

COMPANY NO: 686429

LPA GROUP PLC

ANNUAL REPORT

◆ *Year ended 30 September 2002* ◆



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COMPANY INFORMATION

Directors **Michael Rusch** (Non-Executive Chairman), 57, joined the company in 1966, five years after its inception. He has been on the Board since 1967. He relinquished his executive duties in June 2000.

Peter G Pollock (Chief Executive), 56, is a chartered accountant, with over thirty years industrial experience. He joined LPA Group in April 1997. He is also Chairman of Lionheart plc. He was previously a non-executive director of Mentmore Abbey plc and Menvier Swain plc, Chairman of Valetmatic Ltd, Chief Executive of ML Holdings plc and Finance Director UK of Fisher Controls International Inc. and Financial Director of Hawker Siddeley Power Transformers Ltd.

Stephen K Brett (Finance Director), 46, qualified as a chartered accountant in 1982 with Ernst & Whinney. Before joining LPA Group in December 2000 he held a number of financial appointments in the manufacturing sector most recently as Vice President Finance for the Environmental Control Division of Invensys plc.

Michael A Edmonds (Independent Non-Executive Director), 66, was educated at Repton School before commissioned service in the Royal Air Force from 1954 to 1974. Between 1974 and 1984 he worked in defence export sales. He was Managing Director of Channel Electric Equipment Limited from 1985 to 1999.

John A C Goodger (Senior Independent Non-Executive Director), 55, is a director of N W Brown Corporate Finance Limited and The Great Eastern Investment Forum and has been a director of a number of quoted and unquoted companies.

Secretary Stephen K Brett

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FINANCIAL HIGHLIGHTS
For the year ended 30 September 2002

	2002	2001
	£'000	£'000
TURNOVER	13,806	13,570
OPERATING (LOSS) / PROFIT	(56)	462
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(318)	127
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAX	(345)	175
DIVIDENDS	27	56
EARNINGS PER SHARE		
Basic	(3.16p)	1.63p
Diluted	(3.16p)	1.58p
Adjusted	(2.17p)	2.63p
DIVIDENDS PER SHARE	0.25p	0.50p
GEARING		
Net debt to shareholders' funds	84.5%	99.2%

CHAIRMAN'S STATEMENT

Results

As predicted in my interim statement the second half-year proved very challenging for the Group. As a consequence the modest profit reported in the first half was more than absorbed by the second half loss, resulting in an overall pre tax loss of £318,000 for the year against a profit before tax of £127,000 last year. The loss per share amounted to 3.16p compared with earnings per share of 1.63p in 2001. The difficult trading conditions have continued through the first quarter of the current financial year. Although the workload based on current orders will improve later in the year a further substantial cost reduction has been implemented. This is reducing expenses to a level commensurate with the level of trading activity that the Group has been experiencing, and should allow progress later in the year. However, conditions were so severe in the first quarter that, including the costs associated with the cost reduction exercise, progress during the year will be limited.

Dividends

Given the loss for the year ended 30 September 2002 your directors consider it inappropriate to recommend a final dividend. The interim dividend of 0.25p per share paid in September 2002 was covered by earnings. We will keep the dividend under review and restore it as soon as trading permits.

Alternative Investment Market

As proposed in my statement last year the Group transferred to the Alternative Investment Market (AIM) in May 2002. The transfer was successfully achieved without major disruption.

The Peter Pollock Option

Shareholders will be aware that on 21 April 1997, our chief executive, Peter Pollock was granted an option over 750,000 ordinary shares of 10p each, at an option price of 40p per share. This option expires on 31 March 2004. However, it has become clear that, in the current circumstances, this early expiry date is inappropriate in that it will prevent the option serving the intended purpose. Consequently the Remuneration Committee has agreed with Peter Pollock that the period, over which this option may be exercised, be extended until 20 April 2007 (i.e. ten years from the grant of the original option). All other terms of the option (including the option price of 40p per share) will remain the same.

Employees

Sadly, the difficult trading conditions and the consequent cost reductions have meant that a number of positions have become redundant and some excellent people have been casualties of this process. We wish them well in the future. Our people are the Group's key resource and we value them highly. On behalf of the Board I would like to thank all of our employees for their diligence, loyalty and hard work in difficult circumstances.

Prospects

The start of the year has been difficult, but the cost reduction programme has been implemented against a background of an improving load later in the year. This should significantly improve Group performance during the second half.



Michael Rusch
Chairman
29 January 2003

CHIEF EXECUTIVE'S REVIEW

Trading Results

The final quarter of the year ended September 2001 and the first quarter of the year ended September 2002 yielded the highest ever levels of Group activity. Delays in customer manufacturing programmes and in the award of new contracts then reduced Group activity to very low levels, which persisted throughout the rest of the year and the start of the current year. In the first half of the year to 30 September 2002 sales of £7.8m were achieved, up 27% on the same period in the previous year. In the second half of the year sales of only £6.0m were achieved, down 23% on the first half. The increased level of activity was caused by several rail projects coming on stream at the same time and the down turn in the second half by the rescheduling of requirements on West Coast Main Line, a major programme, and delays to other follow on contracts.

Having expanded to meet the increased demand on the upswing, we then reduced the cost base in response to the down swing. The outlook at the start of the second half still remained positive however, but at the same time as the West Coast Main Line programme was rescheduled, order levels fell away. As a consequence losses were incurred in the second half. For the year as a whole sales of £13.8m up 1.7% on the previous year were achieved, but a loss before tax of £318,000 was suffered compared with a profit before tax of £127,000 in 2001.

Markets

Shareholders will be well aware of the turmoil on Britain's railways. This is reflected in the supply chain. One UK train builder has work for several years while the other has very little. Major contracts have been placed overseas. We have followed the work to Europe, but it has proved very difficult to dislodge the European manufacturers' existing suppliers of our products, even on vehicles destined for the UK. We have had more success in the Far East and Australia and we are building alliances in that region. Despite these difficulties Rail will remain an important market for the Group. We are enjoying success in the refurbishment and upgrade market, which has helped to underpin recent improvements in order entry. New opportunities are expected over the next two years.

The attack on the World Trade Centre in September 2001 caused Bae Systems to announce their withdrawal from the Regional Jet programme. This was an important programme for the Group and its loss was felt in the second half. More recently the pan European military programmes have become more global in their supply initiatives and this will lead to increased competition from the US and Europe where there is a price advantage due to the weakness of the dollar and Euro versus the pound sterling. It is expected that this will adversely affect margins in the future. The expansion of civil air travel has slowed which is affecting the expansion and refurbishment of airports, which has a knock on effect on Group sales of Ground Support Equipment.

The problems in the Telecommunication market are well known. BT and Marconi have had major problems, and there has been a delay in the roll out of the new G3 Mobile Phone network. As a supplier of base station equipment and cubicles to the Telecoms market the Group has been adversely affected.

Overall the markets for the Group's products have been quiet and orders and sales declined from their anticipated levels during the year, in a manner consistent with the wider industrial market. Over the last four months however a more satisfactory level of order entry has been sustained, which together with the work rescheduled from last year will provide a useful base load during the rest of this year.

CHIEF EXECUTIVE'S REVIEW (continued)

Structure and Cost Base

It became clear in the Autumn of 2002 that, despite reductions, the cost base was still too high compared with the sustainable level of Group activity and that a structural change was required to allow for the further elimination of cost. The Group has four subsidiaries, none of which were growing fast enough to sustain the full management structure they enjoyed. It was necessary to reduce the cost base of each unit so that it could remain a viable business and to share certain resources across the Group. A new structure has been implemented.

There is now a unified sales and marketing organisation led by George Renshaw, the Managing Director of LPA Channel Electric who becomes Group Sales and Marketing Executive. This has allowed the duplication of regional resources to be eliminated. The Group sales team will now be able to sell all Group products. Technical sales personnel will continue to support the Group's project related business. Export effort will be co-ordinated on a territory by territory basis. During the year all subsidiaries adopted the LPA prefix to their trading names and LPA Industries adopted the name LPA Niphan Systems to better reflect its offering to the markets it serves. Niphan is the name of the original range of electrical connectors from which technology much of LPA Niphan System's current range of connector equipment is derived.

Some Group manufacturing or assembly capabilities overlapped. Operations have now been brought together under a single management team led by Jim Henderson, the Managing Director of LPA Niphan Systems who becomes Chief Operating Officer. Duplicated resources are being eliminated. A number of senior management positions have been made redundant.

All Group administration and finance functions will report directly to Steve Brett, the Group Finance Director, with a subsidiary responsibility to the local operations management.

A major cost reduction programme has been achieved and the cost base will be kept under constant review.

Business Units

LPA Niphan Systems started the year with a heavy workload, which evaporated because of the rescheduling of West Coast Mainline and the delay in the award of other follow on contracts. Whilst the order entry for standard products was sustained it was insufficient to provide an adequate workload during the second half, when project work was postponed. Overall losses were reduced from those suffered in the previous year. Trading in the first quarter of this year has been difficult but the cost base has been cut further. There is a useful workload for the rest of the year and a high level of tendering activity, which should lead to further progress. Demand for standard products should benefit from the re-focussed Group sales team.

LPA Channel Electric had another good year but progress was limited by the cancellation of the Regional Jet programme following the attack on the World Trade Centre. During the first quarter of this year it has become clear that global and pan European competition will be likely to put pressure on margins. A cost reduction exercise has been carried out and the assembly facility will close with the work to be transferred elsewhere in the Group. The company has made progress in the rail vehicle refurbishment market and has other significant opportunities.

CHIEF EXECUTIVE'S REVIEW (continued)

LPA Excil Electronics had a year of different halves. The first was excellent and the second very disappointing. The company benefited from a heavy project workload in the first half that disappeared in the second. Rescheduling and delays in the award of follow on contracts contributed to the reduction in activity levels but difficult conditions in the contract electronics market were also a negative factor. Overall a modest profit was made despite losses in the second half which have persisted in to the first quarter of the current year. Some important new contracts have since been won which will provide a workload during the rest of the year and there are significant opportunities for the future. A major cost reduction has been implemented and progress is expected during the rest of the year.

LPA Haswell Engineers had a difficult year. The workload declined during the second half due to the continuing problems in the Telecoms market, and losses were sustained for the year as a whole. The level of tendering activity and order entry picked up during the first quarter of the current year and while output is not yet satisfactory, the order book has strengthened. The cost base has been reduced and a number of efficiencies introduced which should allow progress during the rest of the year.

Capital Expenditure

Capital expenditure during the year amounted to £365,000. Following the major expenditure in the previous year, no new major capital projects were undertaken during the year. There are no major capital expenditure projects planned for this year.

Cash Flow

Net cash inflow from operating activities amounted to £1,596,000. After financing £240,000 of net capital expenditure, £14,000 of deferred consideration, dividends of £81,000 and debt service of £878,000 (interest and capital) total cash increased by £383,000. Net debt fell in the year by £972,000 and at 30 September 2002 gearing was 85% (2001: 99%).

Design and Development

The Group's design and development activity has focussed on new transportation and telecom market products, updating industrial products and adopting the latest manufacturing techniques.

Prospects

The markets in which the Group operates are large, but have been highly volatile during the last year. The prospect of war in the Middle East, and consequent rises in oil prices, are not an encouraging backdrop against which to consider prospects. Overall however the restructuring and the cost reduction programme that has been implemented should minimise the impact of any further downturn on the Group. We have a much more conservative view of the sustainable level of activity available to the Group. The workload over the coming months is better than was the case during both the second half of last year and the first quarter of this year and the tendering level is stronger. The first quarter was difficult and the costs of the restructuring will be borne in the first half of the year. Progress should be made during the second half.



Peter Pollock
Chief Executive
29 January 2003

CORPORATE GOVERNANCE

Compliance

The Group re-listed on AIM in May 2002. AIM companies are not required to comply with the corporate governance principles contained in Section 1 of the Combined Code as appended to the UK Listing Authority Rules. However, the Board is committed to the principles of sound corporate governance and continues to benchmark itself against the principles contained in the Combined Code. The following sets out how it has applied those principles. The Company has complied with the provisions except as disclosed below.

Board Composition and Responsibility

During the year the five member Board comprised three non-executive directors, including the Chairman, and two executive directors. The Combined Code requires the Board to have a minimum of three non-executive directors. The non-executive directors are from varied backgrounds and bring an outside viewpoint which creates an overall balance, operating in the interest of both the Group and its shareholders. Of the non-executive directors both John Goodger and Michael Edmonds are considered independent. The roles of Chairman and Chief Executive have remained separate throughout the year. The composition of the Board is reviewed regularly.

The Board meets at least six times during the year, with additional meetings being convened as necessary. The principal responsibilities of the Board are to agree overall strategy and investment policy, to approve the annual budget (including capital expenditure), 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.

Executive directors' normal retirement age is 60. Non-executives are normally appointed for three year terms and their normal retirement age is 70. All 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 confirms that the system of internal control accords with the Turnbull Committee Guidance.

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

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.

CORPORATE GOVERNANCE (continued)

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

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

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

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

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

Through the procedures outlined above the Board has considered all significant aspects of internal control for the year to September 2002 and up to the date of this Annual Report.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Audit Committee

The Combined Code requires the Audit Committee to comprise non-executive directors, of which the majority are considered to be independent. The Audit Committee comprises the Board's three non-executive directors John Goodger (who is also the Committee's Chairman), Michael Edmonds and Michael Rusch. Of these John Goodger and Michael Edmonds are classified as independent.

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

Remuneration Committee

The Combined Code requires the Remuneration Committee to comprise solely independent non-executive directors. The Remuneration Committee comprises the Board's three non-executive directors, John Goodger (who is also the Committee's Chairman), Michael Edmonds and Michael Rusch. Only John Goodger and Michael Edmonds are classified as independent. The Board considers the Remuneration Committee composition to be appropriate given the size of the Board itself, and that given the Group's current size, the cost of further independent non-executive directors would be disproportionate to the potential benefits.

CORPORATE GOVERNANCE (continued)

The principal objectives of the Remuneration Committee in respect of executive directors, and the Board in respect of the Group as a whole, are to ensure that the Group's senior management remuneration policies and practices facilitate the recruitment, retention, and motivation of top quality personnel and to ensure that senior management remuneration operates on a best practice basis, aligning where practicable, the remuneration of executives with the interest of shareholders.

The Remuneration Committee meets at least twice a year. Its principal function is to determine on behalf of the Board the remuneration and other benefits of the executive directors, including pensions, share options, service contracts and compensation payments. Base salaries are reviewed annually, 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.

Remuneration Report

Peter Pollock has a service contract with a rolling notice period of one year. In the event of a takeover of the Group prior to March 2003, at a price in excess of £1.50 per share, he will be entitled to an additional year's notice. As at 1 January 2003 his annual salary was £125,000 and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme. He is a member of the Group's defined benefit pension scheme.

Stephen Brett is to be awarded a service contract with a rolling notice period of one year. As at 1 January 2003 his annual salary was £85,000 and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme. He is a member of the Group's defined benefit pension scheme.

The remuneration of the non-executive directors is determined by the Board as a whole. Non-executive directors do not have service contracts and except as identified for Michael Rusch and Michael Edmonds in note 6, do not participate in the Group's share option arrangements.

Michael Rusch (non-executive chairman) has a three-year term of office expiring on 30 June 2003. As at 1 January 2003 he received fees of £18,500 per annum and he is entitled to the provision of a car or allowance and private health insurance.

Michael Edmonds (non-executive director) has a three-year term of office, as set out in his letter of re-appointment, which expires at the conclusion of the Company's Annual General Meeting to be held in the spring of 2005. As at 1 January 2003 he received fees of £16,000 per annum and he is entitled to the provision of a car or allowance.

John Goodger (non-executive director) has a term of office which expires at the conclusion of the Company's Annual General Meeting to be held in the spring of 2004. As at 1 January 2003 he received fees of £16,000 per annum.

Full details of directors' remuneration, shareholdings and share options are shown in note 6.

CORPORATE GOVERNANCE (continued)

Board Nominations

The Combined Code recommends that unless the Board is small, a Nominations Committee be established to make recommendations to the Board on all new Board appointments. Given the size of both the Group and the Board, it is the Board's view that a Nominations Committee is not required (the function to be performed by the Board itself). The need for such a Nomination Committee will continue to be reviewed annually.

Shareholder Relationships

The objective of the Board is to create increased shareholder value by growing the business in a way that delivers sustainable improvement in earnings over the medium to long term. The Board regards the Annual General Meeting as an important opportunity to meet and communicate with private investors in particular. Directors make themselves available to shareholders both before and after the Annual General Meeting and on an ad hoc basis during the year subject to normal disclosure rules. In addition to the Annual Report, the Company issues an Interim Report to shareholders and has its own website at 'www.lpa-group.com'.

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited accounts for the year ended 30 September 2002.

Results and dividends

The loss on ordinary activities after taxation amounted to £345,000 in 2002 (2001: profit of £175,000). The directors do not recommend the payment of a final ordinary dividend (2001: 0.5p), which makes a total for the year of 0.25p per share (2001: 0.5p).

The retained loss for the year amounts to £372,000 in 2002 (2001: profit of £119,000).

Principal activities of the Group and business review

The principal activities of the Group continue to be the design, manufacture and marketing of industrial electrical accessories. A geographical analysis of Group turnover is shown in note 2 to the accounts. The business has been reviewed in the Chairman's Statement and the Chief Executive's Review.

Directors and their interests

The directors whose names appear on page 1 served throughout the year.

The Board of LPA Group plc comprises five directors: two executive directors and three non-executive directors.

Details of the current directors' interests in the share capital of the Company as shown in the register maintained in accordance with section 325 of the Companies Act 1985, together with details of share options granted to them are disclosed in the notes to the financial statements.

No director had any material interest in any contract with the Group, save as disclosed in the notes to the financial statements.

Stephen Brett and Peter Pollock retire by rotation and being eligible offer themselves for re-election.

REPORT OF THE DIRECTORS (continued)**Substantial shareholdings**

As far as the directors are aware, apart from Michael Rusch and Michael Edmonds, the only shareholders with a beneficial interest as at 31 December 2002 representing 3 per cent or more of the issued share capital were:

	Shareholdings	Percentage
Mrs Ellen Rusch	804,044	7.37%
Michael Winston Lott	629,252	5.77%
Mrs Marilyn I Porter	531,053	4.87%
Ernest Joseph Lott Settlement - No 2	444,054	4.07%
Mrs Harriett V Nailon	438,235	4.02%
Mrs Susan Thynne	426,674	3.91%
Clydesdale Bank Custodian Nominees Ltd	425,000	3.90%
HSBC Global Custody Nominee (UK) Ltd	410,000	3.76%

Mrs Harriet V Nailon and Michael Winston Lott have a joint interest in 499,480 shares of the Ernest Joseph Lott and Alice Maud Lott Settlements.

Research and development

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

Charitable contributions

Contributions for charitable purposes during the year amounted to £10 (2001: £205).

Employees

The Group is an equal opportunities employer.

For many years it has been the policy of the Group to give full and fair consideration to applications for employment by disabled persons to maintain employment and to provide training to suit individual requirements. They are eligible for promotion and, within the limits of their disabilities, are given equal consideration with other applicants.

Payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a formal standard or code which deals specifically with payment to suppliers. The Group had 51 days (2001: 64 days) purchases outstanding at 30 September 2002.

REPORT OF THE DIRECTORS (continued)

Directors' responsibilities

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the AIM rules.


The Annual Report is available on the Company's web site. The maintenance and integrity of LPA Group plc's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

The auditors, RSM Robson Rhodes, are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

The report of the directors was approved by the Board on 29 January 2003 and signed on its behalf by:



Stephen Brett
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LPA GROUP PLC

We have audited the financial statements on pages 15 to 47.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 as permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code that would be specified for our review by the Listing Rules had the Company been fully listed and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2002 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditors
Cambridge, England
29 January 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2002

	Note	2002 £'000	Restated 2001 £'000
Turnover: continuing operations	2	13,806	13,570
Cost of sales		(10,273)	(9,944)
		<hr/>	<hr/>
Gross profit		3,533	3,626
Net operating expenses	3	(3,589)	(3,164)
		<hr/>	<hr/>
Operating (loss) / profit: continuing operations	4	(56)	462
Interest payable and similar charges	7	(262)	(335)
		<hr/>	<hr/>
(Loss) / profit on ordinary activities before taxation		(318)	127
Tax on profit on ordinary activities	8	(27)	48
		<hr/>	<hr/>
(Loss) / profit on ordinary activities after taxation		(345)	175
Dividends: all equity	9	(27)	(56)
		<hr/>	<hr/>
Retained (loss) / profit for the year		(372)	119
		<hr/>	<hr/>
Earnings per share	10		
Basic		(3.16p)	1.63p
Diluted		(3.16p)	1.58p
Adjusted (before amortisation of goodwill)		(2.17p)	2.63p
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 September 2002

	Note	2002 £'000	Restated 2001 £'000
(Loss) / profit for the year		(345)	175
Prior year adjustment for deferred tax	8	73	
		<hr/>	<hr/>
Total gains and losses recognised since last annual report		(272)	
		<hr/>	<hr/>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 30 September 2002

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
(Loss) / profit for the financial year	(345)	175	(389)	(245)
Dividends	(27)	(56)	(27)	(56)
	<hr/>	<hr/>	<hr/>	<hr/>
	(372)	119	(416)	(301)
New share capital subscribed	-	140	-	140
	<hr/>	<hr/>	<hr/>	<hr/>
Net (reduction in) / addition to shareholders' funds	(372)	259	(416)	(161)
Opening equity shareholders' funds *	4,501	4,242	5,596	5,757
	<hr/>	<hr/>	<hr/>	<hr/>
Closing equity shareholders' funds	4,129	4,501	5,180	5,596
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* Group opening equity shareholders' funds of £4,501,000 are the originally reported £4,428,000 after restatement for the prior year adjustment of £73,000. The Company opening equity shareholders' funds of £5,596,000 are the originally reported £5,591,000 after restatement for the prior year adjustment of £5,000.

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 30 September 2002

	2002 £'000	2001 £'000
Reported (loss) / profit on ordinary activities before taxation	(318)	127
Realisation of property revaluation gains	-	28
	<hr/>	<hr/>
Historical cost (loss) / profit on ordinary activities before taxation	(318)	155
	<hr/> <hr/>	<hr/> <hr/>
Historical cost retained (loss) / profit	(372)	147
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED BALANCE SHEET
at 30 September 2002

	Note	2002 £'000	Restated 2001 £'000
Fixed assets			
Intangible assets	11	1,606	2,021
Tangible assets	12	3,320	3,632
Investments	13	-	2
		<u>4,926</u>	<u>5,655</u>
Current assets			
Stocks	14	2,350	3,054
Debtors	15	2,276	3,814
Cash at bank and in hand		5	119
		<u>4,631</u>	<u>6,987</u>
Creditors: Amounts falling due within one year	16	(2,611)	(4,535)
		<u>2,020</u>	<u>2,452</u>
Net current assets		2,020	2,452
Total assets less current liabilities		6,946	8,107
Creditors: Amounts falling due after more than one year	17	(2,713)	(3,496)
Provisions for liabilities and charges	19	(104)	(110)
		<u>4,129</u>	<u>4,501</u>
Net assets		4,129	4,501
Capital and reserves			
Called up share capital	21	1,090	1,090
Share premium account	22	254	254
Revaluation reserve	22	317	318
Merger reserve	22	230	230
Profit and loss account	22	2,238	2,609
		<u>4,129</u>	<u>4,501</u>
Equity shareholders' funds		4,129	4,501

The financial statements were approved by the Board on 29 January 2003 and signed on its behalf by:



S K BRETT
Director



P G POLLOCK
Director

COMPANY BALANCE SHEET
At 30 September 2002

	Note	2002 £'000	Restated 2001 £'000
Fixed assets			
Tangible assets	12	528	556
Investments	13	5,300	5,607
		<u>5,828</u>	<u>6,163</u>
Current assets			
Debtors	15	5,044	5,833
Cash at bank and in hand		2	2
		<u>5,046</u>	<u>5,835</u>
Creditors: Amounts falling due within one year	16	(3,061)	(3,125)
		<u>1,985</u>	<u>2,710</u>
Total assets less current liabilities		7,813	8,873
Creditors: Amounts falling due after more than one year	17	(2,622)	(3,277)
Provisions for liabilities and charges	19	(11)	-
		<u>5,180</u>	<u>5,596</u>
Net assets		<u>5,180</u>	<u>5,596</u>
Capital and reserves			
Called up share capital	21	1,090	1,090
Share premium account	22	254	254
Revaluation reserve	22	317	318
Merger reserve	22	784	784
Profit and loss account	22	2,735	3,150
		<u>5,180</u>	<u>5,596</u>
Equity shareholders' funds		<u>5,180</u>	<u>5,596</u>

The financial statements were approved by the Board on 29 January 2003 and signed on its behalf by:



S K BRETT
 Director



P G POLLOCK
 Director

CONSOLIDATED CASH FLOW STATEMENT
 for the year ended 30 September 2002

	Note	2002 £'000	2001 £'000
Net cash inflow from operating activities	23	1,596	712
Returns on investments and servicing of finance			
Interest paid		(204)	(287)
Interest element of hire purchase and finance lease payments		(47)	(38)
		(251)	(325)
Taxation			
Corporation tax received		-	40
Capital expenditure			
Payments to acquire tangible fixed assets		(338)	(522)
Receipts from disposal of properties		-	122
Receipts from sale of other fixed assets		98	51
		(240)	(349)
Acquisitions			
Purchase of subsidiary undertakings	24	(14)	(219)
Equity dividends paid		(81)	(150)
Net cash flow before financing		1,010	(291)
Financing			
Increase in share capital		-	140
Repayment of loans		(350)	(564)
Capital element of hire purchase and finance lease payments		(277)	(238)
		(627)	(662)
Increase / (decrease) in cash	25	383	(953)

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention modified to include the revaluation of certain freehold properties. As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements.

FRS17 "Retirement Benefits" need not be applied in full until the 2006 accounts, so as in previous years expenses have been charged under SSAP24. Some additional disclosures are given as required by FRS17 (see note 5).

FRS19 "Deferred Tax" has been adopted for the first time in these accounts. Comparative figures have been restated to be consistent with the new accounting policy for deferred tax that is described below. The effect of the change is quantified in note 8.

Basis of consolidation

The consolidated accounts include the accounts of LPA Group plc and all its subsidiaries as at 30 September 2002 using acquisition accounting. The results of subsidiary undertakings acquired during the financial year are included from the effective date of acquisition.

Goodwill

Goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Goodwill relating to acquisitions made after 30 September 1999 is shown in the balance sheet as an asset and amortised over its estimated useful economic life of 20 years. In addition to systematic amortisation, the book value is written down to the recoverable amount when any impairment is identified.

In accordance with FRS10 goodwill relating to earlier acquisitions continues to be eliminated against reserves and will be expensed in the profit and loss account on any future disposal or closure of the acquired business.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost or valuation of each asset evenly to its residual value over its expected useful life. Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down would be charged to operating profit. No depreciation is provided on freehold land. The principal annual rates used are as follows:

Freehold buildings	2%
Leasehold properties	Over period of lease
Plant, machinery and equipment	10% - 15%
Motor vehicles	20%
Furniture, fittings and office equipment	10% - 15%
Computers	20% - 33%

The transitional provisions of FRS15 were adopted in 2000 and accordingly the property valuations have not been updated. The dates of the last valuations are disclosed in the fixed asset note.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

1. ACCOUNTING POLICIES (continued)

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

Stocks and work in progress

Stocks and work in progress are stated in the balance sheet at the lower of cost or net realisable value. Cost includes direct materials and labour costs and those overheads that have been incurred in bringing the stock to its present location and condition.

Research and development

All expenses incurred in connection with research and development are charged in the profit and loss account when they are incurred.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless FRS19 does not permit such provision. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

In accordance with FRS19 deferred tax is not provided for revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date.

Previously under SSAP15 provision was only made for deferred taxation if it was probable that the tax would be payable in the foreseeable future.

Pension contributions

The Group operates both a defined benefit and defined contribution pension schemes.

The defined benefit scheme requires contributions to be made to a separately administered fund. The pension cost charged to the profit and loss account is calculated by the actuary so as to spread the cost of pensions over the employees' working lives with the company. These calculations are based on the most recent triennial actuarial valuation of the fund. Variations from the regular pension costs are spread evenly through the profit and loss account over the average remaining service lives of current employees.

Contributions to the defined contribution pension schemes, which are also made to separately administered funds, are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Leased assets

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of rental obligations is charged to the profit and loss account over the period of the lease.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

2. TURNOVER ANALYSIS

Turnover represents amounts invoiced for products sold (excluding VAT), excluding those to other Group companies. All turnover originates in the United Kingdom. An analysis of turnover by geographical market is given below:

	2002 £'000	2001 £'000
United Kingdom	11,638	10,712
Rest of Europe	950	1,500
Rest of World	1,218	1,358
	<hr/>	<hr/>
	13,806	13,570
	<hr/>	<hr/>

In the opinion of the directors, the activities of the Group constitute one business segment.

3. NET OPERATING EXPENSES

	2002 £'000	2001 £'000
Sales and distribution costs	1,092	1,079
Administrative expenses	2,527	2,253
Other operating income	(30)	(168)
	<hr/>	<hr/>
	3,589	3,164
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

4. OPERATING (LOSS) / PROFIT

Operating (loss) / profit is arrived at after charging / (crediting):

	2002	2001
	£'000	£'000
Operating lease rentals		
- plant and machinery	64	26
- land and buildings	206	248
Auditors' remuneration	40	43
Other services provided by auditors	8	14
Depreciation on owned assets	463	445
Depreciation on assets held under hire purchase contracts	152	177
Amortisation of positive goodwill	108	108
(Profit)/loss on disposal of fixed assets	(36)	(68)
Research and development expenditure	322	340
Reversal of previous impairment of tangible fixed assets	-	(37)
	<u> </u>	<u> </u>

5. EMPLOYEES

Average monthly number of employees, including directors:

	2002	2001
	No	No
Production	168	183
Sales and distribution	30	33
Administration	24	24
	<u> </u>	<u> </u>
	222	240
	<u> </u>	<u> </u>

Staff costs, including directors:

	2002	2001
	£'000	£'000
Wages and salaries	4,337	4,266
Social security costs	386	386
Other pension costs - defined benefit	66	82
- defined contribution	84	66
	<u> </u>	<u> </u>
	4,873	4,800
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

30 September 2002

5. EMPLOYEES (continued)

Pension costs

The Group operates a defined benefit pension scheme where benefits are based on final pensionable pay. This pension scheme is set up under trust and the assets of the scheme are therefore held separately from those of the company and the Group. This scheme is closed to new entrants.

The pension cost charged to the profit and loss account is calculated by the actuary so as to spread the cost of pensions over the employees' working lives with the company. The pension costs are based on the last formal valuation of the scheme, which was completed with an effective date of 1 April 2000, by Jardine Lloyd Thompson Benefit Consultants Limited. The actuarial method used was the attained age method. The most significant assumptions which affect pension costs are those relating to the rate of return on the investments of the scheme and the rate of increase in salaries and pensions. For the purposes of the valuation the investment return used was 7.5%, general salary inflation was 5.5% per annum, price inflation was 4.0% per annum and pensions were assumed to increase at the rate of 4.0% per annum in payment. The valuation showed that the market value of the scheme's assets was £10.93m including net current assets, and the actuarial value of those assets represented 133% of the liability for benefits under the valuation method, for service to the valuation date and based on salaries projected to retirement or earlier exit.

The pension cost charged to the profit and loss account for the year was £66,000 (2001: £82,000). There is also a balance sheet accrual at the year end of £6,000 (2001: prepayment of £34,000), resulting from differences between amounts previously recognised through the profit and loss account and the amounts paid in contributions.

The Group also operates defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds, and contributions are charged to the profit and loss account as they become payable in accordance with the scheme rules.

Supplementary pensions disclosures under FRS17

The profit and loss account charge for pension costs, the accounting policies and the disclosures above are given on the basis of SSAP24. SSAP24 is going to be replaced by FRS17. The additional disclosures, which follow, are given in preparation of FRS17 being adopted. They relate only to the defined benefit scheme, and omit certain comparative figures in accordance with the transitional rules of FRS17. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 April 2000 and updated to 30 September 2002.

a) Contributions

The contributions made by the employer over the financial year have been £25,000 (2001: £82,000). The contribution rate was equivalent to 6% of pensionable pay in the period up to and including February 2002, but after receiving the agreement of the scheme actuary the employer has ceased paying contributions from that date. This Nil% contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 6 April 2003.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002
5. EMPLOYEES (continued)
b) FRS17 balance sheet information

Net asset position	2002 £'000	2001 £'000
As reported on SSAP24 basis	4,129	4,501
SSAP24 pensions accrual / (prepayment)	6	(34)
	<hr/>	<hr/>
Excluding SSAP24 basis	4,135	4,467
FRS17 pension asset (net of deferred tax)	590	2,831
	<hr/>	<hr/>
On FRS17 basis	<u>4,725</u>	<u>7,298</u>
	<hr/>	<hr/>
Profit and loss reserve	2002 £'000	2001 £'000
As reported on SSAP24 basis	2,238	2,609
SSAP24 pensions accrual / (prepayment)	6	(34)
	<hr/>	<hr/>
Excluding SSAP24 balance	2,244	2,575
FRS17 pension asset (net of deferred tax)	590	2,831
	<hr/>	<hr/>
On FRS17 basis	<u>2,834</u>	<u>5,406</u>
	<hr/>	<hr/>

Composition of the scheme

The transitional arrangements of FRS17 require disclosure of assets and liabilities as at 30 September 2002 calculated in accordance with the requirements of FRS17. The assets of the scheme have been taken at market value and the liabilities have been calculated on the projected unit method, using the following principal actuarial assumptions.

	2002	2001
Inflation	2.34% per annum	2.5% per annum
Salary increases	2.84% per annum	2.5% per annum
Rate of discount	5.23% per annum	6.0% per annum
Pension in payment increases	2.34% per annum	2.5% per annum
Revaluation rate for deferred pensioners	2.34% per annum	2.5% per annum

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

5. EMPLOYEES (continued)

On this basis the balance sheet figures are as follows:

	2002 £'000	2001 £'000
Fair value of assets	8,115	9,197
Present value of scheme liabilities	(7,272)	(5,153)
	<hr/>	<hr/>
Actuarial surplus	843	4,044
Deferred tax	(253)	(1,213)
	<hr/>	<hr/>
Actuarial surplus after tax	590	2,831
	<hr/> <hr/>	<hr/> <hr/>

All of the £0.59m (2001: £2.831m) would have been shown as an asset had the Group's balance sheet been prepared under FRS17.

The assets of the scheme at 30 September 2002 are split as follows:

	2002 £'000	2001 £'000
Equities	4,838	6,196
Bonds	2,450	2,469
Other	827	532
	<hr/>	<hr/>
	8,115	9,197
	<hr/> <hr/>	<hr/> <hr/>

The expected long-term rate of return over the following year is 5% for bonds and 7% for equities (2001: 5% and 7% respectively).

Analysis of the amount charged to operating profit

	2002 £'000
Current service cost	89
Past service cost	-
	<hr/>
Total operating charge	89
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

5. EMPLOYEES (continued)

Analysis of the amount that would be credited to other finance income

	2002 £'000
Expected return on pension scheme assets	556
Interest on pension scheme liabilities	(312)
	<hr/>
	244
	<hr/> <hr/>

Analysis of amount that would be recognised in consolidated statement of total recognised gains and losses (STRGL)

	2002 £'000
Actual return less expected return on pension scheme assets	(1,791)
Experience gains and losses arising on the scheme liabilities	-
Changes in assumptions underlying the present value of the scheme liabilities	(1,658)
	<hr/>
Actuarial loss recognised in statement of total recognised gains and losses	(3,449)
	<hr/> <hr/>

Movement in surplus during the year

	2002 £'000
Surplus in scheme at beginning of the year	4,044
Movement in year:	
Current service cost	(89)
Contributions	93
Past service costs	-
Other finance income	244
Actuarial loss	(3,449)
	<hr/>
Surplus in scheme at the end of the year	843
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

5. EMPLOYEES (continued)

History of experience gains and losses

	2002
Difference between the expected and actual return on scheme assets	
Amount (£'000)	(1,791)
Percentage of scheme assets	22%
Experience gains and losses on scheme liabilities	
Amount (£'000)	-
Percentage of the present value of scheme liabilities	Nil %
Total amount recognised in statement of total recognised gains and losses	
Amount (£'000)	(3,449)
Percentage of the present value of scheme liabilities	47%

6. DIRECTORS

Emoluments of the directors of the Company:

	2002	2001
	£'000	£'000
Fees	50	48
Salaries including taxable benefits	254	215
	<u>304</u>	<u>263</u>

Directors' remuneration

	Salaries / fees £	Benefits £	Total 2002 £	Total 2001 £
Peter G Pollock	121,250	14,247	135,497	116,128
Stephen K Brett	82,500	13,640	96,140	70,621
Sheena L Trueman	-	-	-	7,374
	<u>203,750</u>	<u>27,887</u>	<u>231,637</u>	<u>194,123</u>
Michael Rusch	18,250	15,472	33,722	32,145
Michael A Edmonds	15,750	6,667	22,417	21,265
John A C Goodger	15,750	-	15,750	15,000
	<u>253,500</u>	<u>50,026</u>	<u>303,526</u>	<u>262,533</u>

There were no bonus payments included in salaries / fees.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

6. DIRECTORS (continued)

The pension scheme entitlements under defined benefit schemes (excluding inflation and directors' contribution) of the directors are as follows:

	Increase in accrued pension during the year £	Transfer value of increase £	Accumulated total accrued pension at 30 September	
			2002 £	2001 £
Peter G Pollock	3,500	47,741	17,280	13,780
Stephen K Brett	3,265	17,209	5,348	2,083
Sheena L Trueman	-	-	-	2,237

Directors' shareholdings

Shareholdings of those serving at the year end were:

	Number of ordinary shares		
	1 October 2001	30 September 2002	31 December 2002
Michael Rusch	808,000	808,000	808,000
Peter G Pollock	250,000	250,000	250,000
Michael A Edmonds	704,065	700,165	700,165
John A C Goodger	101,540	101,540	101,540
Stephen K Brett	-	10,000	10,000

Directors' interests in share options

	At 1 October 2001	At 30 September 2002	Option price	Earliest exercise Date	Latest exercise date
Peter G Pollock	750,000	750,000	40p	1 Jan 2002	20 Apr 2007
	100,000	100,000	59p	29 Mar 2004	28 Mar 2011
	-	75,000	32p	31 Jan 2005	30 Jan 2012
Stephen K Brett	100,000	100,000	59p	29 Mar 2004	28 Mar 2011
	-	75,000	32p	31 Jan 2005	30 Jan 2012

No options lapsed or were exercised in the period. During the year Peter Pollock and Stephen Brett were each granted options over 75,000 shares in the Company under the Enterprise Management Incentive scheme at an option price of 32p.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

6. DIRECTORS (continued)

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

1. The Peter G Pollock Option. Peter Pollock has an option to purchase up to 750,000 shares at 40p. For the option to be exercised in full the performance criteria required that the aggregate growth in normalised earnings per share of the Group over the five year period from 1 October 1996 to 30 September 2001 exceeded the growth in the Retail Price Index by 90%. The performance criteria were satisfied and the option can be exercised up until 20 April 2007.
2. The Unapproved Share Option scheme. There were no options outstanding under this scheme at the end of the year.
3. Enterprise Management Incentives (EMI). In October 2000 the rules of the Unapproved Share Option scheme were amended to allow it to be used as a basis for the grant of EMI options. The Government introduced EMI as a new form of share incentive in the 2000 Budget, which received Royal Assent in July 2000. The rule changes are principally to allow the grant of an option to be in the form of an agreement between the Company and the option holder as opposed to the issuing of an option certificate. EMI options offer tax advantages to both the option holder and the Company. The option price for grants under this scheme is determined by reference to the average of the middle market quotations as derived from the Stock Exchange Daily Official List for the three consecutive dealing days preceding the date of the grant. Stephen Brett and Peter Pollock hold options under this scheme. No performance criteria apply.
4. The Approved Share Option scheme. The option price for grants under this scheme is determined by reference to the average of the middle market quotations as derived from the Stock Exchange Daily Official List for the three consecutive dealing days preceding the date of the grant. No directors hold options under this scheme.
5. The Company established a Sharesave scheme in 1999, operated by Abbey National plc, for all permanent UK employees and salaried directors. The share options of the directors under this scheme are as follows:

	At 30 September 2002	Exercise price	Contract commencement date	Duration of contract
Michael Rusch	2,767	70p	1 July 1999	3 years
Peter G Pollock	2,767	70p	1 July 1999	3 years
Michael A Edmonds	4,428	70p	1 July 1999	3 years

The exercise price was determined, in accordance with the rules of the scheme, by means of discounting by 20% the average market price of the Company's ordinary shares over the three days immediately preceding the issue of invitations to participate in the scheme.

Advantage has been taken of the Revenue approved SAYE Scheme exemption and no provision made for the cost of the discount.

The market price of the Company's shares on 30 September 2002 was 16.5p per share (2001: 31.5p per share) and the high and low share prices during the year were 42.0p and 10.0p respectively (2001: 91.5p and 28.0p respectively).

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

7. INTEREST PAYABLE

	2002 £'000	2001 £'000
Bank loans and overdrafts	204	278
Other loans	-	9
Hire purchase contracts and finance leases	47	38
Amortisation of debt finance costs arising on acquisition	11	10
	<u>262</u>	<u>335</u>

8. TAXATION

	2002 £'000	2001 £'000
United Kingdom Corporation Tax		
Corporation tax at 20% (2001: 20 %)	-	10
Over-provision in previous years	(10)	(14)
	<u>(10)</u>	<u>(4)</u>
Current taxation	(10)	(4)
Deferred taxation		
Net reversal / (origination) of timing differences	37	(44)
	<u>27</u>	<u>(48)</u>
Tax on profit on ordinary activities		
	<u>27</u>	<u>(48)</u>
Current tax reconciliation		
	2002 £'000	2001 £'000
Loss / (profit) on ordinary activities before taxation	318	(127)
	<u>318</u>	<u>(127)</u>
Theoretical tax at UK corporation tax rate of 20% (2001: 20%)	(64)	25
Effects of:		
- Goodwill amortisation	22	22
- Accelerated capital allowances	10	(33)
- Current tax losses not utilised	42	-
- Current profits set-off against brought forward losses	(12)	(14)
- Other differences	2	10
- Adjustments in respect of prior years	(10)	(14)
	<u>(10)</u>	<u>(4)</u>
Actual current taxation credit	(10)	(4)

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

8. TAXATION (continued)

Change in accounting policy

The change in accounting policy for deferred taxation had the following effects on the Group accounts.

	2002 £'000	2001 £'000
Profit for the year		
Increase / (decrease) in taxation charge	49	(73)
Balance sheet		
Decrease in provision for deferred taxation	24	73

9. DIVIDENDS – ALL EQUITY

	2002 £'000	2001 £'000
Paid – year 2000 final	-	2
Paid – interim 0.25p per share (2001: Nil)	27	-
Proposed – final Nil per share (2001: 0.5p)	-	54
	27	56

The year 2000 dividend included in the prior year is in respect of shares issued subsequent to the announcement of, but prior to the payment of, the year 2000 final dividend.

10. EARNINGS PER SHARE

The calculation of earnings per share is based upon the loss of £345,000 (2001: profit of £175,000) and the weighted average number of ordinary shares in issue during the year. Due to losses in the current year no dilution arises and diluted earnings per share is therefore shown as the same as basic earnings per share. Adjusted earnings per share, which is disclosed to reflect the underlying performance of the Company, have been calculated on a loss of £237,000 (2001: profit of £283,000) being the loss for the year before the amortisation of goodwill. Details are as follows:

	2002	2002	2001	2001	2001	2001
	£'000	Basic	Diluted	£'000	Basic	Diluted
		pence	pence		pence	pence
		per	per		per	per
		share	share		share	share
Basic earnings	(345)	(3.16)	(3.16)	175	1.63	1.58
Amortisation of goodwill	108	0.99	0.99	108	1.00	0.98
Adjusted earnings	(237)	(2.17)	(2.17)	283	2.63	2.56

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

10. EARNINGS PER SHARE (continued)

The weighted average number of shares used in the calculation of earnings per share are as follows:

	2002	2001
	Number	Number
Weighted average shares in issue during the year	10,903,229	10,747,339
Effect of dilutive share options	-	304,801
	<hr/>	<hr/>
Weighted average shares for diluted earnings per share	10,903,229	11,052,140
	<hr/> <hr/>	<hr/> <hr/>

11. INTANGIBLE FIXED ASSETS

	Goodwill
	£'000
Cost	
At 1 October 2001	2,148
Adjustment in respect of Haswell Engineers Limited (see below)	(307)
	<hr/>
At 30 September 2002	1,841
	<hr/>
Amortisation	
At 1 October 2001	127
Charged in the year	108
	<hr/>
At 30 September 2002	235
	<hr/>
Net book value	
At 30 September 2002	1,606
	<hr/> <hr/>
At 1 October 2001	2,021
	<hr/> <hr/>

Haswell Engineers Limited was acquired in June 2000 for a maximum consideration of £1m. This amount included a deferred consideration element of £622,000 contingent upon the company's profitability in the period to September 2002. The best estimate for deferred consideration paid and to be paid is now £315,000. Accordingly goodwill has been reduced by £307,000 with a corresponding decrease in creditors. The revised goodwill paid on the Haswell acquisition is £180,000.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

12. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Short leasehold £'000	Plant, vehicles and equipment £'000	Total £'000
Cost or valuation				
At 1 October 2001	1,217	8	7,448	8,673
Capital expenditure	-	-	365	365
Disposals	-	(8)	(692)	(700)
At 30 September 2002	1,217	-	7,121	8,338
Depreciation				
At 1 October 2001	88	8	4,945	5,041
Charged in year	18	-	597	615
Disposals	-	(8)	(630)	(638)
At 30 September 2002	106	-	4,912	5,018
Net book value				
30 September 2002	1,111	-	2,209	3,320
At 1 October 2001	1,129	-	2,503	3,632

Included within plant, vehicles and equipment are assets with a net book value of £891,000 (2001: £1,167,000), which are held under finance leases and hire purchase contracts.

Cost or valuation as at 30 September 2002 is represented by:

	Freehold land and buildings £'000	Short leasehold £'000	Plant vehicles and equipment £'000	Total £'000
Valuation 1980	-	-	423	423
1996	544	-	-	544
Cost	673	-	6,698	7,371
	1,217	-	7,121	8,338

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

12. TANGIBLE FIXED ASSETS (continued)

Company	Freehold land and buildings £'000	Plant, vehicles and equipment £'000	Total £'000
Cost or valuation			
At 1 October 2001	544	85	629
Capital expenditure	-	-	-
Disposals	-	(61)	(61)
	544	24	568
At 30 September 2002	544	24	568
Represented by:			
Valuation 1996	544	-	544
Cost	-	24	24
	544	24	568
Depreciation			
At 1 October 2001	22	51	73
Charged in year	5	17	22
Disposals	-	(55)	(55)
	27	13	40
At 30 September 2002	27	13	40
Net book value			
30 September 2002	517	11	528
At 1 October 2001	522	34	556

Freehold properties

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

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Cost	949	949	276	276
Accumulated depreciation	(154)	(138)	(75)	(72)
	795	811	201	204

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

13. INVESTMENTS

Group

Listed investments with a cost and net book value of £2,000 at 1 October 2001 were re-classified as current assets in the year.

Details of the investments, which are all registered in England and Wales, in which the Group holds 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	Ordinary shares	100%	Electrical components
LPA Industries Limited	Ordinary shares	100%	Electrical components
Haswell Engineers Limited	Ordinary shares	100%	Manufacturing
Excil Electronics Limited	Ordinary shares	100%	Design, development and manufacturing

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

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

Company	Subsidiary Undertakings £'000
Cost	
At 1 October 2001	5,607
Reduction in cost of investment in Haswell Engineers Limited (see note 11)	(307)
At 30 September 2002	<u>5,300</u>

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

14. STOCKS

	Group	
	2002 £'000	2001 £'000
Raw materials and consumables	418	580
Work in progress	1,290	1,469
Finished goods and goods for resale	642	1,005
	2,350	3,054
	2,350	3,054

15. DEBTORS

	Group		Company Restated	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade debtors	2,048	3,514	-	-
Amounts due from subsidiary undertakings	-	-	5,011	5,809
Other debtors	41	190	22	9
Prepayments and accrued income	187	76	11	10
Prepayment of pension scheme contributions	-	34	-	-
Deferred tax asset (note 19)	-	-	-	5
	2,276	3,814	5,044	5,833
	2,276	3,814	5,044	5,833

Included in trade debtors is £Nil (2001: £18,000) due after more than one year. The prepayment of pension scheme contributions shown in the prior year includes an amount of £34,000 due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Debt (note 18)	823	1,437	1,066	1,477
Trade creditors	943	2,060	24	36
Amounts owed to subsidiary undertakings	-	-	1,731	1,332
Corporation tax	-	10	-	-
Other tax and social security costs	310	395	3	-
Other creditors	215	347	167	172
Accruals	320	232	70	54
Dividends payable	-	54	-	54
	<u>2,611</u>	<u>4,535</u>	<u>3,061</u>	<u>3,125</u>

Included in other creditors is deferred consideration of £167,000 (2001: £172,000) for the purchase of Haswell Engineers.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Debt (note 18)	2,673	3,145	2,377	2,716
Amounts owed to subsidiary undertakings	-	-	245	245
Other creditors	40	351	-	316
	<u>2,713</u>	<u>3,496</u>	<u>2,622</u>	<u>3,277</u>

Included in other creditors is deferred consideration of £Nil (2001: £316,000) for the purchase of Haswell Engineers Limited.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

18. BORROWING ANALYSIS

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Due within one year				
Bank loans	339	339	339	339
Bank overdraft	329	826	727	1,138
Obligations under finance leases and hire purchase contracts	155	272	-	-
	<u>823</u>	<u>1,437</u>	<u>1,066</u>	<u>1,477</u>
Due after more than one year				
Bank loans	2,377	2,716	2,377	2,716
Obligations under finance leases and hire purchase contracts	296	429	-	-
	<u>2,673</u>	<u>3,145</u>	<u>2,377</u>	<u>2,716</u>
Total borrowings	<u>3,496</u>	<u>4,582</u>	<u>3,443</u>	<u>4,193</u>

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Repayable				
Within one year	823	1,437	1,066	1,477
Between one and two years	459	485	339	339
Between two and five years	1,194	1,301	1,018	1,018
Over five years	1,020	1,359	1,020	1,359
	<u>3,496</u>	<u>4,582</u>	<u>3,443</u>	<u>4,193</u>

Loan issue costs

Under FRS4 the bank loan is stated net of £84,000 of issue costs (2001: £94,500). The initial issue costs of £108,000 are being amortised over the 10 year life of the loan.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

18. BORROWINGS ANALYSIS (continued)

Repayment profile, interest and security

Since the year-end the Group has completed negotiations for the renewal of its bank facilities based on its latest projections.

The £2.8 million bank loan (originally advanced in July 2000) is repayable in 32 quarterly instalments of £87,500. Interest is payable at 1.5% over base rate and is payable in arrears.

The following security is provided to the bank:

- (i) First and only legal charge over each freehold and leasehold property owned by the Group;
- (ii) First debenture from each Group company;
- (iii) A Composite Guarantee by each Group company (as guarantor) in favour of the Bank on account of each Group company; and
- (iv) An assignment of Keyman Insurance on the life of Peter Pollock of £250,000.

The overdraft is secured by a fixed and floating charge on the Group's assets. Interest is payable at 1.5% over base rate.

Undrawn facilities

The Group's only un-drawn committed borrowing facility is a bank overdraft expiring in one year or less. The un-drawn amount at 30 September 2002 was £1.0 million (2001: £0.35 million).

19. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Dilapidations provision £'000	Onerous contract provision £'000	Deferred taxation £'000	Total £'000
At 1 October 2001 – Restated	25	31	54	110
Charge to profit and loss account	-	-	37	37
Utilised in the year	(13)	(30)	-	(43)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2002	12	1	91	104
	<hr/>	<hr/>	<hr/>	<hr/>

The dilapidations provision arises out of a contractual obligation in relation to the property at Unit 1, Oakwood Business Park, Clacton-on-Sea, out of which Haswell Engineers operates.

The onerous contract provision relates to loss making supply contracts in Excil Electronics.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

19. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation provided in the accounts and amounts not provided are as follows:

Group	Provided		Not provided	
	2002 £'000	Restated 2001 £'000	2002 £'000	Restated 2001 £'000
Capital allowances in advance of depreciation	220	219	-	18
Other timing differences	(14)	(16)	-	(5)
Unutilised losses	(115)	(149)	(297)	(222)
	<u>91</u>	<u>54</u>	<u>(297)</u>	<u>(209)</u>

At 30 September 2002 there are unrecognised deferred tax assets in respect of unrelieved trading losses of £990,000.

Company

The Company has the following deferred taxation provided in the accounts. The deferred tax asset provided in 2001 is disclosed in note 15.

	2002 £'000	Restated 2001 £'000
Capital allowances in advance of depreciation	11	5
Other timing differences	-	(10)
	<u>11</u>	<u>(5)</u>

20. FINANCIAL COMMITMENTS

Operating lease commitments

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

Group	Land and buildings		Plant and machinery	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Operating leases which expire:				
Within one year	8	49	3	10
Within two to five years	-	-	62	20
After more than five years	174	176	-	-
	<u>182</u>	<u>225</u>	<u>65</u>	<u>30</u>

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

20. FINANCIAL COMMITMENTS (continued)

Capital commitments

Contracted for but not provided in the accounts amounted to £Nil (2001: £89,000).

21. SHARE CAPITAL

	2002	2001
	£'000	£'000
Authorised		
15,000,000 ordinary shares of 10p each	1,500	1,500
Allotted and fully paid		
10,903,229 ordinary shares of 10p each (2001: 10,903,229)	1,090	1,090

Share Options

Options to subscribe for ordinary shares of 10p each under the Company's Share Option Schemes are as follows:

Scheme	Date of grant	Price	Dates when exercisable	Number of shares	
				2002	2001
The Peter Pollock Option	Apr 1997	40p	01 Jan 2002 to 20 Apr 2007	750,000	750,000
1997 Approved Share Option scheme	Jul 1997	55p	16 Jul 2000 to 15 Jul 2004	55,000	55,000
	Jul 1998	78.7p	09 Jul 2001 to 08 Jul 2005	15,000	40,000
	Oct 2000	85p	05 Oct 2003 to 04 Oct 2007	15,000	20,000
SAYE Share Option scheme	Apr 1999	70p	01 Jul 2002 to 01 Jan 2003	84,130	111,805
Enterprise Management Incentive scheme	Oct 2000	85p	05 Oct 2003 to 04 Oct 2010	105,000	175,000
	Mar 2001	59p	29 Mar 2004 to 28 Mar 2011	200,000	200,000
	Jul 2001	56p	01 Aug 2004 to 31 Jul 2011	72,000	72,000
	Jan 2002	32p	31 Jan 2005 to 30 Jan 2012	196,000	-

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002
22. RESERVES

Group	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 October 2001 as previously stated	254	318	230	2,536
Prior year adjustment	-	-	-	73
At 1 October 2001 as restated	254	318	230	2,609
Loss for the year	-	-	-	(372)
Transfer	-	(1)	-	1
At 30 September 2002	254	317	230	2,238

In accordance with FRS10 transitional rules, cumulative goodwill on acquisitions written off to reserves is £3,092,000 (2001: £3,092,000).

Company	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 October 2001 as previously stated	254	318	784	3,145
Prior year adjustment	-	-	-	5
At 1 October 2001 as restated	254	318	784	3,150
Loss for the year	-	-	-	(416)
Transfer	-	(1)	-	1
At 30 September 2002	254	317	784	2,735

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	£'000	£'000
Operating (loss) / profit	(56)	462
Depreciation charges	615	622
Reversal of fixed asset impairment	-	(37)
Amortisation of goodwill	108	108
(Profit) on sale of tangible fixed assets	(36)	(68)
Decrease / (increase) in stocks	704	(749)
Decrease / (increase) in debtors	1,540	(251)
(Decrease) / increase in creditors	(1,279)	625
	<hr/>	<hr/>
Net cash inflow from operating activities	1,596	712
	<hr/> <hr/>	<hr/> <hr/>

24. CASH FLOWS - ACQUISITIONS

Acquisition payments comprise deferred consideration of £14,000 (2001: deferred consideration of £134,000 and other acquisition costs of £85,000 accrued at the previous year end).

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002	2001
	£'000	£'000
Increase / (decrease) in cash in the period	383	(953)
Cash outflow from decrease in debt and lease financing	627	802
	<hr/>	<hr/>
Change in net debt resulting from cash flows	1,010	(151)
New hire purchase agreements	(27)	(545)
Amortisation of loan costs	(11)	(10)
	<hr/>	<hr/>
Movement in net debt in the period	972	(706)
Opening net debt	(4,463)	(3,757)
	<hr/>	<hr/>
Closing net debt	(3,491)	(4,463)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

26. ANALYSIS OF NET DEBT

	At 1 October 2001 £'000	Cash flow £'000	Non cash changes £'000	At 30 September 2002 £'000
Cash in hand, at bank	119	(114)	-	5
Overdrafts	(826)	497	-	(329)
	<u>(707)</u>	<u>383</u>	<u>-</u>	<u>(324)</u>
Bank loans	(3,055)	350	(11)	(2,716)
Hire purchase and finance lease obligations	(701)	277	(27)	(451)
	<u>(4,463)</u>	<u>1,010</u>	<u>(38)</u>	<u>(3,491)</u>

27. FINANCIAL ASSETS AND LIABILITIES

As permitted by FRS13 the Company has chosen to exclude short term debtors and creditors when disclosing details of financial instruments.

Financial instruments

The Group's financial instruments comprise borrowings, some cash and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to raise finance for operations. The Group has not entered into derivatives transactions nor does it trade in financial instruments as a matter of policy. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board's policy on each is described below and has not changed since 2001. Operations are financed through a mixture of retained profits, bank loans and overdrafts. Short term flexibility is achieved by overdraft facilities.

Treasury policies for all Group companies are agreed by the Board. The Group's gearing is currently at 85% (2001: 99%).

Only 16% of the Group's sales (2001: 21%) are to overseas customers and the Group has not found it necessary to seek local finance. One of the Group's subsidiaries makes overseas purchases and eliminates currency exposure on such transactions using forward exchange contracts against known liabilities. Experience to date is that the unhedged exposure has not led to major exchange gains or losses.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

27. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets: excluding debtors within one year

The only financial asset held is cash at bank which is held in non-interest bearing accounts. As at 30 September the amounts held were:

	2002 £'000	2001 £'000
Sterling	5	24
Euro	-	95
	<u>5</u>	<u>119</u>

Financial liabilities: excluding non-debt current liabilities

The only financial liabilities of the Group which are subject to interest charges are bank loans and overdrafts and obligations under finance leases and hire purchase contracts. The bank overdraft and bank loan incur interest at variable rates. Interest charges on finance leases and hire purchase contracts are negotiated at the market rate prevailing at the time the commitment is made.

The main risk arising from the Group's financial instruments is interest rate risk. Interest rate exposure is managed by using a mixture of fixed and floating rate borrowings. Further details of interest rates are disclosed in note 18.

The interest rate profile of the Group's financial liabilities, all of which are denominated in sterling at 30 September was:

	2002 £'000	2001 £'000
Floating rate financial liabilities	3,045	3,881
Fixed rate financial liabilities (finance lease and hire purchase obligations with varied termination dates – see note 18)	451	701
	<u>3,496</u>	<u>4,582</u>

Maturity

The maturity profile and details of un-drawn facilities are shown in note 18.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is not significantly different from their book value.

NOTES TO THE FINANCIAL STATEMENTS
30 September 2002

28. CURRENCY RISK

The Group has transactional currency exposure arising from normal trading activity. Such exposure arises from sales or purchases in currencies other than sterling. The Group does not trade in derivatives or make speculative hedges.

At 30 September the Group had a commitment under non-cancellable forward contracts totalling £952,000 (2001: £590,000).

The table below shows the Group's currency exposure; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. The table shows the Group's currency exposure after taking account of forward contracts where appropriate:

Exposure at 30 September 2002

	Cash balances £'000	Other net monetary assets and liabilities £'000	Total net monetary assets and liabilities £'000
Euro	164	(59)	105
US Dollar	-	(15)	(15)
	<hr/>	<hr/>	<hr/>
	164	(74)	90
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Exposure at 30 September 2001

	Cash balances £'000	Other net monetary assets and liabilities £'000	Total net monetary assets and liabilities £'000
Euro	326	(14)	312
US Dollar	-	(28)	(28)
Australian Dollar	-	101	101
	<hr/>	<hr/>	<hr/>
	326	59	385
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FIVE YEAR SUMMARY

	1998 £'000	1999 £'000	2000 £'000	2001 £'000	2002 £'000
Sales and results					
Turnover: continuing operations	7,670	10,297	10,366	13,570	13,806
Operating profit / (loss) before amortisation of goodwill	937	1,095	(56)	570	52
Amortisation of goodwill	-	-	(19)	(108)	(108)
Operating profit/(loss) – continuing operations	937	1,095	(75)	462	(56)
Exceptional items					
Profit on disposal	675	-	-	-	-
Profit before interest and taxation	1,612	1,095	(75)	462	(56)
Net interest	(32)	(30)	(80)	(335)	(262)
Profit before taxation	1,580	1,065	(155)	127	(318)
Taxation	(362)	(279)	(8)	48	(27)
Profit after taxation	1,218	786	(163)	175	(345)
Dividends	(254)	(274)	(295)	(56)	(27)
Retained profit	964	512	(458)	119	(372)
Net assets employed					
Intangible fixed assets	-	-	2,129	2,021	1,606
Tangible fixed assets	1,737	1,571	3,257	3,634	3,320
Net current assets	2,404	2,997	2,864	2,452	2,020
	4,141	4,568	8,250	8,107	6,946
Non-current liabilities	(217)	(103)	(3,784)	(3,496)	(2,713)
Deferred taxation and provisions	(54)	(83)	(224)	(110)	(104)
Equity shareholders' funds	3,870	4,382	4,242	4,501	4,129
Ratios					
Operating profit as a percentage of:	1998	1999	2000	2001	2002
- Sales	12.22%	10.63%	(0.72%)	3.40%	(0.41%)
- Net assets employed	24.21%	24.99%	(1.78%)	10.26%	(1.36%)
Net assets per ordinary share	38.09p	43.13p	40.20p	41.28p	37.87p
Dividends per ordinary share	2.50p	2.70p	2.80p	0.50p	0.25p
Basic earnings per share	12.42p	7.74p	(1.60p)	1.63p	(3.16p)
Earnings per share excluding exceptional items and goodwill amortisation	6.19p	7.74p	(1.40p)	2.63p	(2.17p)
Gearing (net debt as a % of shareholders' funds)	2.7%	Nil	88.6%	99.2%	84.5%

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty First Annual General Meeting of the Company will be held at the offices of Teather & Greenwood Limited, Beaufort House, 15 St Botolph Street, London EC3A 7QR on Thursday 13 March 2003 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2002, together with the reports of the directors and auditors thereon.
2. To confirm the dividend paid for the year ended 30 September 2002.
3. To re-appoint Stephen K Brett as a director of the Company.
4. To re-appoint Peter G Pollock as a director of the Company.
5. To appoint the auditors and to authorise the directors to fix the auditors' remuneration.

By order of the Board



Stephen Brett
Secretary

Tudor Works
Debden Road
Saffron Walden
Essex

29 January 2003

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited with the Company's Registrar, Northern Registrars Limited, at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0JQ no later than forty-eight hours before the time appointed for holding the meeting.
2. There will be available for inspection at the offices of the Company, Tudor Works, Debden Road, Saffron Walden, Essex, during the usual hours of business from the date of the Notice until the date of the Annual General Meeting:
 - a) a statement of all transactions of each director and his family in the shares of the Company; and
 - b) a copy of all contracts of service of directors with the Company.

These documents will also be available for inspection for fifteen minutes prior to the Annual General Meeting and from noon until the close of the Meeting.

LPA GROUP PLC

ANNUAL GENERAL MEETING

Form of Proxy for use of Shareholders

I/We

of being (a) member(s) of the above named

Company, hereby appoint or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Teather & Greenwood Limited, Beaufort House, 15 St Botolph Street, London EC3A 7QR.

I/We wish this proxy to be used as shown below:

Signed Dated..... 2003

Please indicate with an X in the spaces below how you wish your votes to be cast. This proxy will be used only in the event of a poll being directed or demanded. If the form is returned without any indication as to how the proxy shall vote on any particular matter, the proxy will vote or abstain as he thinks fit.

Resolution	For	Against
1. To receive and adopt the financial statements for the year ended 30 September 2002 together with the reports of the directors and auditors thereon.		
2. To confirm the dividend paid for the year ended 30 September 2002.		
3. To re-appoint Stephen K Brett as a director of the Company.		
4. To re-appoint Peter G Pollock as a director of the Company.		
5. To appoint the auditors and to authorise the directors to fix the auditor's remuneration.		

Notes:

- (i) The instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, under its common seal or under the hand of an officer or attorney duly authorised. A person appointed to act as proxy need not be a member, a corporation may appoint a representative to attend and vote at the meeting.
- (ii) To be effective, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a duly certified or office copy of such power of authority, must be deposited with the Company's Registrar, Northern Registrars Limited, at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0JQ not less than 48 hours before the time appointed for holding the meeting or any adjournment thereon.
- (iii) In the case of joint holdings the vote of the first-named holder in the register will be accepted to the exclusion of the other joint holders.
- (iv) Any alteration to this proxy should be initialled.