stay at home, several customers and suppliers closed for a period. Weekly pandemic calls were put in place with the Group Executive, arranged by the Board Executive through to July 2020 to manage and discuss issues arising and ensure the Group adapted to rapidly changing circumstances and requirements. While the Pandemic Policy remains in place, working practices have become the norm and regular review was no longer required, however, the Board continue to monitor actions and impacts and the three sites report these as a key risk to the Group, regular discussion continuing, including further assessment as lockdowns continue and the risk increased.

The Group has seen delays to projects, because of the UK and worldwide lockdowns however to date has been able to adapt to the changes, utilising the UK Governments CJRS grants, supporting furlough leave for staff, keeping operations open throughout and achieving both profitable trading and cash generation in H2 2020. Consequently, whilst project delays have pushed revenues back and that remains a feature with lockdown 3.0 now in place, the Group has not seen any significant impact from the pandemic outside of a downturn in the aerospace sector which has a higher impact on our distribution business. The Group continues to monitor the potential impact on the supply chain as the pandemic remains and the unavailability of staff within the Group, its customers or suppliers remains a key threat. Following enforced changes in working practices, accelerated automation through the introduction of new software, systems and working practices and addressing the short term delays and aerospace downturn, a cost down programme was driven by the Board across all sites which was concluded by 30 September 2020. This reduced the cost base further with a reduction of 21 permanent positions, the cost of which is reflected through exceptional costs in the year. Additionally, several positions have been redefined to ensure the skills and focus remain relevant to our markets and demands.

The Group has a duty of care towards all employees, and we anticipate some absences as our staff are required to self-isolate or recover where the illness is contracted. Slowdown has been evident in quarter one of the 2021 financial year, with knock on effects from earlier in the year a feature and the new aggressive variant of the virus taking hold ahead of the vaccination programme taking effect. We thank all our employees for their commitment and support in these unprecedented times.

BREXIT

The Board continued to consider and assess the impacts of Brexit throughout the year and because the Group is an established importer and exporter both inside and outside of the EU, determined that the impact would be negligible, aside from initial transit delays for goods around 1 January 2021. Ongoing delays and additional management of imported and exported goods are anticipated alongside forex fluctuations, providing opportunities and challenges. The Group anticipated disruption and some additional costs associated, in particular, logistics, tariffs, and forex rates. However, the Group views Brexit as an opportunity as on-shoring has become a focus, also driven by supply issues caused by Covid-19, and UK content now a clear focus for UK Government and OEM's. The Group was delighted that a deal was agreed before 1 January 2021 to confirm trading certainty, mitigate tariffs and minimise disruption.

Chris Buckenham
Chief Financial Officer
25 January 2021

KEY PERFORMANCE INDICATORS

The Group uses the below key performance indicators to assess the progression in its business: factors affecting them are discussed in the Chairman's Statement, the Chief Executive Officers' Review and the Financial Review on pages 3 to 10.

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth increased to 1.06 in the current year (2019: 1.38; 2018: 0.72);
- Order entry (the measure of order intake confirmed) £21.9m (2019: £27.0m; 2018: £20.2m);
- Order book (the measure of opening order book, plus order entry, less sales) resulted at £22.5m (2019: £21.4m; 2018: £13.9m);
- 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 6.0% for the current year (2019: decrease of 30.2%; 2018: increase of 24.5%);
- 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% (2019: 49.3%; 2018: 48.6%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 22.7% in the current year (2019: 22.3%, 2018: 25.4%);
- Underlying Operating Profit, as a measure of return on trading activities, 3.8% of sales (2019: 1.0%; 2018: 8.0%); 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 £0.5m for the current year (2019: inflow of £0.2m; 2018: inflow of £1.6m).

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, electronic systems, electro-mechanical systems and a distributor of engineered components focussed at the market segments of rail, rail infrastructure, aviation, airport infrastructure and defence. These are viewed as stable/growth markets both 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 Group supplies a wide range of leading organisations including: BAA, BAE Systems, Bombardier Transportation, CAF, Compin, CRRC, Downer, First Group, Heathrow Airport, Hitachi, ITW GSE, Kinki Sharyo, Knorr Bremse, Leonardo, London Underground, Shanghai Pudong Airport, Siemens, SNCF, Stadler, Taiwan Rolling Stock Company, Unipart Rail and Wabtec.

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

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

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

- Electro-mechanical: a designer and manufacturer of connection systems for the rail, aircraft ground support and infrastructure markets. It makes up 45% of Group revenues (2019: 39%) and goes to market as LPA Connection Systems. The operation is housed at Light & Power House in Saffron Walden, near Cambridge, a freehold facility that the Group acquired and refurbished in 2014, which also includes the Group's headquarters which is reported as a cost centre in the Company;
- Lighting systems: a designer and manufacturer of LED lighting and electronic systems which contributes 34% of Group revenues (2019: 35%). Marketed as LPA Lighting Systems it serves rail, infrastructure and other industrial markets. The operation is housed at LPA House in Normanton, West Yorkshire, a freehold facility that the Group acquired and refurbished and extended in 2018; and
- Engineered component distribution: which comprises 21% of Group revenues (2019: 26%) derived from the rail and aerospace & defence markets. It has a focus upon high level customer service, is marketed as LPA Channel Electric, located at a freehold premises in Thatcham, Berkshire.

The Group's intention remains to strengthen and broaden its position, within both the UK and worldwide marketplace, through development of customers and distribution networks, and the development/addition of new products to the portfolio and selected acquisitions.

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 Officers' Review and the Financial Review.

The principal risks and uncertainties confronting the Group are set out on page 13 and the key performance indicators used in assessing the progression of the business are set out on page 11.

BUSINESS AND STRATEGY (CONTINUED)

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:

- Covid-19 will remain a risk for the Group as the pandemic continues to evolve through 2021 and potentially beyond. Key risks have been stimulated through lockdowns, which have led to supply chain and customer closures in some cases. Staff availability, within the Group, within its customers and suppliers, remains a key risk. The demand across the aerospace market has seen a significant drop as a direct result of Covid-19, and this has been accommodated in expectations and resourcing for the 2021 year. The Group has remained open throughout 2020 and remains vigilant.
- The Group's sales have a high dependence upon the rail sector, with UK rail forming a substantial part of this. The Group monitors the rail market for advance warning of negative developments; continues to expand 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. The rail market is less affected by Covid-19, despite expectations of reduced passenger rail travel, with committed spend on projects continuing.
- 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. Covid-19 poses challenges to these activities due to a reduced ability to meet with and develop relationships face to face. Revised strategies are being deployed to ensure the Group can maintain its ability to service the UK and worldwide markets through use of virtual platforms and various other forms of IT and media.
- Group activities 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 action to ensure that its cost base remains competitive.
- The Group is exposed to several 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 17 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 is currently in surplus and was closed to future accrual in September 2009.
- The Group believes that Brexit, which completed on 1 January 2021, provides additional opportunities through companies looking to on-shore previously imported products and services. This is mostly being driven by supply chain issues encountered through Covid-19.

The Strategic Report on pages 3 to 13 was approved by the Board on 25 January 2021 and signed on its behalf by:

Paul Curtis
Chief Executive Officer

DIRECTORS' REPORT

The directors present their Annual Report together with the audited financial statements for the year ended 30 September 2020.

Results and dividends

The profit for the year amounted to £0.60m (2019 loss: £0.05m). The directors do not recommend the payment of a final ordinary dividend for 2020 (2019: nil), which together with the interim dividend of nil (2019: 1.10p) makes a total for the year of nil p per share (2019: 1.10p).

Principal activities

The principal activity of the Group continues to be designer, manufacturer and supplier of high reliability, LED based lighting, electronic systems, electro-mechanical systems and a distributor of engineered components. 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 13.

Going concern

A statement regarding the going concern of the business is set out in accounting policies on pages 42 to 43.

Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 30 September 2020 representing three per cent or more of the issued share capital were:

	No. of shares	%
Michael Rusch	960,022	7.58%
Canaccord Genuity Group Inc	834,172	6.59%
Peter Pollock (director)	760,000	6.00%
Rights & Issues Investment Trust Plc	650,000	5.13%
Susan Thynne	578,696	4.57%
Marilyn Porter	535,751	4.23%
Stephen Brett	494,500	3.91%

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 and systems in its market sectors.

Employment policies

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

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

Health, safety and the environment

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

Our Lighting System business is certified under ISO 14001 and continues to be confirmed as carbon neutral. The Group continues to promote long life products which reduces the impact of waste and recycling.

DIRECTORS' REPORT (CONTINUED)

Directors and their interests

The current directors of the Company and brief biographical details are given on page 28. During the year one Director was appointed, on 1 April 2020, and one resigned, on 19 June 2020 (2019: no changes). A statement of their remuneration and interests in the ordinary shares of the Company and share options are set out in the Remuneration Report. The Company has made qualifying third-party indemnity provisions for the benefit of its directors. The Group maintained insurance cover during the year for its Directors and Officers and those of subsidiary companies under a Directors and Officers liability insurance policy against liabilities which may be incurred by them while carrying out their duties. No director had any material interest in any contract with the Group. In accordance with the articles of association Len Porter retires by rotation at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election. Robert Bodnar-Horvath (to be appointed on 1 February 2021) and Gordon Wakeford (appointed 1 April 2020) stand for re-appointment at their first Annual General Meeting.

Directors' responsibilities statement

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare the Group's financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRS) and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 auditor is unaware; and
- the directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

DIRECTORS' REPORT (CONTINUED)

Board composition and responsibility

As of 1 October 2020, the Board comprises two non-executive directors and three executive directors. There is a clear division of responsibility between the non-executive directors, the executive Chairman and the executive.

Both the non-executive directors, Len Porter and Gordon Wakeford, are regarded as independent. The non-executive directors are from varied backgrounds and bring with them a range of skills and experience in commerce and industry. The appointment of a further non-executive director, as Chair elect from 1 February 2021 will reinforce the independent element of the Board and address the forthcoming retirement of Peter Pollock. Directors are judged to have made the necessary time commitment to fulfil their roles which is evaluated through achievement of deadlines, commitments, availability and attendance at meetings as required.

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, both having written terms of reference which are published on the Group's website. These comprise the Board's non-executive directors who served through the year, Len Porter, Chairman of both, Gordon Wakeford (from April 2020) and Michael Rusch (to June 2020).

The Audit Committee 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.

DIRECTORS' REPORT (CONTINUED)

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

All Directors attended all meetings for which they were required to attend during the year:

Year ended 30 September 2020	**Board meetings**	**Audit committee**	**Remuneration committee**	**AGM 2020**
No of meetings	8	4	3	1
Executives:				
P G Pollock	8	n/a	n/a	1
P V Curtis	8	n/a	n/a	1
C J Buckenham	8	n/a	n/a	1
Non-executives:				
L Porter	8	4	3	1
G Wakeford (appointed 01/04/20)	4	1	n/a	n/a
M Rusch (resigned 19/06/20)	7	3	3	1

Attendance at meetings by invitation is not shown.

DIRECTORS' REPORT (CONTINUED)

The principal responsibilities of the Board are to agree overall strategy and investment policy, to approve the annual budget, to monitor the performance of the senior management, and to ensure that there are proper internal financial controls in place. There is a formal schedule of matters reserved for Board approval. The nature and size of the Group ensures that the Board considers all major decisions.

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

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

Internal control

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

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

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

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

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

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

The Group has a system of budgeting, forecasting and reporting which enables the Board to set objectives and monitor performance. A budget is prepared annually, which includes projections for the next two years, for review by the Board. Forecasts are reviewed and re-forecast at least twice annually, rolling forecasts are updated monthly, with interim monthly Flash reporting. 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.

Annual General Meeting

The Annual General Meeting is to be held at 12 noon on Wednesday 17 March 2021 at the offices of LPA Connection Systems, Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ. The Notice of Meeting is set out on pages 93 to 96. Special business includes three resolutions which relate to share capital:

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

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

DIRECTORS' REPORT (CONTINUED)

The Digital Future - shareholder communications

The Group is focussed on open and positive communication with its stakeholders and maintaining appropriate developments in line with its markets.

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

Shareholders are encouraged to familiarise themselves with this announcement which came into effect from the 2020 AGM. Copies are available at https://www.lpa-group.com/investor-information.

Information in other reports

The Company has chosen, in accordance with the Companies Act 2006 s414C(11), to set out in the Chairman's Statement, Financial Review, Strategic Report and Corporate Governance Statement, certain information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Sch. 7 to be contained in the Directors' Report (Financial risk management disclosures are detailed in note 17).

Post balance sheet events

Brexit and the UK's Covid-19 lockdown 3.0 have occurred after the balance sheet date, however the Director's consider both events to have been anticipated and are reflected within these reports.

Auditors

RSM UK Audit LLP were appointed as auditor to the company during the period to fill a casual vacancy. In accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

By order of the Board
Chris Buckenham
Company Secretary
25 January 2021

LPA Group Plc is registered in England No 00686429

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 30 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 28 September 2018, the Group adopted and complies as far as is practicable with the Quoted Company Alliance's Corporate Governance Code (the Code) and where we fall short of full compliance, explain what is required to achieve full compliance. No shortfalls have been identified. This document is an integral part of the Company's Annual Report, which the Board considers to be a 'Document of Record' subject to six monthly reviews, which will be recorded on the Group's website, www.lpa-group.com.

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 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 Strategic Report on pages 3 to 13.

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.

The Executive Directors are responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's strategy for Board approval once approved, executing the strategy.

Principle 2

Seek to understand and meet shareholder needs and expectations

The Group's shareholder base is dominated by founding family shareholders, current and former 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. In recent years the Group has relied upon debt funding.

The founding families are no longer represented on the board.

Investor liaison is the responsibility of the Chairman, supported by the CEO and the CFO.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 2 (continued)

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

The Group's brokers prepare analyses of the Group's performance and make these available to their clients, normally together with their trading expectations.

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 Chairman will endeavour to ensure that founding family shareholders, and other substantial shareholders, are similarly treated.

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

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

Principle 3

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

The Board recognises that our people are our most valuable asset. Staff turnover across the Group remains low. Staff surveys at each of the Group's Sites are undertaken to monitor and engage with our Staff and ensure their needs are being met. Apprenticeships, degree and other courses, support, training, and personal development are offered. At the outset of Covid-19 the board and the executive together prepared a Covid-19 Policy, which was described in the interim report in June and published on the Group website. This has served the Group well thus far.

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

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

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

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

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

Principle 4

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

The Principal Risks and Uncertainties are identified in the Business and Strategy Report, which is included on page 13. 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 CEO and the CFO. The CEO and the CFO include comment on identified changes in risk in their reports to Board Meetings. Internal Controls are detailed in the Directors Report on page 18.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 5

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

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

After a long period of stability, the board continues in transition following the retirement of the long serving Finance Director and the Senior Non-Executive Director in March 2018 and the retirement of The President and Non-Executive Director, Michael Rusch after over fifty years of service to the Group in June 2020 on attaining the age of 75 years.

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 Chief Executive succeeded to the Chair on a part-time basis on 1 October 2018. The Chief Operating Officer, appointed on 1 October 2018, was promoted to Chief Executive Officer with effect from 1 April 2020.

The proposed appointment of an additional non-executive director was completed following the Annual General Meeting in March 2020. The Chairman will retire in September 2021, when he will have reached 75 years of age. An additional NED has been recruited to succeed him as Chair and who will join the board as NED and Chair elect on 1 February 2021. The Board Composition and Responsibility are set out in the Directors Report pages 16 to 17.

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. Recent Board appointments have reinforced this balance, including the appointment of a new Chair elect from 1 February 2021 and a rotation of Committee Chair, with Gordon Wakeford assuming the role of Audit Committee Chair from 1 April 2021.

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

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

This Annual Report, which is included on the website, identifies each Director with their biography, which outline the relevant skills, qualifications and previous roles that each have held. 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.

The Director's achieve this requirements through participation and reporting on activities outside of the Company to develop and maintain their skills. Participation in Continuing Professional Development courses to maintain professional qualifications and development of knowledge; industry and market forums; holding additional NED appointments to broaden knowledge and engagement with bodies including the QCA and The Deloitte Academy are both monitored and actively encouraged. The Group considers this approach compliant in this area to the Code.

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. Adherence to the new and rapidly changing principles of furlough leave and HR consultancy represented the key area of advice for the Company during the year.

Principle 7

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

The board is in a period of development and transition. A new NED and Chair elect, to succeed the current Chair, has been recruited and will join the board on 1 February 2021. New members are proceeding up a steep learning curve and substantial progress has been made. The object is to create a board with the necessary skills and experience to deliver the Group's strategy over the medium term. The maintenance of the board skills matrix will assist in this process having been developed in the year and forming the basis of the Board rejuvenation process and recruitment, the skills and qualities of the Board have been assessed to ensure the recruitment process targeted those which would be lost through retirements and those the Company required for the future. A full assessment of the current and future Board skill sets has been undertaken by the Chairman who has concluded these to be adequate and aligned with the Group's requirements. The Group considers this approach compliant to the Code.

As described in the Directors Report, Board Composition and Responsibility on pages 16 to 17, the Directors are adjudged to have performed at least as expected and individual performances reviewed accordingly.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

Principle 9

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

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

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

The Directors' Report on pages 16 to 17 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 ("RNS") for announcements and the timely posting of all such announcements on the Group website appropriate communication and reporting structures exist between the Group and all constituent parts of the shareholder base.

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

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

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

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

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

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

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

Peter Pollock
Chairman
25 January 2021

AUDIT COMMITTEE REPORT

The Audit Committee monitors the integrity of financial statements, oversees risk management and control, monitors the effectiveness of internal controls and reviews external auditor independence.

Len Porter is Chairman of the Audit Committee which normally meets three times a year. The Committee exists to scrutinise and clarify any qualifications, recommendations and observations within the audited accounts and report of the Company's auditor. When satisfied, the Committee presents the audited accounts and report to the Company's Board and reviews the effectiveness of resultant corrective and preventative measures.

In performing this function, the key duties of the Committee are to:

- Monitor the integrity of the financial statements of the Group and any formal announcement relating to its financial performance;
- With regards to financial reporting, review and challenge the consistency of accounting policies, the use of accounting methods over alternatives, whether the Group has followed appropriate accounting standards, the clarity of disclosure, and all material information relating to the audit and risk management;
- Monitor the adequacy and effectiveness of the Group's internal financial controls, including the internal control and risk management systems. The Group's key risks are reviewed at each meeting of the Board whilst a continuous oversight of internal controls and risk management is applied by the CFO who reports any key findings or concerns to the Audit Committee, these including six monthly site visits to ensure sound systems of internal control and risk management are in place. All governance issues or unexpected outcomes are brought to the attention of the Board;
- Ensure that the Group's arrangements for its employees and contractors to confidentially raise concerns about possible wrongdoing allow proportionate and independent investigation and appropriate follow up action;
- Consider the need to implement an internal audit function;
- Make recommendations to the Board and the Company's shareholders regarding the appointment, re-appointment, and removal of the Company's external auditor. It ensures that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor;
- Oversee the Company's relationship with the external auditor.

Len Porter
Senior Non-Executive Director
25 January 2021

REMUNERATION REPORT

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

UNAUDITED INFORMATION

Remuneration policy

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

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

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

Executive directors are entitled to accept appointments outside the Company, providing that the Senior Non-Executive Directors' permission is granted.

Executive directors' remuneration and terms of appointment

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

Peter Pollock has a service contract dated 19 January 2007 (amended 3 October 2018, updated 25 March 2019 consolidating all previous amendments), with a rolling notice period of six months and which provides that employment under the agreement will automatically terminate on 6 September 2021. As at 1 January 2021 Peter Pollock's annual (part time) salary was £65,564, (as at April 2020 £63,654, reduced from £127,308 at January 2020) and he is entitled to the provision of a car allowance, car insurance and private health insurance. On transition of the COO to CEO on 1 April 2020, his contract provided for a further reduction in salary and working hours. Entitlement under the Company's share and discretionary bonus schemes ceased from 1 October 2019.

Paul Curtis has a service contract dated 26 September 2018, amended 24 March 2020 to reflect his appointment as CEO, with a notice period of 6 months. As at 1 January 2021 his annual salary was £193,325. (as at April 2020 £185,000, increased from £153,831 at January 2020), he receives 10% employer pension contributions to the Group's defined contribution scheme, private health insurance and he is entitled to the provision of a car, or car allowance, break down cover and 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 2021 his annual salary was £151,341 (January 2020: £140,039) 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.

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.

Len Porter (senior non-executive director) has a term of office, as set out in his letter of re-appointment dated 18 March 2020, which expires on 31 December 2021. As at 1 January 2021 he receives fees of £38,246 per annum (January 2020: £37,132).

Gordon Wakeford (non-executive director) has a term of office, as set out in his letter of appointment dated 3 February 2020), which expires at the conclusion of the Company's Annual General Meeting to be held in the spring of 2023. As at 1 January 2021 he receives fees of £32,960 per annum (April 2020: £32,000).

Michael Rush (non-executive director to 19 June 2020) received fees of £31,531 per annum (January 2019: £30,612 per annum) and was entitled to a car allowance, private health care and home phone reimbursement.

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	LTIP* £000	Pension £000	Total 2020 £000	Total 2019 £000
Peter Pollock	95	-	27	4	-	126	150
Paul Curtis	168	-	14	12	21	215	183
Chris Buckenham	139	-	9	11	16	175	160
Executives	402	-	50	27	37	516	493
Len Porter	37	-	-	-	-	37	36
Gordon Wakeford (from April 20)	16	-	-	-	-	16	-
Michael Rusch (to June 20)	23	-	15	-	-	38	52
Non-executives	76	-	15	-	-	91	88
Total	478	-	65	27	37	607	581

*LTIP: Relates to the valuation attributed to the Directors share option awards under the PSP 2018 Scheme, in the current and past years calculated by reference to the Black Scholes model.

Directors' pension arrangements

During the year ending 30 September 2020 Peter Pollock and Michael Rusch were in receipt of a pension from the LPA Industries Limited Pension Scheme: no future pension benefits are being accrued. Paul Curtis and Chris Buckenham received employer contributions to the Group's defined contribution scheme under a salary sacrifice arrangement.

Directors' shareholdings

Shareholdings of those serving at 30 September 2020:

	Number of ordinary shares	
	30 September 2020	30 September 2019
Peter Pollock	760,000	760,000
Paul Curtis	38,300	38,300
Len Porter	25,000	25,000
Gordon Wakeford	15,000	-
Chris Buckenham	10,000	5,000
	848,300	828,300

During the year Chris Buckenham acquired 5,000 and Gordon Wakeford 15,000 Ordinary Shares in the Company (2019: nil).

REMUNERATION REPORT (CONTINUED)

Directors' interests in share options

The Company operates a share option scheme, the Performance Share Plan 2018 (PSP 2018) which was established during 2018. An Employee Benefit Trust (EBT) was established in 2018 and is operated through a third-party trustee. The objective of the EBT is to benefit the Group's employees and in particular, to provide a mechanism to satisfy share option exercises and reduce dilution for shareholders. Requests made to the EBT trustee are approved by the Remuneration Committee. Details of the share option schemes in operation during the year are given in note 20.

	Date of grant	Option price (p)	Earliest exercise date	Latest exercise date	At 30 September 2020	At 30 September 2019
Peter Pollock						
2007 Scheme	Jul 2007	36.00	31 Jul 2010	∞7 Feb 2022	540,000	540,000
2007 Scheme	Apr 2011	32.00	1 Apr 2014	31 Mar 2021	100,000	100,000
2007 Scheme	Feb 2012	49.00	8 Feb 2015	7 Feb 2022	150,000	150,000
2018 Scheme	Aug 2018	104.80	2 Aug 2021	1 Aug 2028	30,000	30,000
					820,000	820,000
Paul Curtis						
2018 Scheme	Aug 2018	104.80	2 Aug 2021	1 Aug 2028	60,000	60,000
2018 Scheme	Feb 2020	109.33	20 Feb 2023	19 Feb 2030	50,000	-
2018 Scheme	Jul 2020	63.17	23 Jul 2023	22 Jul 2030	30,000	-
					140,000	60,000
Chris Buckenham						
2018 Scheme	Aug 2018	104.80	2 Aug 2021	1 Aug 2028	60,000	60,000
2018 Scheme	Feb 2020	109.33	20 Feb 2023	19 Feb 2030	40,000	-
2018 Scheme	Jul 2020	63.17	23 Jul 2023	22 Jul 2030	25,000	-
					125,000	60,000
					1,085,000	940,000

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

During the year 145,000 share options were awarded to Directors over two separate awards at an exercise price equivalent to the previous three day average market price prior to the date of award, representing a composite average exercise price of 0.92p (2019: nil).

Len Porter
Senior Non-Executive Director
25 January 2021

COMPANY INFORMATION

Directors

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

Paul Curtis - Chief Executive Officer (CEO), born 1972, joined Channel Electric Equipment Ltd ("LPA Channel Electric"), LPA's highly successful distribution and manufacturing business, as an apprentice in September 1988 and achieved an MBA. He has fulfilled engineering and sales management roles during his career. He served as Sales and Marketing Director of LPA Connection Systems from 2007 to 2010, before returning to LPA Channel as Managing Director, when he became a member of the Group Executive, reporting to the Group Chief Executive. Following his appointment to Chief Operating Officer on 1 October 2018 and a period as acting Managing Director of LPA Connection Systems, he was appointed Group Chief Executive on 1 April 2020.

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

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

Gordon Wakeford - Non-Executive Director born June 1962, formerly Chief Executive Officer of Siemens Mobility Limited UK, joined the board as a Non-Executive Director with effect from 1 April 2020. He holds a First Class Honours Degree in Mechanical Engineering, is a Chartered Engineer and Fellow of the Chartered Institute of Highways and Transportation. He is highly experienced, having worked at very senior levels within industry and with Government. He is a former Chairman of the Railway Industry Association and Chair of the Rail Supply Group. He was a member of the National College for High Speed Rail Industrial Advisory Board and the CBI Manufacturing Council. He is member of the Board's Audit and Remuneration Committees and will assume the role of Chair of the Audit Committee from 1 April 2021.

COMPANY INFORMATION (CONTINUED)

Company contacts

Directors	Peter Pollock	Chairman
	Paul Curtis	CEO
	Chris Buckenham	CFO
	Len Porter	Senior NED
	Gordon Wakeford	NED

Secretary Chris Buckenham

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

Registered number 00686429

Website www.lpa-group.com

Nominated adviser
Cairn Financial Advisers LLP
62-63 Cheapside
London
EC2V 6AX

Auditors
RSM UK Audit LLP
2nd Floor, North Wing East
City House, Hills Road
Cambridge
CB2 1RE

Registrars
Link Asset Services
65 Gresham Street
London
EC2V 7NQ

Broker
finnCap
1 Bartholomew Close
London
EC1A 7BL

Bankers
Barclays Bank Plc
PO Box 885
Mortlock House
Vision Park, Histon
Cambridge
CB24 9DE

Solicitors
Eversheds Sutherland (International) LLP
115 Colmore Row
Birmingham
B3 3AL

Trading subsidiaries

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

Trading addresses:

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

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

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

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

GROUP FINANCIAL STATEMENTS

Independent auditor's report to the members of LPA Group Plc

Opinion

We have audited the financial statements of LPA Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated Cash Flow Statement 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT (CONT)

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Valuation of inventory **Parent Company** • No key audit matters were identified
Materiality	**Group** • Overall materiality: £208,000 (2019: £196,000) • Performance materiality: £156,000 (2019: £147,000) **Parent Company** • Overall materiality: £60,000 (2019: £156,000) • Performance materiality: £45,000 (2019: £117,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT (CONT)

Revenue recognition

Key audit matter description	The Group's revenue contracts involve the design, manufacture and supply of various products. There is management judgement required to determine the performance obligations in the contracts, the allocation of revenue to each of these obligations and ensuring that income is appropriately recognised in line with the requirements of IFRS 15.
How the matter was addressed in the audit	We reviewed and challenged management's assessment of the performance obligations identified for a sample of contracts and ensured that income was appropriately allocated to each of the performance obligations. The main judgement was whether the design/engineering stage should be a separate performance obligation or whether there is only one performance obligation for a contract in relation to the supply of products. We then performed cut-off testing and substantive testing procedures to validate that the revenue recognised in the year was in line with the contractual terms and IFRS 15 requirements. We also considered the adequacy of the Group's revenue recognition accounting policy as disclosed in note 1M and the key judgement disclosure in relation to revenue recognition in note 1Q.

Valuation of inventory

Key audit matter description	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. There is management judgement involved in the calculation of the overhead rates to be absorbed and the provision of slow moving or obsolete inventory.
How the matter was addressed in the audit	We performed substantive testing over a sample of inventory items, verifying costs to supporting documentation and ensuring a suitable allocation of labour and overheads. We reviewed and tested the year-end inventory provisioning calculations prepared by management, including their arithmetic integrity. We have challenged management on the assumptions adopted within the provisioning calculations. We performed testing to ensure that the valuation of inventory is stated at the lower of cost and net realisable value by comparing the sales value of the products to their actual cost. We also considered the adequacy of the Group's inventory accounting policy as disclosed in note 1J and the disclosures in relation to inventory provisions in note 1Q and note 12.

INDEPENDENT AUDITOR'S REPORT (CONT)

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£208,000 (2019: £196,000)	£60,000 (2019: £156,000)
Basis for determining overall materiality	1% of revenue (2019: 1% of revenue)	1.8% of net assets (2019: 2% of total assets)
Rationale for benchmark applied	Revenue was chosen as the Group monitors revenue-based metrics in its key performance indicators.	Net assets was chosen as the entity is a non-trading holding company.
Performance materiality	£156,000 (2019: £147,000)	£45,000 (2019: £117,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £10,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £3,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	5	100%	100%	100%
Specific audit procedures	0	0%	0%	0%
Total	**5**	**100%**	**100%**	**100%**

All component audits were performed by RSM UK Audit LLP.

INDEPENDENT AUDITOR'S REPORT (CONT)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, 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.

INDEPENDENT AUDITOR'S REPORT (CONT)

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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Neil Stephenson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP
Statutory Auditor Chartered Accountants
2nd Floor, North Wing East
City House, Hills Road
Cambridge
CB2 1RE

25 January 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2020

	Note	2020 £000	2019 £000
Continuing operations			
Revenue	2	20,711	19,533
Cost of sales		(16,017)	(15,174)
Gross profit		4,694	4,359
Distribution costs		(1,514)	(1,588)
Administrative expenses		(2,897)	(3,070)
Other operating income	6	333	97
Underlying operating profit		783	204
Share-based payments	20	(36)	(3)
Exceptional costs	6	(131)	(403)
Operating profit/(loss)		616	(202)
Finance income	4	41	64
Finance costs	5	(106)	(99)
Profit/(loss) before tax	6	551	(237)
Taxation	7	44	185
Profit/(loss) for the year		595	(52)
Attributable to:			
- Equity holders of the parent		595	(52)
Earnings/(loss) per share	8		
Basic		4.82p	(0.43p)
Diluted		4.65p	(0.43p)

The notes on pages 42 to 80 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2020

	Note	2020 £000	2019 £000
Profit/(loss) for the year		595	(52)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain on pension scheme	21	(427)	10
Deferred tax on actuarial (loss)/gain	18	28	(7)
Other comprehensive income net of tax		(399)	3
Total comprehensive income for the year		196	(49)
Attributable to:			
- Equity holders of the parent		196	(49)

The notes on pages 42 to 80 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 September 2020

Company number: 00686429

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets	9	1,386	1,359
Tangible assets	10	5,546	7,006
Right of use assets	11	1,438	-
Retirement benefits	21	1,964	2,250
		10,334	10,615
Current assets			
Inventories	12	3,968	3,824
Trade and other receivables	13	5,447	4,437
Currenttax receivable		30	59
Cash and cash equivalents		845	889
		10,290	9,209
Total assets		20,624	19,824
Current liabilities			
Bank loan	15	(188)	(2,585)
Lease liabilities	16	(406)	(220)
Trade and other payables	14	(4,193)	(3,839)
		(4,787)	(6,644)
Non-current liabilities			
Bank loan	15	(2,313)	-
Lease liabilities	16	(584)	(504)
Deferred tax liabilities	18	(389)	(352)
		(3,286)	(856)
Total liabilities		(8,073)	(7,500)
Net assets		12,551	12,324
Equity			
Share capital	19	1,266	1,266
Investment in own shares	19	(324)	(324)
Share premium account	19	708	708
Share-based payment reserve	19	118	82
Merger reserve	19	230	230
Retained earnings	19	10,553	10,362
Equity attributable to shareholders of the parent		12,551	12,324

The notes on pages 42 to 80 form an integral part of these financial statements. IFRS 16 has been applied for the year ended September 2020 on a modified retrospective basis - see Note 1D.

The financial statements were approved by the Board on 25 January 2021 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 2020

2020	Share capital £000	Investment in own shares £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 October 2019	1,266	(324)	708	82	230	10,362	12,324
Profit for the year	-	-	-	-	-	595	595
Actuarial (loss) on pension scheme (net of tax)	-	-	-	-	-	(399)	(399)
Total comprehensive income	-	-	-	-	-	196	196
Share-based payments	-	-	-	36	-	-	36
Tax benefits on share-based payments	-	-	-	-	-	(5)	(5)
Transactions with owners	-	-	-	36	-	(5)	31
At 30 September 2020	1,266	(324)	708	118	230	10,553	12,551

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

The notes on pages 42 to 80 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2020

	2020 £000	2019 £000
Profit/(loss) before tax	551	(237)
Finance costs	106	99
Finance income	(41)	(64)
Operating profit/(loss)	616	(202)
Adjustments for:		
Amortisation of intangible assets	95	48
Depreciation of tangible assets	494	693
Depreciation of right of use assets	241	-
Loss/(profit) on sale of property, plant and equipment	61	(2)
Past service cost liability recognition (GMP)	-	333
Equity settled share-based payments	36	-
Operating cash flow before movements in working capital	1,543	870
Movements in working capital:		
(Increase)/decrease in inventories	(144)	57
(Increase)/decrease in trade and other receivables	(902)	1,102
Increase/(decrease) in trade and other payables	245	(1,059)
Cash generated from operations	742	970
Income taxes received/(paid)	131	(210)
Defined benefit pension contributions	(100)	(100)
Net cash inflow from operating activities	773	660
Purchase of property, plant and equipment and software	(172)	(399)
Proceeds from sale of property, plant and equipment	6	3
Expenditure on capitalised development costs	(100)	(124)
Purchase of own shares	-	(110)
Net cash outflow from investing activities	(266)	(630)
Drawdown of bank loans	-	2,626
Repayment of bank loans	(84)	(2,242)
Principal elements of lease liabilities	(367)	(201)
Interest paid	(100)	(31)
Proceeds from issue of share capital	-	108
Dividends paid	-	(357)
Net cash outflow from financing activities	(551)	(97)
Net (decrease) in cash and cash equivalents	(44)	(67)
Cash and cash equivalents at start of the year	889	956
Cash and cash equivalents at end of the year	845	889

Reconciliation of cash and cash equivalents

	2020 £000	2019 £000
Cash and cash equivalents in current assets	845	889
Cash and cash equivalents at end of the year	845	889

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 30 September 2020

Net debt

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

	Bank loans £000	Lease liabilities £000	Cash and cash equivalents £000	Net debt £000
At 1 October 2019	2,585	724	(889)	2,420
Adoption of IFRS 16 October 2019 - note 1D	-	157	-	157
New lease obligations	-	470	-	470
Interest costs	68	38	-	106
Repayment of borrowings/lease liabilities	(152)	(399)	551	-
Other cash (generated)	-	-	(507)	(507)
At 30 September 2020	2,501	990	(845)	2,646

	Bank loans £000	Lease liabilities £000	Cash and cash equivalents £000	Net debt £000
At 1 October 2018	2,170	757	(956)	1,971
New finance lease obligations	-	131	-	131
Drawdown of bank loan	2,626	-	(2,626)	-
Interest costs	69	30	-	99
Repayment of borrowings/lease liabilities	(2,280)	(194)	2,474	-
Other cash absorbed	-	-	219	219
At 30 September 2019	2,585	724	(889)	2,420

The notes on pages 42 to 80 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

1. Accounting Policies

A. General information

LPA Group Plc (the "Company") is a public company incorporated, domiciled and registered in England and Wales. The Company's registered number is 00686433 and its registered office address is Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK. The Company operates through its subsidiary trading entities from three locations in the UK as detailed on page 29.

B. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (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 and presentational currency), rounded to the nearest thousand (£000).

C. Going concern including Covid-19 impact assessment

The Group's business activities and the factors likely to affect its future performance are set out in the Strategic Report (which comprises information about LPA's Business and Strategy, the Chairman's Statement, the Chief Executive Officer's Review, the Financial Review, Key Performance Indicators and Principal Risks and Uncertainties) on pages 3 to 13. 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 17.

In assessing going concern the directors note that whilst current economic conditions create uncertainty, with a particular focus on the Covid-19 pandemic 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. Therefore, the directors believe that it is well placed to manage its business risks successfully.

Covid-19 impacted the Group from March 2020 onwards as the UK and worldwide lockdowns were imposed. Consequently, several customers and suppliers were forced to pause operations, freight routes reduced as the airfreight market shrunk and many businesses paused to understand and deploy Covid-19 working practices. The Group suffered some delays within the supply chain; however, these were managed with resourcing, communication, and forward purchases. Limited costs were incurred through additional transport and onshoring requirements, whilst considerable management time was devoted to managing the rapidly evolving environment, maintaining all sites open and ensuring the safety and wellbeing of all our employees. Customer closures around the world resulted in delays to projects and subsequently required the Group to utilise Furlough leave and claim the UK Governments Job Retention Scheme Grants (CJRS). Worldwide, all customers had reopened by July 2020 and it is expected they will remain so now Covid-19 working is understood and despite further lockdowns into 2021. Whilst additional challenges and delays are anticipated into 2021, the directors have assessed these and sensitised forecasts accordingly, including a downgrade in expected aerospace activity.

Rail projects continue to be awarded, but with delays. The ongoing Covid-19 lockdown and worldwide impacts from the pandemic are not anticipated to have any further significant impacts as manufacturing and supply chains, on the whole, remain operational.

Staff availability within the Group, suppliers and customers is anticipated to provide the largest risk to trading, not least with accelerated infection rates, however, these are expected to be short term and as such the directors are satisfied the forecasts are achievable and the risk mitigated.

The continuance of the UK's CJRS scheme (to at least 31 March 2021) provides further support to manage resources through workflow fluctuation and was not anticipated in the sensitised forecasts as the scheme was due to cease on 30 October 2020.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

C. Going concern including Covid-19 impact assessment (continued)

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

D. Changes in accounting policy

For the purpose of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 October 2019. The only new standard which has a significant impact on the reported results is International Financial Reporting Standard (IFRS) 16 Leases.

Leases

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

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

The Group adopted the requirements of IFRS 16 for the first time during the year. As a result, a balance sheet asset and corresponding obligation relating to its use of assets classified under IFRS 16 are recognised on the Balance Sheet. The Group has not applied IFRS 16 to its commitments under operating leases on certain low value assets if classed below the de-minimus value of $5,000. Following the adoption of IFRS 16 the Group has used the practical expedients in applying a single discount rate to a portfolio of leases with reasonably similar characteristics and not reassessing at 1 October 2019 whether a contract is or contains a lease.

Rental payments made under leases are accounted for as repayments of the balance sheet liability, which includes an implied interest element, and the asset recognised is depreciated over the remaining lease term on a straight line basis. The Group has adopted the modified approach to transition where the initial asset values are equal to the present value of the future lease payments as at the date of transition, 1 October 2019 with no adjustment to comparatives or reserves.

This resulted in all existing leases, within the scope of IFRS 16, being capitalised over their remaining lives, as if they had just been entered into, and the Group's accounts reflect a higher interest charge of £6,000 following adoption. On transition the opening balance sheet position for 2019 has been adjusted with a transfer in of £0.16m of RofU assets and a corresponding lease liability.

The effect on the Group's net profit before tax for 2020 is not material, as detailed on page 44, with the pre IFRS 16 rental charge being replaced by depreciation and interest. There was no net effect to the Net Assets at 1 October 2019, however the impact through the Balance Sheet and to net debt is detailed below. Depreciation has been charged on a straight-line basis; however, interest is charged on the outstanding lease commitment by reference to the implied liabilities and is therefore be higher in the earlier years and will decrease over time. The transition to IFRS 16 has no effect on cash flows. The incremental borrowing rate used to determine the liability is dependent on the type of asset and length of agreement. During the year, the average Right of Use interest rate relating to Operating Leases was 3.3% (2019: nil), comparing with the average interest rate on finance leases in the year of 4.3% (2019: 4.5%).

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

D. Changes in accounting policy (continued)

Leases (continued)

The effects of the transition on the Group's reporting to 30 September 2020 are summarised below:

	2019 £000
Operating lease commitments disclosed at 30 September 2019	191
Discounted using the lessee's incremental borrowing rate at the date of initial application	(12)
(Less) short term, low value and service elements to leases not recognised as a liability under IFRS 16	(22)
Lease liability recognised as at 1 October 2019	157
Of which are:	
Current lease liabilities at 1 October 2019	74
Non-current lease liabilities at 1 October 2019	83
	157

	2020 £000
Reduction in operating lease costs	91
Additional depreciation charge	(87)
Effect on operating profit	4
Additional interest charge	(6)
Effect on profit before tax	(2)

NOTES TO THE FINANCIAL STATEMENTS

1. **Accounting policies (continued)**

D. Changes in accounting policy (continued)

Leases (continued)

The effect on the Group's balance sheet as at 1 October 2019 is summarised as follows:

	2019
	£000
Non-current assets as reported	10,615
Right of use assets introduced	157
Non-current assets including RofU	10,772
Current assets as reported (unchanged)	9,209
Total assets including RofU	19,981
Total liabilities as reported	7,500
Lease liabilities introduced	(157)
Total liabilities including lease liabilities	(7,657)
Net assets reported as at 30 September 2019	12,324
Net assets as at 1 October 2019 after adoption of IFRS 16	12,324
Change after adoption of IFRS 16	-

Right of use assets are detailed in note 11. Lease liabilities are detailed in note 16. Right of use assets are separately identified on the balance sheet and include a transfer from tangible fixed assets at 1 October 2019 of assets held under finance leases.

The effect on the Group's debt as at 1 October 2019 was as follows:

	2019
	£000
Borrowings as reported 30 September 2019	3,309
Lease liabilities introduced 1 October 2019	157
Borrowings including lease liabilities as at 1 October 2019	3,466

Finance lease commitments at 1 October 2019 are transferred from borrowings to Lease Liabilities, the associated assets shown as a transfer from tangible fixed assets to right of use assets together with the accumulated depreciation (see notes 10 & 11).

New accounting standards and interpretations not yet adopted

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 October 2020, or later periods, have been adopted early.

The new standards and interpretations are not expected to have any significant impact on the financial statements when applied.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

E. Operating leases

Low value leases (less than $5,000) and leases of less than one year are recognised on a straight-line basis over the lease term.

In the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. Leases were classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases were expensed in profit or loss on a straight-line basis over the lease term.

F. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and both its subsidiaries and the Employee Benefit Trust ("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.

G. 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.

1. Accounting policies (continued)

G. Intangible assets (continued)

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 up to 3 years.

Software

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

Software	25% - 33%

Amortisation has been expensed within administration costs. Subsequent expenditure on the maintenance of computer software is expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement within other profit or loss.

H. Property, plant and equipment

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

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

Residual values are reviewed annually.

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

I. 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.

.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

J. 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. Net realisable value is based on estimated selling price less further costs expected to be incurred through to disposal. Provision is made for obsolete, slow-moving and defective items.

K. Financial instruments

Classification and measurement of financial assets

All financial assets are classified as either those which are measured at fair value through profit or loss or Other Comprehensive Income, and those measured at amortised cost.

Financial assets are initially recognised at fair value. For those which are not subsequently measured at fair value through profit or loss, this includes directly attributable transaction costs. Trade and other receivables and cash and cash equivalents are subsequently measured at amortised cost.

Recognition and derecognition of financial assets

Financial assets are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

For trade and other receivables, the simplified approach permitted under IFRS 9 is applied. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable.

Trade and other receivables

Trade receivables and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment. The carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the Income Statement. For trade receivables, the carrying amount is reduced by the expected lifetime losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement.

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.

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, borrowings, and lease liabilities.

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

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

Derivative financial instruments

Derivative financial instruments, comprising foreign exchange contracts, are used by the Group in the management of its foreign currency exposures. As hedge accounting is not applied, outstanding foreign exchange contracts are fair valued at each reporting date and recognised in other receivables or payables with movements in fair values being recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1. Accounting policies (continued)

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. Revenue

IFRS 15 (Revenue from Contracts with Customers) requires that in the normal course, revenues arise from the sale, refurbishment, repair or installation of products, excluding value added tax, trade or volume discounts, or values related to future performance obligations. Product sales value include, design and engineering, Non-Recurring Costs (NRC's), accreditation, test and specific tooling related to the supply. Depending on the nature of a contract these can have one or more performance obligations which are recognised either at a point in time or over time depending on the nature of the performance obligation. On occasion, particularly in respect of complex or large contracts, customers may require NRC's to be a specific deliverable to exclude these costs being embedded in the price of subsequent product orders or to utilise the outputs in their design or accreditation procedures.

The nature of large procurement contracts is evolving. Some are increasing in scope to include a broader responsibility, for product interfaces and compliance.

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

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

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or providing services to its customers. At the point of recognising revenue, the Group also recognises contract liabilities in respect of unsatisfied performance obligations that have been invoiced and reports these amounts as deferred income. Similarly, if the Group satisfies a performance obligation before it invoiced the customer, the Group recognises the asset within accrued income. Revenue is not recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods. See also Note 1Q.

N. 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 or offset against deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

N. 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.

O. Employee benefits

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 share-based payment 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. The Group has adopted the Black-Scholes model for the purposes of computing the fair value of options. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

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

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.

Defined contribution pension plans

The cost of defined contribution pension plans is charged to the income statement as they become payable.

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. A full actuarial valuation is carried out every three years and updated at each balance sheet date using the projected unit method.

A retirement benefit liability is shown within non-current liabilities 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 deferred tax in respect of retirement benefits is netted against other deferred tax assets and liabilities and included in the deferred taxation asset or liability shown under non-current assets or 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.

1. Accounting Policies (continued)

P. Exceptional costs 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 "underlying operating profit" as an adjusted measure of profitability. We report this measure as we believe that it provides useful additional information about the Group's performance.

Underlying Operating Profit 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 Costs 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 Costs and Non-Underlying Items are detailed in note 6 to the financial statements.

Q. Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements on the application of the Group's accounting policies and make estimates about the future. Actual results may differ from these assumptions. The critical judgements made in arriving at the amounts included in the financial statements are detailed below. 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.

R&D expenditure and tax credits

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

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

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 and the key assumptions used in the calculation of the defined benefit obligation are disclosed in note 21.

IFRIC 14 requires the Directors to consider whether the Company is entitled to any surplus reported within the Scheme, such that on wind up, the Company would be entitled to unconditionally receive remaining funds. In the Directors opinion, on a wind up to determine the Scheme, which the Company is unilaterally able to commence as the sponsoring employer, following full settlement of all member benefits and all scheme liabilities, including HMRC, any remaining surplus is payable to the Company and as such the surplus shown in note 21 should be disclosed on the Balance Sheet, without impairment.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

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

Timing and recognition of revenue and cost recognition

IFRS 15 requires the Group to identify its performance obligations, determine the transaction price and allocate this to the performance obligations to recognise revenue at the point each performance obligation is satisfied within its contracts. Judgements are involved in determining the number of performance obligations in a contract and at which point to recognise income for services provided i.e. a point in time when a milestone is met or as work is performed.

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

These revenues are a subjective estimate of the value attributable to the services provided against the contractual invoicing profile within such contracts. Deferred income will be apportioned across the contracted product supply, recognising the engineering support of the supply. The revenue recognised is calculated by reference to actual engineering costs, similar activities and the added value or gross profit that would be ordinarily expected from such activities, with reference to the contract deliverables as a whole.

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 ongoing 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. Note 12 details the inventory provisions and the amounts written off to consolidated income statement in the year.

2. Operating segments

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom. For management purposes the Group comprises three product groups (in accordance with IFRS 8) - electro-mechanical, lighting and distribution (which collectively design, manufacture and market industrial electrical and electronic products) - less centre costs, which operate across three market segments - Rail; Aerospace and Defence and Other. It is on this basis that the board of directors assess Group performance. The split is as follows:

	2020 £000	2019 £000
Electro-mechanical	9,195	7,516
Lighting and electronics	7,087	6,921
Distribution	4,429	5,096
Operational revenue	20,711	19,533

	2020 £000	2019 £000
Revenue recognised over time	390	241
Revenue recognised at a point in time	20,321	19,292
	20,711	19,533

All revenue originates in the UK. An analysis by geographical markets and market segments is given below:

	2020 %	2019 %
Rail	77%	69%
Aerospace and defence	12%	16%
Other	11%	15%
	100%	100%

	2020 £000	2019 £000
United Kingdom	13,929	12,984
Rest of Europe	4,402	4,059
Rest of World	2,380	2,490
	20,711	19,533

Two individual customers (2019: two) represented more than 10% of Group revenue, combined 30%.

	2020 £000	2019 £000
Operational profit	1,812	1,157
Corporate costs	(1,029)	(953)
Underlying operating profit	783	204

Corporate Costs and Operational Profit are shown excluding charges levied to subsidiary entities by LPA Group Plc relating to management charges and property rent, which combined totalled £0.59m (2019: £0.17m).

NOTES TO THE FINANCIAL STATEMENTS

3. Employee information

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

	2020 Number	2019 Number
Production	127	122
Sales and distribution	30	31
Administration	23	25
	180	178

The employee benefit expense for the year amounted to:

	2020 £000	2019 £000
Wages and salaries	5,627	5,430
Social security costs	536	519
Pension costs - defined contribution arrangements (note 21)	273	244
Share-based payments	36	3
	6,472	6,196

Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report. Employee benefit expenses include share-based payments of £36,000 (2019: £3,000) and exceptional costs of £131,000 (2019: £70,000) as shown in note 6.

4. Finance income

	2020 £000	2019 £000
Net pension interest income (note 21)	41	64

5. Finance costs

	2020 £000	2019 £000
Bank loans and overdraft interest	68	69
Interest on lease liabilities	38	30
Finance costs	106	99

6. Profit/(loss) before tax

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

A. Component costs in arriving at underlying operating profit	2020 £000	2019 £000
Materials (to added value)	10,653	9,902
Production overhead and direct labour	5,364	5,272
Cost of sales	16,017	15,174
Distribution costs	1,514	1,588
Administrative expenses	2,730	2,664
Other operating income:		
Covid-19 Job Retention Scheme grants (CJRS)	(308)	-
Other grants	(25)	(97)

B. Expenses/(credits) by nature within underlying operating profit	2020 £000	2019 £000
Amortisation of intangible assets	95	48
Depreciation of tangible assets	494	693
Depreciation of right of use assets	241	-
Loss/(profit) on disposal of assets	61	(2)
Operating lease rentals/short term hire charges		
- Plant, equipment and motor vehicles	20	117
Foreign exchange (gain)/loss	(50)	13
Other operating income (grants)	(333)	(97)
Research and development expenditure	773	566
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	49	41
Fees payable to the previous auditor in respect of prior year annual accounts	18	-

C. Within exceptional costs	2020 £000	2019 £000
GMP pension equalisation recognition	-	333
Reorganisation costs	122	70
Dual running director costs	9	-
	131	403

Reorganisation costs of £0.12m (2019: £0.07m) relate to a continued Group wide cost base review. Dual running costs of £9,000 (2019: nil) relate to a crossover period between the appointment and retirement of NED's as part of the ongoing board rejuvenation process to conclude in the 2021 financial year. Dual running and reorganisation costs are included within note 3, Employee information.

The Guaranteed Minimum Pensions (GMP) equalisation recognition of £333,000 in 2019 (2020: nil) is a one off cost recognised through the Consolidated Income Statement, in line with the High Court ruling in October 2018, requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under GMP. This is a historical cost which has been recognised in the previous financial year as a change in basis having been quantified following the High Court ruling.

NOTES TO THE FINANCIAL STATEMENTS

7. Taxation

A. Recognised in the income statement	2020 £000	2019 £000
Current tax expense		
UK corporation tax	(37)	(57)
Adjustment in respect of prior years	(78)	(68)
Deferrred taxation		
Net origination and reversal of temporary differences	71	(60)
Total corporation tax (credit)	(44)	(185)

B. Reconciliation of effective tax rate	2020 £000	2019 £000
Profit/(loss) before tax	551	(237)
Tax at the UK corporation tax rate of 19.0% (2019: 19.0%)	105	(45)
Effects of:		
- Retirement benefits (defined benefit scheme)	(27)	(31)
- Deduction in respect of share option exercises	-	(31)
- Enhanced deduction for qualifying R&D expenditure	(76)	(49)
- Prior periods deduction for qualifying R&D expenditure	(83)	(49)
- Other prior periods adjustments	5	(19)
- Disallowed expenditure	6	26
- Other differences	26	13
Total income tax (credit)	(44)	(185)

C. Deferred tax recognised in other comprehensive income	2020 £000	2019 £000
Deferred tax on actuarial (loss)/gain on pension scheme	(28)	7

D. Current and deferred tax recognised directly in equity	2020 £000	2019 £000
Tax charge/(benefit) arising on share options	5	(18)

8. Earnings/(loss) per share

The calculation of earnings per share is based upon the profit for the year of £0.60m (2019: loss £0.05m) and the weighted average number of ordinary shares in issue during the year, less investment in own shares, of 12.358m (2019: 12.238m).

	2020			2019		
	Earnings	Weighted average number of shares	Earnings per share	Earnings	Weighted average number of shares	(Loss) per share
	£000	Million	Pence	£000	Million	Pence
Basic earnings per share	595	12.358	4.82	(52)	12.238	(0.43)
Effect of share options	-	0.442	(0.17)	-	-	-
Diluted earnings per share	595	12.800	4.65	(52)	12.238	(0.43)

Diluted earnings per share

Basic and diluted earnings per share were equal for the year ended to 30 September 2019, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation.

As at 30 September 2020 there were 1,350,000 outstanding share options (2019: 975,000), of which 825,000 were exercisable (2019: 825,000).

9. Intangible assets

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 unit was 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 1.00% (2019: 1.50%) which is considered to be consistent with the long term average growth rate for the businesses concerned. The discount rate applied was 12.0% (2019: 11.0%), 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.

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible assets (continued)

	Goodwill £000	Development costs £000	Software £000	Total £000
Cost				
At 1 October 2018	1,234	342	-	1,576
Transferred *	-	-	514	514
Additions	-	124	25	149
At 1 October 2019	1,234	466	539	2,239
Additions	-	100	22	122
Disposals	-	(288)	-	(288)
At 30 September 2020	1,234	278	561	2,073
Amortisation				
At 1 October 2018	85	291	-	376
Transferred *	-	-	456	456
Charge for the year	-	20	28	48
At 1 October 2019	85	311	484	880
Charge for the year	-	66	29	95
Disposals	-	(288)	-	(288)
At 30 September 2020	85	89	513	687
Net carrying amount				
At 30 September 2020	1,149	189	48	1,386
At 30 September 2019	1,149	155	55	1,359

Amortisation is charged within administrative expenses within the consolidated income statement.

*In accordance with IAS 38, where previously shown as a tangible asset, software was transferred during the year 30 September 2019 and represented as an intangible asset. The brought forward cost and accumulated depreciation were transferred without impact on the prior year, retained earnings or asset values.

10. Tangible fixed assets

	Freehold land and buildings £000	Plant, vehicles and equipment £000	Total £000
Cost			
At 1 October 2018	4,614	7,867	12,481
Transferred *	-	(514)	(514)
Additions	33	509	542
Disposals	-	(40)	(40)
At 1 October 2019	4,647	7,822	12,469
Transferred **	-	(1,226)	(1,226)
Additions	-	117	117
Disposals	-	(574)	(574)
At 30 September 2020	4,647	6,139	10,786
Depreciation			
At 1 October 2018	271	4,994	5,265
Transferred *	35	(491)	(456)
Charge for the year	95	598	693
Disposals	-	(39)	(39)
At 1 October 2019	401	5,062	5,463
Transferred **	-	(210)	(210)
Charge for the year	101	393	494
Disposals	-	(507)	(507)
At 30 September 2020	502	4,738	5,240
Net carrying amount			
At 30 September 2020	4,145	1,401	5,546
At 30 September 2019	4,246	2,760	7,006

The depreciation charge has been recognised across cost of sales and administrative expenses within the consolidated income statement.

*In accordance with IAS 38, software is recognised as an intangible asset where prior to 2019, it was shown as a tangible asset. The brought forward cost and accumulated depreciation were transferred in 2019 without impact on the prior or retained earnings or asset values. Depreciation in 2019 included a reclassification from plant, vehicles and equipment to freehold land and buildings recognising a historical allocation transfer, with nil effect on the net carrying value or reserves.

** In accordance with IFRS 16, assets held under finance leases are transferred at 1 October 2019 to right of use assets (see note 11). Included within plant, vehicles and equipment is £1.02m as at 30 September 2019 in respect of assets acquired under finance leases. Depreciation for 2019 in respect of these assets was £0.12m.

.

NOTES TO THE FINANCIAL STATEMENTS

11. Right of use assets

	Plant, vehicles and equipment £000
Cost	
Recognised on adoption of IFRS 16	157
Transferred **	1,226
Additions	506
Disposals	(3)
At 30 September 2020	1,886
Depreciation	
Recognised on adoption of IFRS 16	-
Transferred **	210
Charge for the year	241
Disposals	(3)
At 30 September 2020	448
Net carrying amount	
At 30 September 2020	1,438
At 30 September 2019	-

The depreciation charge has been recognised across cost of sales and administrative expenses within the consolidated income statement.

** Assets held under finance leases at 1 October 2019, together with accumulated depreciation are recognised as a right of use asset and shown as a transfer from tangible fixed assets (note 10).

Assets utilised under operating leases are introduced at 1 October 2019 as a right of use asset. Lease liabilities secured on the above assets are detailed in note 16.

12. Inventories

	2020 £000	2019 £000
Raw materials and consumables	1,101	1,177
Work in progress	450	637
Finished goods and goods for resale	2,417	2,010
	3,968	3,824

Cost of sales includes the write-down of inventories to net realisable value of £158,000 (2019: £16,000), write-down utilisation of £15,000 (2019: £57,000) and a write off value of £38,000 (2019: £99,000).

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	4,819	4,047
Other receivables	90	64
Prepayments and accrued income	538	326
	5,447	4,437

Trade receivables are stated after expected credit losses of:	82	66

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 expected credit loss are disclosed in note 17.

14. Trade and other payables

	2020 £000	2019 £000
Current		
Trade payables	2,324	2,302
Social security and other taxes	589	446
Other payables	55	12
Accruals	746	800
Deferred income	479	279
	4,193	3,839

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

Deferred income recognised at year end was represented by four contracts (2019: one), as follows:

	2020 £000	2019 £000
Deferred income at 1 October	279	-
Invoiced during the year	374	520
Income accrued against future invoices	90	-
Sales recognised in the year	(264)	(241)
Deferred income at 30 September	479	279

All deferred income recognised relates to the rail market.

NOTES TO THE FINANCIAL STATEMENTS

15. Borrowings

The note provides information about the contractual terms of the Group's borrowings, excluding lease commitments represented under Lease Liabilities from 1 October 2019. Further information is given in notes 16 and 17.

	2020	2019
	£000	£000
Current		
Bank loan	188	2,585
Non-current		
Bank loan	2,313	-
Total borrowings	2,501	2,585

Bank loans and overdraft

The Group's principal banking facilities are with Barclays and its main finance is a bank loan drawn down in 2019 at £2.6m, repayable over 5 years, refinancing a previous loan which also had a 5 year term and bullet repayment. As at 30 September 2020 the amount outstanding was £2.5m (2019: £2.6m); the loan is to be repaid from October 2020 through 14 quarterly instalments of £0.06m, including interest, with the residual repayable in March 2024: interest is chargeable at base rate plus 2.25%. During the year, Barclays provided, and the Company accepted the option to defer two quarterly capital repayments following implementation of the UK's Covid-19 lockdown. The quarterly repayments, which resumed in October 2020, have been rebased across the remaining term of the loan. Interest continued to be repaid. Interest continued to be paid during the two capital holiday quarters, culminating in total repayments of £0.15m including interest.

At 30 September 2019 the bank loan was deemed to be repayable within one year under IAS 10 due to a technical breach of the bank loan covenant. Whilst Barclays bank had acknowledged and accepted the covenant breach ahead of the year end, formal measurement of the covenant is not recorded until the Annual Reports and accounts are filed at Companies House and within 270 days of the 30 September. Barclays Bank subsequently provided a covenant waiver. The loan covenant was achieved as at 30 September 2020.

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 (2019: £nil) and had £1.44m of facility available (2019: £1.14m). Interest is payable at base plus 2.0%.

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

16. Lease Liabilities

Right of use liabilities

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

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
	£000	£000	£000	£000
Within one year	433	242	406	220
Between one and five years	652	530	584	504
	1,085	772	990	724
Future finance charges	(95)	(48)		
Present value of finance lease liabilities	990	724		

	2020	2019
	£000	£000
Lease payments - cash outflow in the year	399	194

Operating lease expenses

Future minimum rentals payable under non-cancellable operating leases, not reclassified as right of Use obligations in 2020 and the 2019 values before IFRS 16 adoption on 1 October 2019, are as follows:

	2020	2019
	£000	£000
Within one year	4	95
Within one and five years	-	96
	4	191

During the year £0.02m of operating lease costs were expensed through the profit and loss account as short life or immaterial contracts (2019: £0.12m).

NOTES TO THE FINANCIAL STATEMENTS

17. 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, lease liabilities, 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:

	2020 £000	2019 £000
Equity	12,551	12,324
Net debt - borrowings and right of use liabilities less cash balances	2,646	2,420
Overall financing	15,197	14,744
Gearing (net debt as a % of total equity)		
Following adoption of IFRS 16	21.1%	-
Previous - excluding operating lease assets and liabilities	19.6%	19.6%

Gearing, which is the principal measure used by the Group to monitor its capital structure, remained unchanged (excluding Right of Use assets and liabilities recognised on the adoption of IFRS 16) at 19.6%, 21.1% inclusive, principally as a consequence of profit generation, increased working capital at year end, reduced capital loan repayments in the year and no dividend payments being made.

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.

17. Financial instruments (continued)

C. Currency risk

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

Currency exposures

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

	2020			2019		
	Cash and cash equivalents	Other net monetary assets and liabilities	Total net monetary assets and liabilities	Cash and cash equivalents	Other net monetary assets and liabilities	Total net monetary assets and liabilities
	£000	£000	£000	£000	£000	£000
Euro	385	441	826	410	456	866
US Dollar	14	2	16	14	-	14
Aus Dollar	-	10	10	-	6	6
	399	453	852	424	462	886

Derivative financial instruments

At 30 September 2020 the Group had no commitments under non-cancellable forward exchange contracts (2019: €0.90m taken out to hedge specific foreign currency sales).

Sensitivity

At 30 September 2020 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:

	2020		2019	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
	£000	£000	£000	£000
Sterling weakens by 10% against the Euro	92	-	96	-
Sterling strengthens by 10% against the Euro	(75)	-	(79)	-

NOTES TO THE FINANCIAL STATEMENTS

17. 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 lease liabilities. 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 loan and overdraft. During the year their weighted average interest rate was 2.6% (2019: 2.7%). Fixed rate liabilities comprise Lease liabilities 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 3.8% (2019: finance leases 4.0%). The composite interest rate across fixed and floating borrowings and liabilities was 2.9% (2019: 2.9%).

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

	2020 £000	2019 £000
Floating rate		
Cash and cash equivalents	(845)	(889)
Overdraft	-	-
Bank loan	2,501	2,585
	1,656	1,696
Fixed rate		
Lease liabilities	990	724

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 2020, with all other variables held constant the pre-tax profit would have been lower by £29,000 (2019: £23,000).

E. Liquidity risk

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

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

Un-drawn committed facilities

The Group's un-drawn committed borrowing facilities available at 30 September 2020 comprise its bank overdraft expiring in one year or less at £1.44m (2019: £1.14m), of the total overdraft facility of £1.5m (2019: £1.5m). See note 16 for the terms of the facility.

17. 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 discounted payments.

2020	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	188	193	199	1,921	-	-	2,501
Borrowings	188	193	199	1,921	-	-	2,501
Lease liabilities	406	291	242	49	2	-	990
Trade and other payables	3,125	-	-	-	-	-	3,125
	3,719	484	441	1,970	2	-	6,616

2019	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 3 years £000	Between 3 and 4 years £000	Between 4 and 5 years £000	Over 5 years £000	Total £000
Overdraft	-	-	-	-	-	-	-
Bank loan	2,585	-	-	-	-	-	2,585
Finance lease obligations	220	222	155	115	12	-	724
Borrowings	2,805	222	155	115	12		3,309
Trade and other payables	3,113	-	-	-	-	-	3,113
	5,918	222	155	115	12	-	6,422

F. Credit risk

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

Trade receivables

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

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

17. Financial instruments (continued)

F. Credit risk (continued)

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 2020 these totalled £4.82m (2019: £4.05m). 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 31.6% of trade receivables at 30 September 2020 (2019: 46.9%).

Impairment losses

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

	2020		2019	
	Gross	Expected credit loss	Gross	Expected credit loss
	£000	£000	£000	£000
Not past due	2,256	(15)	1,901	(1)
Past due 1-30 days	1,485	-	900	-
Past due 31-90 days	913	-	1,036	(29)
Past due 91 days to less than a year	247	(67)	276	(36)
	4,901	(82)	4,113	(66)

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

The movement in the expected credit loss in respect of trade receivables during the year was:

	2020 £000	2019 £000
Balance at start of the year	66	74
Charged/(released) to the income statement	16	(8)
Balance at end of the year	82	66

The impairment increases of £16k (2019: £8k release) relates to the movement in the Group's assessment of the risk of non-recovery from a range of customers.

17. 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.

2020	**Amortised cost**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**
Financial assets - loans and receivables			
Trade and other receivables	4,863	4,863	4,863
Cash and cash equivalents	845	845	845
	5,708	5,708	5,708
Financial liabilities - at amortised cost			
Borrowings - bank loan	(2,501)	(2,501)	(2,501)
Lease liabilities	(990)	(990)	(990)
Trade and other payables	(3,125)	(3,125)	(3,125)
	(6,616)	(6,616)	(6,616)
Net financial (liabilities)	(908)	(908)	(908)

2019	**Amortised cost**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**
Financial assets - loans and receivables			
Trade and other receivables	4,047	4,047	4,047
Cash and cash equivalents	889	889	889
	4,936	4,936	4,936
Financial liabilities - at amortised cost			
Borrowings - bank loan	(2,585)	(2,585)	(2,585)
Lease liabilities	(724)	(724)	(724)
Trade and other payables	(3,113)	(3,113)	(3,113)
	(6,422)	(6,422)	(6,422)
Net financial (liabilities)	(1,486)	(1,486)	(1,486)

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

18. Deferred tax

	Property, plant and equipment £000	Retirement benefits £000	Tax losses £000	Other £000	Total £000
At 1 October 2018	(59)	(433)	26	36	(430)
Recognised in income statement	(11)	46	52	(27)	60
Recognised in other comprehensive income/equity	-	(7)	-	25	18
At 1 October 2019	(70)	(394)	78	34	(352)
Recognised in income statement	(79)	(7)	19	(3)	(70)
Recognised in other comprehensive income/equity	-	28	-	5	33
At 30 September 2020	(149)	(373)	97	36	(389)

Deferred tax assets of £212,000 (2019: £196,000) have not been recognised in respect of unrelieved tax losses of £1.12m (2019: £1.12m) because of uncertainty over the timing of their recoverability. The tax losses have no expiry date.

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

	Property, plant and equipment £000	Retirement benefits £000	Tax losses £000	Other £000	Total £000
Deferred tax assets	20	-	97	55	172
Deferred tax liabilities	(169)	(373)	-	(19)	(561)
At 30 September 2020	(149)	(373)	97	36	(389)
Deferred tax assets	21	-	78	60	159
Deferred tax liabilities	(91)	(394)	-	(26)	(511)
At 30 September 2019	(70)	(394)	78	34	(352)

19. Equity

Share capital

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

	2020 Number	2020 £000	2019 Number	2019 £000
Issued and fully paid				
In issue at the start of the year	12,658,229	1,266	12,376,729	1,238
Allotted under share plans	-	-	281,500	28
In issue at the end of the year	12,658,229	1,266	12,658,229	1,266

During the year no options were exercised (2019: 281,500 at a weighted average option price of 38p).

The market price of the Company's shares on 30 September 2020 was 72.0p per share (2019: 80.0p) and the price range during the year was 64.0p to 114.0p per share (2019: 79.0p to 112.5p).

Proposed dividends

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

	2020 £000	2019 £000
Proposed - final nil per share (2019: nil)	-	-

The proposed Final dividend for 2019, of 1.80p per Share, was withdrawn after publication of the 2020 Annual Reports because of Covid-19. The withdrawal was announced prior to the 2020 AGM.

Dividends

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

	2020 £000	2019 £000
Final - in respect of preceding year nil per share (2019: 1.80p)	-	222
Interim -in respect of current year nil per share (2019: 1.10p)	-	135
	-	357

NOTES TO THE FINANCIAL STATEMENTS

19. Equity (continued)

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 ("EBT"). Shares held at 30 September 2020 by the EBT totalled 300,000 (2019: 300,000).

Share premium account

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

Share-based payment reserve

This reserve represents equity-settled share-based employee remuneration for outstanding options recognised over the vesting period.

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.

20. Share-based payments

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

The 2007 Employee Share Option Scheme

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

The rules of the scheme were amended to permit the period over which an option is exercisable to be extended by the Board, at the same time the terms of 771,500 options (540,000 of which remain unexercised) 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, or at a discretionary value as 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 2020 are as follows:

Scheme	Date of grant	Exercise price	Dates when exercisable	Number of options 2020	2019
2007 Employee Share Option Scheme	Jul 2007	36.00p	31/07/10 to 07/02/22	540,000	540,000
	Apr 2011	32.00p	01/04/14 to 31/03/21	100,000	100,000
	Feb 2012	49.00p	08/02/15 to 07/02/22	185,000	185,000
				825,000	825,000
2018 Performance Share Plan	Aug 2018	104.80p	02/08/21 to 01/08/28	150,000	150,000
	Feb 2020	109.33p	20/02/23 to 19/02/30	255,000	-
	July 2020	63.17p	23/07/23 to 22/07/30	120,000	-
				525,000	150,000
Total options				1,350,000	975,000

NOTES TO THE FINANCIAL STATEMENTS

20. Share-based payments (continued)

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

	2020		2019	
	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)	Number of options
Outstanding at the beginning of the year	48.6	975,000	46.3	1,256,500
Granted during the year	94.5	375,000	-	-
Exercised during the year	-	-	38.3	(281,500)
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	61.4	1,350,000	48.6	975,000
Exercisable at the end of the year	38.4	825,000	38.4	825,000

The options outstanding at the end of the year have an exercise price in the range of 32p to 109.33p and a weighted average contractual life of 4.3 years (2019: 3.3 years).

There were no options exercised during the year (2019: 281,500. The weighted average share price at the date of exercise of share options in 2019 was 38.3p).

The Group's share-based remuneration expense recognised in the year was £36,000 (2019: £3,000).

21. Employee benefits

A. Defined contribution scheme

The Group makes contributions to a defined contribution arrangement. The pension cost charged to the income statement for the year in respect of these scheme was £273,000 (2019: £244,000).

B. Defined benefit scheme

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

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

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

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

This actuarial valuation showed a surplus of £1,064,000. The Group has agreed with the trustees that it will meet the expenses of the plan and levies to the Pension Protection Fund. In addition, the Group has agreed with the trustees that regardless of the Scheme being in surplus at the valuation date the payment of annual contributions of £100,000 will continue to be made until the year ending 31 March 2021 at which point the scheme's next actuarial triennial review falls due. The Group will review the ongoing commitment and is expected to agree to maintain this for a further three years to 31 March 2024.

For the purposes of IAS19 the actuarial valuation as at 31 March 2018, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2020. 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

21. Employee benefits (continued)

B. Defined benefit scheme (continued)

Amounts included in the balance sheet

	2020 £000	2019 £000	2018 £000
Fair value of scheme assets	16,596	16,655	14,755
Present value of defined benefit obligation	(14,632)	(14,405)	(12,346)
Asset to be recognised	1,964	2,250	2,409

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 IFRIC 14 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 2020.

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

	2020 £000	2019 £000
Defined benefit obligation at start of the year	14,405	12,346
Interest cost	255	343
Actuarial loss due to scheme experience	13	5
Actuarial (gains) due to changes in demographic assumptions	(29)	(127)
Actuarial loss due to changes in financial assumptions	502	2,011
Benefits paid	(514)	(506)
Past service costs (GMP equalisation)	-	333
Defined benefit obligation at end of the year	14,632	14,405

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

21. Employee benefits (continued)

B. Defined benefit scheme (continued)

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

	2020 £000	2019 £000
Fair value of scheme assets at start of the year	16,655	14,755
Interest income	296	407
Return on plan assets (excluding amounts included in interest income)	59	1,899
Contributions by the Group	100	100
Benefits paid	(514)	(506)
Fair value of scheme assets at end of the year	16,596	16,655

The actual return on the plan assets over the period ending 30 September 2020 was £355,000 (2019: £2,306.000).

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

	2020 £000	2019 £000
Interest income	296	407
Interest cost	(255)	(343)
Net interest income	41	64
Past service costs (GMP equalisation)	-	(333)
Net income/(cost)	41	(269)

Defined benefit costs recognised in the statement of other comprehensive income

	2020 £000	2019 £000
Return on plan assets (excluding amounts included in interest income) - gain	59	1,899
Experience (losses) arising on the defined benefit obligation	(13)	(5)
Effect of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	29	127
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligations - (loss)	(502)	(2,011)
Amount recognised in other comprehensive income - (loss)/gain	(427)	10

NOTES TO THE FINANCIAL STATEMENTS

21. Employee benefits (continued)

B. Defined benefit scheme (continued)

Assets

	2020 £000	2019 £000
Equities	4,508	4,357
Corporate bonds	4,161	4,209
Government bonds	6,246	6,461
Diversified growth funds	1,673	1,626
Cash and net current assets	8	2
Total assets	16,596	16,655

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

	2020 % per annum	2019 % per annum
Rate of discount	1.60	1.80
Inflation (RPI)	3.05	3.15
Inflation (CPI)	2.65	2.45
Allowance for revaluation of deferred pensions of CPI or 5% max	2.65	2.45
Allowance for revaluation of deferred pensions of CPI or 2.5% max	2.50	2.45
Allowance for pension in payment increases of RPI or 5% max	2.90	3.00
Allowance for pension in payment increases of CPI or 3% max	2.10	2.00
Allowance for commutation of pension for cash at retirement	80%	80%

The mortality assumptions adopted at 30 September 2020 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2019 converging to 1.25% p.a. (at 30 September 2019 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2018 converging to 1.25% p.a.). These imply the following life expectancies:

	Life expectancy at age 65 (years)	
	2020	2019
Male retiring in 2020:	21.8	21.8
Female retiring in 2020:	23.7	23.6
Male retiring in 2038:	23.1	23.1
Female retiring in 2038:	25.2	25.2

21. Employee benefits (continued)

B. Defined benefit scheme (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**	
		2020	**2019**
Discount rate	Decrease of 0.10% p.a.	Increase by 1.6%	Decrease by 1.6%
Rate of inflation	Increase of 0.10% p.a.	Increase by 1.0%	Increase by 1.0%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.2%	Increase by 3.2%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.4%	Decrease by 0.4%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 30 September 2020 is 16 years (2019: 16 years).

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

The contributions expected to be paid by the Group to the plan for the period commencing 1 October 2020 is £100,000 (2019: £100,000).

NOTES TO THE FINANCIAL STATEMENTS

22. Financial commitments

Capital commitments

Contracted for but not provided in the accounts amounted to £0.04m (2019: £0.3m).

Contingent liabilities

As at 30 September 2019 Group contingent liabilities relating to guarantees in the normal course of business amounted to £0.17m (2019: £0.17m).

23. 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 IAS 24 Related Party Disclosures together with dividends received by them. Detailed information about the remuneration of individual directors is disclosed in the Remuneration Report.

	2020 £000	2019 £000
Short-term employee benefits	615	603
Post employment benefits	37	33
Share-based payments	27	2
	679	638
Dividends	-	47

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 (2019: none).

COMPANY FINANCIAL STATEMENTS - COMPANY BALANCE SHEET

At 30 September 2020

Company number: 00686429

	Note	2020 £000	2019 £000
Fixed assets			
Investments	C5	5,411	5,411
Tangible assets	C6	2,434	2,540
		7,845	7,951
Current assets			
Debtors	C7	595	548
Cash at bank and in hand		3	3
		598	551
Creditors: Amounts falling due within one year	C8	(2,118)	(5,090)
Net current liabilities		(1,520)	(4,539)
Total assets less current liabilities		6,325	3,412
Creditors: Amounts falling due after more than one year	C9	(3,013)	(700)
Net assets		3,312	2,712
Capital and reserves			
Called up share capital	C12	1,266	1,266
Investment In own shares	C13	(324)	(324)
Share premium account	C13	708	708
Share-based payment reserve	C13	118	82
Merger reserve	C13	784	784
Retained earnings ♦	C13	760	196
Total equity shareholders' funds		3,312	2,712

♦ The Company has not presented a separate Income statement account as permitted by Section 408 of the Companies Act 2006. The profit dealt with in the financial statements of the Company amounted to £0.57m (2019: loss of £0.17m).

The financial statements were approved by the Board on 25 January 2021 and signed on its behalf by:

P V CURTIS
Director

C J BUCKENHAM
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2020

	Share capital £000	Investment in own shares £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 October 2018	1,238	(214)	628	122	784	664	3,222
(Loss) for the year	-	-	-	-	-	(172)	(172)
Total comprehensive income	-	-	-	-	-	(172)	(172)
Dividends	-	-	-	-	-	(357)	(357)
Proceeds from issue of shares	28	-	80	-	-	-	108
Cost of Investment in own shares	-	(110)	-	-	-	-	(110)
Share-based payments	-	-	-	3	-	-	3
Transfer on exercise of share options	-	-	-	(36)	-	36	-
Tax benefit on share-based payments	-	-	-	(7)	-	25	18
Transactions with owners	28	(110)	80	(40)	-	(296)	(338)
At 1 October 2019	1,266	(324)	708	82	784	196	2,712
Profit for the year 2020	-	-	-	-	-	569	569
Total comprehensive income	-	-	-	-	-	569	569
Share-based payments	-	-	-	36	-	-	36
Tax benefit on share-based payments	-	-	-	-	-	(5)	(5)
Transactions with owners	-	-	-	36	-	(5)	(31)
At 30 September 2020	1,266	(324)	708	118	784	760	3,312

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, UK. The principal activity is that of a holding company.

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 (£) which is the functional and presentational currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

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

- The requirements of section 4 statement of financial position 4.12 (a)(iv);
- The requirements of section 7 statement of cash flows;
- The requirement of section 3 financial statement presentation paragraph 3.17(d);
- The requirements of section 33; key management and personnel paragraph 33.7 and related party disclosures paragraph 33.3;
- The requirements of section 11 basic financial instruments; section 12 other financial instrument issues; and
- The requirements of section 26 share-based payments.

This information is included in the consolidated financial statements of LPA Group Plc as at 30 September 2020.

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, 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.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C3. Accounting policies (continued)

B. Investments

Investments in subsidiaries are shown at cost less any provision for impairment. The investments are assessed for indications of impairment at each reporting date. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the 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 the risks specific to the investment. If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements.

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.

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).

D. 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 share-based payment 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. The Company has adopted the Black-Scholes model for the purposes of computing the fair value of options. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and the share premium account when the options are exercised. Where the Company grants options over its shares to employees in subsidiaries, it recognises this as a capital contribution equivalent to the share-based payment charge recognised in the income statement. In the financial statements of the Company, this capital contribution is recognised as an increase in the cost of investment in subsidiaries, with the corresponding credit being recognised directly in equity.

E. Defined contribution pension schemes

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

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 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. The critical judgements made in arriving at the amounts included in these financial statements are detailed below.

Impairment of investments

The determination of whether investments have been impaired requires an estimate of the value in use of the cash-generating units to which the investment relates. 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 investments are disclosed in note C5.

C4. Employee information

With the exception of the directors the number of people employed by the Company was one (2019: one). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

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

	2020 Number	2019 Number
Administration	6	6

The employee benefit expense for the year amounted to:	2020 £000	2019 £000
Wages and salaries	580	569
Social security costs	61	40
Pension costs - defined contribution arrangements	38	25
Share-based payments	36	3
	716	637

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

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C5. Investments

Investments in subsidiary undertakings

	Cost £000	Provision for impairment £000	Carrying amount £000
At 1 October 2019 and 30 September 2020	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 and shares held	Nature of business
Subsidiary undertakings			
Channel Electric Equipment Holdings Limited	Ordinary shares	100%	Holding company
Channel Electric Equipment Limited t/a LPA Channel Electric	Ordinary shares	100%	Electrical components
LPA Industries Limited t/a LPA Connection Systems	Ordinary shares	100%	Electro-mechanical components
Haswell Engineers Limited t/a LPA Connection Systems	Ordinary shares	100%	Metal fabrication
Excil Electronics Limited t/a LPA Lighting Systems	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 and guarantor of LPA Industries Pension Trustees Limited, a company limited by guarantee, which acts as trustee to the closed defined benefit pension scheme operated within the Group.

The registered office for all Group entities is Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK.

C6. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 October 2019 and 30 September 2020	2,393	716	3,109
Depreciation			
At 1 October 2019	196	373	569
Charged in year	35	71	106
At 30 September 2020	231	444	675
Net book value			
At 30 September 2020	2,162	272	2,434
At 30 September 2019	2,197	343	2,540

C7. Debtors

	2020 £000	2019 £000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	345	377
Other taxation and social security	-	39
Prepayments and accrued income	123	18
Deferred taxation (note C11)	127	114
	595	548

C8. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank overdraft	149	24
Bank loan	188	2,585
Debt	337	2,609
Trade creditors	121	39
Amounts owed to subsidiary undertakings	1,453	2,318
Other creditors	3	3
Other taxation and social security	4	-
Accruals	200	122
	2,118	5,090

Amounts owed to subsidiary undertakings are interest free and repayable on demand.

C9. Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Debt - bank loan	2,313	-
Amounts owed to subsidiary undertakings	700	700
	3,013	700

Amounts owed to subsidiary undertakings are interest free. The Company has confirmed that the intra-group indebtedness above will not be called upon within 12 months from the date of these accounts and as such the Directors have deemed it appropriate to reflect these as payable in more than one year.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C10. Borrowings

	2020 £000	2019 £000
Due within one year		
Bank overdraft	149	24
Bank loan	188	2,585
	337	2,609
Non-current		
Bank loan	2,313	-
Total borrowings	2,650	2,609
Repayable		
Within one year	337	2,609
Between one and two years	193	-
Between two and five years	2,120	-
	2,650	2,609

See Group Financial Statements Note 15 for terms and security.

C11. Deferred tax asset

	£000
At 1 October 2019	(114)
Charged to profit in the year	(8)
Recognised directly in equity	(5)
At 30 September 2020	(127)

Recognised deferred tax assets and liabilities

Deferred taxation assets recognised in the accounts are as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(18)	(14)
Tax benefit on losses	(54)	(39)
Tax benefit on share-based payments	(55)	(61)
	(127)	(114)

Deferred tax is provided at a composite rate based on enacted rates expected to apply at the year end. The rate provided in the year is 19.0% (2019: 17.5%). Deferred tax assets are disclosed in Note C7.

Unrecognised deferred tax

A deferred tax asset of £0.16m (2019: £0.15m) has not been recognised in respect of unrelieved management expenses of £0.83m (2019: £0.83m). The unrelieved management expenses have no expiry date and have not been recognised because of uncertainty over the timing of their recoverability.

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C12. Share Capital

	2020		2019	
	Number	£000	Number	£000
Issued and fully paid				
In issue at the start of the year	12,658,229	1,266	12,376,729	1,238
Allotted under share plans	-	-	281,500	28
In issue at the end of the year	12,658,229	1,266	12,658,229	1,266

During the year no options were exercised (2019: 281,500 at a weighted average option price of 38.3p).

At the year end, 300,000 (2019: 300,000) 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 19 to the Group Financial Statements.

C13. Reserves

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

Investment in own shares
This reserve records the share capital acquired in the Company, by the Company as Treasury Shares or by the LPA Group Plc Employee Benefit Trust, at nominal value. As at 30 September 2020, 300,000 ordinary shares of 10p each were held (2019: 300,000).

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

Share-based payment reserve
This reserve represents equity-settled share-based employee remuneration for outstanding options recognised over the vesting period.

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

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

C14. Share-based payments

Details of the Company's share option schemes, a reconciliation of movements therein and options granted in the year are given in note 20 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 £36,000 (2019: £3,000).

C15. Related party transactions

Related Party Transactions with directors of the Company are set out in note 23 to the Group Financial Statements.

C16. Contingent liabilities

The following security is provided to Barclays Bank plc in respect of the Company's £2.5m term loan outstanding at 30 September 2020: (i) a legal charge over the developed freehold property owned by the Company; (ii) a debenture from the Company; and (iii) a cross guarantee by the Company as guarantor on account of the obligations of each Group company to Barclays Bank plc.

OTHER INFORMATION - FIVE YEAR SUMMARY

Unaudited information

Summary income statement	**2016 £000**	**2017 £000**	**2018 £000**	**2019 £000**	**2020 £000**
Revenue	21,422	22,482	27,979	19,533	20,711
EBITDA †	2,014	2,474	2,908	945	1,613
Depreciation and amortisation	(481)	(579)	(664)	(741)	(830)
Underlying operating profit	1,533	1,895	2,244	204	783
Exceptional costs, non-underlying items and share-based payments	14	73	(175)	(406)	(167)
Net finance costs	(31)	(54)	(45)	(35)	(65)
Profit before taxation	1,516	1,914	2,024	(237)	551
Taxation	(54)	(146)	(253)	185	44
Profit for the year	1,462	1,768	1,771	(52)	595

Summary balance sheet	**2016 £000**	**2017 £000**	**2018 £000**	**2019 £000**	**2020 £000**
Property, plant and equipment ^*	5,624	6,851	7,216	7,006	6,984
Intangible assets - excluding goodwill	45	36	51	210	239
Net trading assets	3,764	4,348	4,286	4,482	5,252
Net operating assets ^^	9,433	11,235	11,553	11,698	12,475
Net debt (see group note 16) ^*	(2,541)	(2,753)	(1,971)	(2,420)	(2,646)
Deferred taxation	(25)	28	4	42	(18)
Net assets before pension and goodwill	6,867	8,510	9,586	9,320	9,811
Goodwill	1,149	1,149	1,149	1,149	1,149
Pension asset net of deferred tax	673	1,062	1,974	1,855	1,591
Net assets	8,689	10,721	12,709	12,324	12,551

Other information	**2016**	**2017**	**2018**	**2019**	**2020**
EBITDA to sales	9.4%	11.0%	10.4%	4.8%	7.8%
Basic earnings per share	12.30p	14.40p	14.34p	(0.43)p	4.82p
Dividends per ordinary share	2.50p	2.70p	2.90p	1.10p	-
Net assets per ordinary share	72.7p	86.6p	102.7p	97.4p	99.2p
Net debt/EBITDA	1.26	1.11	0.68	2.56	1.64
Gearing (net debt as a % of total equity) ^*	29.2%	25.7%	15.5%	19.6%	21.1%

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

^^ - net operating assets - the total of inventories and receivables less payables, excluding net debt and right of use liabilities.

^* - Inclusive of right of use assets/lease liabilities from 2020.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifty Ninth Annual General Meeting ("AGM") of LPA Group Plc (the "Company") will be held at the offices of LPA Connection Systems, Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ on Wednesday 17 March 2021 at 12.00 noon for the following purposes:

Important information: impact of Covid-19 on the 2021 AGM

The AGM is an important event in the Company's corporate calendar and the Board of Directors (the "Board") appreciates that it is one of the key ways we communicate with you, our shareholders. It is an important opportunity for you to express your views by raising questions and voting, and ordinarily, attending.

As a Company, the health and wellbeing of our shareholders, employees and stakeholders remains extremely important to us and we are closely monitoring the Covid-19 situation. It is currently the intention of the Company to hold the AGM as planned. However, the Board notes the UK Government's measures to restrict travel and public gatherings currently in force. If these measures remain in place on the date of the AGM, physical attendance in person by shareholders of the Company will not be possible.

If the Board believes that it becomes necessary or appropriate to make alternative arrangements for the holding of the AGM due to Covid-19, the Company will issue an announcement via a Regulatory News Service by 9am on 16 March 2021 at the latest setting out any such arrangements. Given the current guidance and the general uncertainty on what additional and/or alternative measures may be put in place, shareholders are strongly encouraged not to attend the AGM and instead appoint a proxy and provide voting instructions in advance of the AGM, in accordance with the instructions set out in the notes to the Notice of AGM, which appear later on in this document. If you are intending to attend the AGM in person, the Company requires shareholders to provide prior notice using the email address below as numbers will be restricted and so appropriate arrangements can be made to maintain social distancing.

Further updates may be issued by the Company via a Regulatory News Service and on the Company's website prior to the AGM. As shareholders are encouraged not to attend the AGM, you may raise questions by emailing to investors@lpa-group.com where a response will be provided either through the AGM and published outcome, on the Company's website or may alternatively be responded to directly.

Routine business

1. To receive the accounts for the year ended 30 September 2020, together with the reports of the directors and the auditors thereon.
2. To re-elect as a director Len Porter who retires by rotation, in accordance with the Company's Articles of Association.
3. To re-appoint Gordon Wakeford as a director of the Company.
4. To re-appoint Robert Bodnar-Horvath as a director of the Company.
5. To re-appoint RSM UK Audit 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 6 as an ordinary resolution:

6. That, the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £234,177 provided that this authority shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution or at the close of business on the date falling 15 months after the date of the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or arrangement as if the authority conferred hereby had not expired.

NOTICE OF MEETING (CONTINUED)

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

7. That subject to the passing of resolution 6 above, the directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the said Act) for cash pursuant to the authority conferred by resolution 6 above and be empowered pursuant to section 573 of the said Act to sell ordinary shares (as defined in section 560 of the said Act) held by the Company as treasury shares (as defined in section 724 of the said Act) for cash, as if section 561(1) of the said Act did not apply to any such allotment or sale provided that this power shall be limited to the allotment of equity securities or the sale of treasury shares:
    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 £123,582 (representing 10% of the issued share capital excluding treasury shares), 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 (and treasury shares to be sold) after such expiry and the directors may allot equity securities (and sell treasury shares) in pursuance of such an offer or arrangement as if the power conferred hereby had not expired.

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

8. That subject to and in accordance with the Company's Articles of Association 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 1,235,823 representing 10% of the issued share capital of the Company;
    b. The minimum price (excluding expenses) which may be paid for an Ordinary Share is 10p;
    c. The maximum price (excluding expenses) which may be paid for an Ordinary Share shall not be more than the higher of (i) five per cent above the average middle market quotation for Ordinary Shares as derived from the AIM appendix to London Stock Exchange Daily Official List for the five business days before the date on which the contract for the purchase is made, and (ii) an amount equal to the higher of the price of the last independent trade and highest current independent bid as derived from the trading venue where the purchase was carried out;
    d. The authority hereby conferred shall, unless renewed prior to such time, expire at the end of the Annual General Meeting of the Company to be held in 2022 or on 17 March 2022, whichever is earlier, provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred hereby had not expired.

By order of the Board
Chris Buckenham
Secretary
17 February 2021

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

NOTICE OF MEETING (CONTINUED)

Notes

Entitlement to Attend and Vote

1. To be entitled to attend and vote at the Meeting (and for the purposes of the determination by the Company of the votes that may be cast in accordance with Regulation 41 of the Uncertified Securities Regulations 2001), only those members registered in the Company's register of members at close of business on 15 March 2021 (or, if the Meeting is adjourned, close of business on the date which is two business days before the adjourned Meeting) shall be entitled to attend and vote at the Meeting. Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

Website giving information regarding the meeting

2. Information regarding the Meeting is available from www.lpa-group.com.

Attending in person

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

Appointment of proxies

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

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

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

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

Appointment of proxy using hard copy proxy form

8. A form of proxy has **not** been sent to you, but you **can request** a form of proxy, directly from the registrars Link Group's general helpline team on Tel: 0371 664 0300. Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. Or via email at shareholderenquiries@linkgroup.co.uk or via postal address at Link Group, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. In the case of an individual, the form of proxy must be signed by the individual or their attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. For the purposes of determining the time for delivery of proxies, no account has been taken of any part of a day that is not a working day.

9. To be effective, the form of proxy, duly executed together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be lodged at the Company Registrars not less than 48 hours (excluding any part of a day which is a non-working day) before the time appointed for the holding of the Meeting or adjourned meeting.

Appointment of a proxy online

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

Appointment of proxies through CREST

11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual.

NOTICE OF MEETING (CONTINUED)

Appointment of proxies through CREST (continued)

The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 12 Noon on 15 March 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

Appointment of proxy by joint members

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

Changing proxy instructions

13. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group as per the communication methods shown in note 8. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

14. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group, at the address shown in note 8. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed, or a duly certified copy of such power or authority, must be included with the revocation notice. The revocation notice must be received by Link Group no later than 48 hours before the Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

Corporate representatives

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

Issued share captial

16. As at 25 January 2021, the Company's issued share capital comprised 12,658,229 Ordinary Shares of 0.10p each (300,000 held in Treasury). Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company on 25 January 2021 is 12,658,229. The website referred to in note 2 will include information on the number of shares and voting rights.

Documents on display

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

Shareholders requiring a hard copy Form of Proxy should contact the Company's Registrar - see note 8 Appointment of Proxy Using Hard Copy Proxy Form.

Group Directory

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

Electro-mechanical systems

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

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

Engineered component distribution

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

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

LED lighting and electronic systems

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

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

Long Life Reliability
does not cost the earth

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

T +44 (0)1799 512800

DESIGNED AND PRODUCED BY HORNETT'S DESIGN LTD – LINDA@HORNETTSDESIGN.CO.UK

THIS REPORT IS PRINTED ON 100% RECYCLED PAPER