COMPANY NO: 686429

LPA Group PLC

Annual Report

Year ended 30 September 2006

Financial Highlights

	2006 £'000	2005 £'000
Turnover	13,737	13,469
Operating (loss) / profit	(205)	289
(Loss) / profit on ordinary activities before taxation	(143)	299
Basic (loss) / earnings per share	(1.26p)	2.06p
Adjusted (loss) / earnings per share	(0.40p)	2.92p
Dividends per share	0.50p	0.50p
Gearing	38.8%	41.3%

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Company Information

Directors	**Michael Rusch** (Non-Executive Chairman), 61, joined the Company in 1966, five years after its inception. He has been on the Board since 1967. He relinquished his executive duties in 2000. **Peter G Pollock** (Chief Executive), 60 is a chartered accountant, with over thirty years industrial experience. He joined LPA Group in April 1997. Previous positions include Chairman of Lionheart plc, non-executive director of Mentmore Abbey plc and Menvier Swain plc, Chairman of Valetmatic Ltd, Chief Executive of ML Holdings plc, Finance Director UK of Fisher Controls International Inc. and Financial Director of Hawker Siddeley Power Transformers Ltd. **Stephen K Brett** (Finance Director), 50, qualified as a chartered accountant in 1982 with Ernst & Whinney in London. Before joining LPA Group in December 2000 he held a number of financial appointments in the manufacturing sector most recently as Vice President Finance for the Environmental Control Division of Invensys plc. **John A C Goodger** (Non-Executive Director), 59, is a director of N W Brown Corporate Finance Limited, British Business Angels Association Limited and The Great Eastern Investment Forum Limited and has been a director of a number of quoted and unquoted companies.
Secretary	Stephen K Brett
Registered office	Tudor Works Debden Road Saffron Walden Essex CB11 4AN
Registered number	686429

Auditors	RSM Robson Rhodes LLP Daedalus House Station Road Cambridge CB1 2RE	Nominated adviser and brokers	Teather & Greenwood Limited Beaufort House 15 St Botolph Street London EC3A 7QR
Bankers	Bank of Scotland plc 123 St Vincent Street Glasgow G2 5EA	Solicitors	Eversheds LLP 115 Colmore Row Birmingham B3 3AL
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU		

Chairman's Statement

Results

In my Statement accompanying the interim figures I remarked that the Board expected only limited progress during the remainder of the year, following the loss before tax of £149,000 incurred in the first half. The Group's performance improved during the second half and this has continued in to the first quarter of the current year. The loss before tax for the year amounted to £143,000 (2005: profit of £299,000) equating to a loss per share of 1.26p (2005: earnings per share of 2.06p).

Dividends

Given the encouraging start to the current year and the improved cash position your directors recommend the payment of a maintained final dividend of 0.35p per share. This, together with the interim dividend of 0.15p, will make a total for the year of 0.50p per share (2005: 0.50p). It should be noted that these dividends disclosed do not represent amounts recognised in the year under FRS21 but rather the dividends paid and proposed on the basis of the results for the year. Subject to approval by shareholders at the Annual General Meeting of the Company to be held at 10.00 am on Monday 26 February 2007 at the offices of Teather and Greenwood Limited, 15 St Botolph Street, London, EC3A 7QR the final dividend will be paid on 16 March 2007, to shareholders registered at the close of business on 23 February 2007.

Authority to allot shares and authority to buy shares

The Agenda for the Annual General Meeting includes three resolutions relating to the limited authority of the directors to allot shares, and for the Company to make market purchases of its own shares:

a. The first is a resolution to renew the authority of the directors to allot shares generally, as defined in section 80 of the Companies Act 1985;

b. The second is a resolution to renew the authority of the directors to allot equity securities for cash without first offering them to existing shareholders, pursuant to section 95 of the Companies Act 1985; and

c. The third is a resolution to permit the Company to make market purchases, as defined in section 163 of the Companies Act 1985, of its own shares.

These authorities are part of the portfolio of powers commonly granted to directors to ensure flexibility, should appropriate circumstances arise, to either allot shares, or make purchases of the Company's own shares in the best interests of shareholders. Each authority will run through until the next Annual General Meeting. The directors have no present intention of using such authorities.

Board

My letter of appointment as Chairman of the Group was due to expire at the conclusion of the Annual General Meeting, however the Board have asked, and I have consented, to my appointment being extended to the conclusion of the Annual General Meeting in 2010.

John Goodger, whose letter of appointment was due to expire at the conclusion of this meeting has consented to serve another year on the Board and he will now retire at the conclusion of the Annual General Meeting in 2008. John Goodger is the director retiring by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The directors intend to strengthen the board through the appointment of at least one new non-executive director. Discussions are under way and an announcement will be made in due course.

Brief curricula vitae of all the directors are shown on page 1.

Chairman's Statement (continued)

Employees and share option schemes

Our people are our most valuable asset and contribute in many positive ways to the Group's progress.

The existing employee share option schemes were introduced in 1997 and were designed to have a life of ten years which will expire in April 2007. An employee share option scheme is one of a number of remuneration tools commonly used to attract and retain good quality people. The Company has found the existing schemes extremely useful in this respect and relatively simple to administer. The Board proposes to introduce a replacement scheme, summary details of which will be circulated to shareholders with the Annual Report. A resolution to implement the new scheme will be put to the Annual General Meeting.

Tender Offer by Mr Andrew Perloff

Shareholders will be aware that on 26 October 2006, Mr Andrew Perloff, made a Tender Offer to acquire, together with his existing holding, up to 29.99% of the Group's issued share capital. As a result Mr Perloff now holds 17.85% of the Group's issued share capital. The Board welcomes Mr Perloff as a new large shareholder of the Group.

Strategy

Management remains focussed on delivering shareholder value. Restoring the Group to profitability and financial stability has been the first priority, which now achieved must be sustained and strengthened.

The Group is seeking to reduce its dependence on large long-term contracts by developing standard proprietary products, and to reduce manufacturing costs through low cost country sourcing. Opportunities exist to realise the development potential of the Saffron Walden site in the medium term, and to grow the Group both organically and through acquisition. Repositioning the Group's products at the higher end of the technology spectrum, with the attendant reappraisal of the Group's potential by the market, is also a medium term objective.

Outlook

The start to the new financial year has been the strongest for many years and sales output in the first quarter is the highest on record. The second quarter, while not as strong, should also contribute to considerable progress in the first half of the year. Although the load in the second half is not yet all secured, parts of the business are experiencing record demand and prospects for most of the activities look good. There are still contracts for which we have been selected, but for which the orders have not yet been placed. There are many significant prospects, particularly for the Group's LED lighting products, which are very exciting indeed.

I expect to be able to report further progress at the Annual General Meeting and in the Interim Statement.

Michael Rusch
Chairman
24 January 2007

Chief Executive's Review

Trading results

After a disappointing first half the Group recovered in the final months of the year. This was unfortunately insufficient, despite the cost reduction in the first half, to offset the losses already incurred and this resulted in a pre-tax loss for the year of £143,000 (2005: profit of £299,000). Orders entered have exceeded sales for the fourth successive year, the order book increased by 2.7% over the year to £9.1m, while sales grew 2.0% to £13.7m. The net cash inflow before financing amounted to £277,000 (2005: £304,000) and gearing was reduced by 2.5% to 38.8%. The interim and final dividends were maintained.

Markets

Rail

The Group remains the UK's leading designer, integrator and supplier of auxiliary battery power systems, a position, which has been strengthened in the year by our appointment as exclusive European distributor for a range of batteries for train use. The Group is similarly positioned for inter-vehicle electrical connection systems. In lighting the Group holds a world class position in LED drive and lensing technology integration, and supplies lighting systems to UK, European and Asian based rail vehicle builders.

Following a period of unprecedented demand for new rail vehicles, the UK is currently in consolidation mode. The number of new trains being built has fallen sharply and the focus is now on refurbishment of surface stock and the upgrade of London Underground metro vehicles. There is some new build demand, notably Electrostar, where the Group has only limited involvement, and Javelin (the high speed Channel Tunnel Rail Link vehicle) for which the Group will supply lighting and electrical shore supply systems. Orders for Turbostar, where the Group is well represented, are likely to be delayed while a new, environmentally friendly, diesel engine is procured. In addition to these there is a strong possibility that the fleet of West Coast Mainline Pendolino trains will have additional cars added to each train set, and in this event the Group as supplier of the original equipment will be well placed to exploit the opportunity: this would be expected to benefit the end of this, and the whole of next, financial year. The Group has been selected for, or awarded, contracts for the upgrade of Victoria Line vehicles where initial deliveries have been completed: there is now an evaluation and test period until 2008/9, when series production will commence. The Group is currently heavily involved in the supply of inter-vehicle electrical connection equipment for Taiwan.

Much of the UK market for new vehicles is satisfied by imports with the main suppliers being Alstom, Bombardier, Hitachi and Siemens: we are established as suppliers to all four.

Our commitment to quality, reliability and low life cycle cost has resulted in significant interest in our range of LED lighting products, particularly from France, where we have won some initial contracts with further major opportunities available.

Train building capacity in Europe exceeds demand and is under threat from new facilities in Asia, which will have the capacity to satisfy at least some European demand. At present the Asian philosophy of lowest possible initial cost does not lend itself to the European environment, which puts a premium on reliability and low life cycle costs. However it is only a matter of time before Asian manufacturers raise their game and we must prepare for that event.

We have enjoyed some limited success in the Asian market. However until the local cost of maintenance increases, through higher wage costs, opportunities for our products will be limited. We do though continue to have discussions with Asian companies who wish to be our partners in the region.

We continue to secure contracts in Australia, Hong Kong, Singapore, Japan for re-export, and elsewhere including South Africa.

Aerospace and Defence

Major aerospace projects have a long gestation period and are usually global collaborative projects. Equipment we have supplied to the UK Aerospace industry in the past is now the subject of pan-national bidding from which we are largely precluded. While this market remains important and challenging to the Group we will continue to concentrate our resources on the subcontract and spares market where our approach to quality and service are better rewarded.

The more fragmented UK defence market presents the Group with similar opportunities to supply equipment: it is a growing market where the Group has enjoyed success particularly with components and LED lighting.

Chief Executive's Review (continued)

Markets (continued)

Infrastructure and General Industrial

The Group is a leading player in the global market, excluding the US, for aircraft Ground Power connectors and harnesses. These provide power to aircraft on the ground enabling them to run essential services when the engines are switched off, and are used for both civil and military applications.

The Group manufactures and distributes a range of electrical connection products, which are used in infrastructure, telecoms and general industry. London Underground station refurbishment is proving to be an exciting market which is expected to continue for several years: in addition it is likely that our LED lighting technology will have a part to play.

The Group's specialist metal forming activities have achieved a remarkable turnaround. A number of competitors have withdrawn from the industry as volume production has moved offshore. Focussed on high quality, service and short production runs, the business is experiencing a period of major growth and is producing very much improved results.

Structure and costs

The sales structure is kept under review and modified to reflect changing market conditions. The growth in LED lighting demand requires that we continue to put additional resources in to this activity. Operational costs were reduced during and at the end of the year and responsibilities redistributed. Customer satisfaction, quality and delivery remain most important goals. Information technology is an important opportunity for the Group.

Design and development

Resources have been focussed on the development of standard proprietary products and the development of LED lighting applications. Standard products can be combined to provide bespoke customer solutions, lend themselves to increased batch sizes and sourcing from low cost countries. LED lighting products have led to a major increase in interest in the Group's products in Europe and Asia.

Prospects

The start to this financial year has been remarkably good although the second quarter has a less spectacular load. There are gaps in the electrical equipment manufacturing and distribution programmes yet to be filled, but there is time to allow this to happen and resources have been focussed on these objectives. Metal forming, electronics and lighting are buoyant. Prospects for the Group have improved such that the next couple of years should see significant progress.

Peter Pollock
Chief Executive
24 January 2007

Financial Review

Financial performance

Turnover increased to £13.74m up £0.27m (2.0%) from £13.47m last year. However trading conditions were difficult so that despite higher sales the Group's gross margin fell by 3.3%, from 26.1% to 22.8%, as a consequence of (i) margin pressures experienced across all areas of the Group, (ii) an adverse sales mix resulting from reduced volumes of higher margin projects this year compared to last, combined with the sales growth being in lower margin areas, and (iii) a fall in the labour and overhead content of stock. Total operating expenses at £3.34m were £122,000 above last year, with higher pension costs of £57,000 and termination costs of £72,000 being included in this increase. As a consequence an operating loss of £205,000 resulted compared to an operating profit of £289,000 last year.

Net finance income increased to £62,000 (2005: £10,000) with interest costs falling to £181,000 (2005: £194,000) reflecting both lower average borrowings and interest rates, and the net return on pension increasing to £243,000 (2005: 204,000). There was a tax credit of £6,000 in the period (2005: charge of £74,000).

The loss after tax was £137,000 (2005: earnings of £225,000) representing basic loss per share of 1.26p (2005: earnings per share of 2.06p). The adjusted loss per share, which excludes goodwill amortisation from the calculation, was 0.40p (2005: earnings of 2.92p).

At the end of the year shareholders funds were £5.72m (2005: £5.81m) giving a net asset value per ordinary share of 52.5p (2005: 53.3p).

The Group obtained an independent valuation of its freehold properties at 30 September 2006 prepared on an existing use basis as detailed in the note below. The valuation of £1.91m compared to the properties' net book value of £0.86m provides an uplift of £1.05m equivalent to a net asset value per ordinary share of 9.6p. The results of the valuation have not been included in the financial statements.

Pensions

The Group has adopted the accounting standard FRS17 "Retirement Benefits" in full for the first time, and this has had a significant affect on the balance sheet, and the recognition of costs and pension returns in the profit and loss account.

The balance sheet now includes the final salary scheme pension surplus, shown as pension asset, of £1.74m (2005: £1.56m) which is the difference between the market value of scheme assets and the present value of scheme liabilities net of deferred tax. Previously the September 2005 balance sheet included a net pension liability of £64,000 comprising an accrual of £92,000 (which was the difference between amounts charged to the profit and loss account and contributions paid to the scheme) less deferred tax of £28,000.

Included within operating profit are current pension costs of £233,000 (2005: £176,000), with a net pension return of £243,000 (2005: 204,000), which recognises that the scheme is in surplus, shown in net finance income. Thus a net pension credit of £10,000 (2005: £28,000) is now shown at the profit before tax level. Previously, as reported in 2005, a pension cost of £95,000 (pension costs of £69,000 and life assurance costs of £26,000) was included in operating profit.

Cash flow and debt

Cash generated from operating activities in the year was £648,000 (2005: £787,000) the fall being explained by the reduced profit performance, in part offset by a decrease in working capital during the year as compared to a small increase in the previous year. Capital expenditure which remains focused in production and engineering fell to £143,000 (2005: £248,000) reducing to net expenditure of £137,000 (2005: £223,000) after asset disposals. After payments of interest £171,000 (2005: £183,000), tax £8,000 (2005: £28,000), and dividends £55,000 (2005: £49,000), the net cash inflow before financing amounted to £277,000 (2005: £304,000). Debt repayments in the year were £385,000 (2005: £448,000) such that there was a net decrease in the cash position of £108,000 (2005: £144,000).

In the year net debt fell to £2.22m (2005: £2.40m), gearing fell to 39% (2005: 41%) and at the year-end there were £0.7m (2005: £0.7m) of un-drawn committed facilities available to the Group.

Subsequent to the year end the Group has negotiated (i) a £0.60m increase in its term loan facility to £1.75m, repayable in 24 quarterly instalments of £73,000, with the first payment being in January 2007, and (ii) a £0.50m reduction in its working capital facility to £1.25m available through to November 2007. The renewal of the working capital facility after this date is expected. Interest is payable on both facilities at between 1.50% and 1.75% over base rate.

Financial Review (continued)

Treasury

The Group's treasury policy, which operates within approved Board guidelines and has not changed since 2005, 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 sterling bank loans and overdrafts, and obligations under hire purchase contracts together with trade debtors and trade creditors that arise directly from its operations. The main risks arising from the Group's financial instruments can be analysed as follows:

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 functional currency of the Group. The Group hedges the foreign currency risk associated with significant future sales and purchases using forward exchange contracts. Experience to date is that any un-hedged exposure has not led to major exchange gains or losses. The main foreign currencies in which the Group operates are the euro and the US dollar.

Interest rate risk - the only financial liabilities of the Group which are subject to interest charges are bank loans and overdrafts (floating rate liabilities which bear interest at market rates) and obligations under hire purchase contracts (fixed rate liabilities which bear interest at the negotiated market rate prevailing at the time the commitment is made). The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

Liquidity risk - the Group's policy has been to ensure continuity of funding through acquiring an element of its fixed assets under hire purchase agreements, and arranging funding for its operations through medium-term bank loans with short-term flexibility achieved through the use of overdraft facilities.

Credit risk - the Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group does not trade in derivatives or make speculative hedges.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the accounts have been prepared on a going concern basis.

Stephen Brett
Finance Director
24 January 2007

Note: Basis of freehold property valuation

The freehold interests in the property holdings of the Group were valued as at 30 September 2006 by N S Booton MA MRICS of King Sturge LLP, acting as an External Valuer. This is the first time that either King Sturge LLP or N S Booton MA MRICS have valued these properties for the Company. The valuation was carried out in accordance with the requirements of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. The valuation was prepared in accordance with the requirements of FRS 15 "Tangible Fixed Assets". The three properties valued are all held freehold and valued using the Existing Use Value basis of valuation ("EUV"), assuming that the property would be sold as part of the business for continued use. The Valuer's opinion of EUV was primarily derived using comparable recent market transactions on arms length terms.

Corporate Governance

As an AIM listed company LPA Group plc is not required to comply with the corporate governance principles contained in the Combined Code, however the Company has regard to those principles and its activities in the area of corporate governance are discussed in the Board's report on corporate governance below and in its remuneration report on pages 10 to 12.

Board composition and responsibility

The Board has four members comprising two non-executive directors, including the Chairman, and two executive directors. There is a clear division of responsibility between the non-executive Chairman and the Chief Executive.

The two non-executive directors are not regarded as independent; Michael Rusch was an executive director before he became non-executive Chairman in June 2000, and John Goodger has served on the Board for ten years. The non-executive directors are from varied backgrounds and bring with them a range of skills and experience in commerce and industry.

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

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

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

The Board has operated with no independent non-executive directors, as opposed to a minimum of two independent non-executive directors required by the Combined Code. The Board considered its present composition, and that of its standing committees, to be appropriate to its circumstances during the year, and that the cost of further non-executive directors would be disproportionate to the potential benefits. One non-executive director will retire at the Annual General Meeting in 2008 and the Board intends to appoint at least one new non-executive director during the present financial year.

Board committees

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

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

The Remuneration Committee's responsibilities are described in the Board's remuneration report on page 10.

The composition of the Audit and Remuneration Committees is not in accord with the Combined Code which requires that they each comprise a minimum of two independent non-executive directors.

Board nominations

The Combined Code recommends that the Board establish a Nominations Committee to make recommendations to it on all new Board appointments. Given its size the Board has not established such a committee, the function being performed by the Board itself. The need for a Nomination Committee will continue to be reviewed annually.

Corporate Governance (continued)

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.

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 regularly attend local management meetings, and by the Board at least quarterly.

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

Through the procedures outlined above the Board has considered all significant aspects of internal control for the year to September 2006 and up to the date of this Annual Report.

Shareholder relationships

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

Remuneration Report

This report has not been prepared in accordance with the Directors' Remuneration Report Regulations 2002 because as an AIM listed company LPA Group plc does not fall within the scope of the Regulations.

Unaudited Information

Remuneration Committee

The composition of the Remuneration Committee is described in the Board's corporate governance report on page 8. The 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.

Remuneration policy

The Company's policy is to design prudent executive remuneration packages to attract, motivate and retain directors of a high calibre and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and key members of senior management 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 budgeted projections for the financial year, together with the benefits of participation in share option schemes. The Company does not operate any long-term incentive schemes other than the share option schemes noted.

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

Executive directors' remuneration and terms of appointment

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

Peter Pollock has a service contract dated 19 January 2007, with a rolling notice period of one year, with an entitlement to twelve months compensation in the event of early termination by the Company, and which provides that employment under the agreement will automatically terminate on his 65th birthday. As at 1 January 2007 Peter Pollock's annual salary was £146,400 and he is entitled to the provision of a car or allowance and private health insurance. In addition he may also be granted options under the various Group share schemes and, subject to the achievement of the Group's growth objectives, be entitled to payments under the Company's discretionary bonus scheme. The Company makes a contribution of 12% of salary to Peter Pollock's personal pension arrangement.

Stephen Brett has a service contract dated 19 January 2007, with a rolling notice period of one year, with an entitlement to twelve months compensation in the event of early termination by the Company, and which provides that employment under the agreement will automatically terminate on his 60th birthday. As at 1 January 2007 his annual salary was £99,750 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.

Remuneration Report (continued)

Non-executive directors' remuneration and terms of appointment

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

Michael Rusch (non-executive chairman) has a three-year term of office, as set out in his letter of re-appointment dated 19 January 2007, which expires at the conclusion of the Company's Annual General Meeting to be held in the spring of 2010. As at 1 January 2007 he received fees of £21,100 per annum and he is entitled to the provision of a car or allowance and private health insurance.

John Goodger (non-executive director) has a one-year term of office, as set out in his letter of re-appointment dated 19 January 2007, which expires at the conclusion of the Company's Annual General Meeting to be held in the spring of 2008. As at 1 January 2007 he received fees of £18,300 per annum.

Information subject to audit

Directors' remuneration

Directors' remuneration for the year was as follows:

	Salaries and fees £'000	Bonus £'000	Benefits £'000	Money purchase pension contribution £'000	Total 2006 £'000	Total 2005 £'000
Peter G Pollock	138	-	17	1	156	149
Stephen K Brett	94	-	15	-	109	106
	232	-	32	1	265	255
Michael Rusch	20	-	16	-	36	32
John A C Goodger	17	-	-	-	17	17
Michael A Edmonds	-	-	-	-	-	11
	269	-	48	1	318	315

Pension entitlement

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

	Accrued pension at 30 September 2006 £'000	Accrued pension at 30 September 2005 £'000	Increase in accrued pension in the year £'000	Transfer value of accrued pension at 30 September 2006 £'000	Transfer value of accrued pension at 30 September 2005 £'000	Increase in transfer value over the year £'000
Peter G Pollock	33	29	4	652	556	92
Stephen K Brett	21	17	4	278	169	105

Peter Pollock retired from the scheme on 6 September 2006.

Remuneration Report (continued)

Directors' shareholdings

Shareholdings of those serving at the year end were:

	Number of ordinary shares		
	1 October 2005	30 September 2006	31 December 2006
Michael Rusch	808,000	808,000	808,000
Peter G Pollock	250,000	250,000	270,000
John A C Goodger	101,540	101,540	101,540
Stephen K Brett	10,000	10,000	10,000

Directors' interests in share options

	Scheme	At 1 October 2005	At 30 September 2006	Option price	Earliest exercise date	Latest exercise date
Peter G Pollock	PP Option	750,000	750,000	40p	1 Jan 2002	20 Apr 2007
	EMI	100,000	100,000	59p	29 Mar 2004	28 Mar 2011
	EMI	75,000	75,000	32p	31 Jan 2005	30 Jan 2012
Stephen K Brett	EMI	100,000	100,000	59p	29 Mar 2004	28 Mar 2011
	EMI	75,000	75,000	32p	31 Jan 2005	30 Jan 2012
	EMI	75,000	75,000	13p	20 Feb 2006	19 Feb 2013

No options were granted, exercised or lapsed in the period. 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 the performance criteria required that the aggregate growth in the Group's normalised earnings per share over the five years to 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.

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 option price for grants under this scheme is the average of the market price on the three consecutive dealing days preceding the date of the grant. 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 the average of the market price on the three consecutive dealing days preceding the date of the grant. No directors hold options under this scheme.

The market price of the Company's shares on 30 September 2006 was 20.0p per share (2005: 23.0 per share) and the price range during the year was 16.0p to 24.0p (2005: 16.5p and 39.5p).

Report of the Directors

The directors present their annual report together with the audited financial statements for the year ended 30 September 2006.

Results and dividends

The loss on ordinary activities after taxation amounted to £137,000 (2005: profit of £225,000). The directors recommend the payment of a final ordinary dividend of 0.35p (2005: 0.35p), which makes a total for the year of 0.50p per share (2005: 0.50p).

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. The Group's business is reviewed on pages 2 to 7.

Principal risks and uncertainties

The principal risks confronting the Group are its dependence upon the rail sector in general, and UK rail in particular, and the competitiveness of the markets it operates in.

Key performance indicators

The Group uses the following key performance indicators to assess the progression in its business:- (i) Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth being 1.03 in the current year (2005: 1.07, 2004: 1.18), (ii) Sales growth (the increase in year on year sales as a percentage of prior year sales) as a measure of current growth being 2.0% for the current year (2005: -0.5%, 2004: 7.7%), (iii) Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 22.8% in the current year (2005: 26.1%, 2004: 25.0%), and (iv) Net cash flow (net cash inflow before financing) as a measure of cash generation being £277,000 for the current year (2005: £304,000 and 2004: £564,000).

Substantial shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 31 December 2006 representing 3 per cent or more of the issued share capital were:

	Percentage
Mr Andrew Perloff	17.85%
Mr Michael Rusch	7.38%
Mrs Ellen Rusch	7.34%
Mrs Marilyn I Porter	4.85%
Mrs Susan Thynne	3.90%
HSBC Global Custody Nominee (UK)	3.88%

Directors and their interests

The current directors of the Company and brief biographical details are given on page 1. All directors served throughout the year. A statement of their remuneration and interests in the ordinary shares of the Company and share options are set out in the remuneration report. No director had any material interest in any contract with the Group. In accordance with the articles of association John Goodger retires by rotation and, being eligible offers himself for re-election.

Research and development

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

Charitable contributions

Contributions for charitable purposes during the year amounted to £776 (2005: £440).

Report of the Directors (continued)

Disabled employees

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

Payment policy

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a formal standard which deals specifically with payment to suppliers. The Group had 74 days (2005: 67 days) purchases outstanding at 30 September 2006. The Company has minimal third party creditors.

Statement of directors' responsibilities for the financial statements

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 are required to:

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

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 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.

Disclosure of information to auditors

At the date of making this report each of the Company's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and

- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Auditors

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

By order of the Board
Stephen Brett
Secretary
24 January 2007

Independent Auditors' Report to the Shareholders of LPA Group plc

We have audited the financial statements of LPA Group plc for the year ended 30 September 2006 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related accounting policies and notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration report that is described as having been audited.

This report is made solely to the Company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders 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, the Directors' Remuneration 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 and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executives Review, the Financial Review and the Corporate Governance Statement. 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 other information.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. 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 Group's and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, of the state of affairs of the Group and the Company as at 30 September 2006 and of the Group's loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985;and
- the information given in the Directors' Report is consistent with the financial statements.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Cambridge, England
24 January 2007

Consolidated Profit and Loss Account

For the year ended 30 September 2006

	Note	2006 £'000	Restated 2005 £'000
Turnover	2	13,737	13,469
Cost of sales		(10,600)	(9,960)
Gross profit		3,137	3,509
Net operating expenses	3	(3,342)	(3,220)
Operating (loss) / profit	4	(205)	289
Net finance income	6	62	10
(Loss) / profit on ordinary activities before taxation		(143)	299
Tax on (loss) / profit on ordinary activities	7	6	(74)
(Loss) / profit on ordinary activities after taxation		(137)	225
(Loss) / earnings per share	9		
Basic		(1.26p)	2.06p
Diluted		(1.26p)	2.05p

All activities are continuing.

Statement of Total Recognised Gains and Losses

For the year ended 30 September 2006

	Note	2006 £'000	Restated 2005 £'000
(Loss) / profit after tax for the year		(137)	225
Actuarial gain recognised in the pension scheme		144	556
Deferred tax attributable to actuarial gain		(43)	(167)
Total recognised (losses) / gains		(36)	614
Prior year adjustment	26	1,622	
Total gains recognised since last annual report		1,586	

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 September 2006

	Group		Company	
	2006	**2005**	**2006**	**2005**
	£'000	**£'000**	**£'000**	**£'000**
Opening equity shareholders' funds as previously reported	4,153	4,068	3,892	4,409
FRS17 prior year adjustment (note 26)	1,622	1,148	-	-
FRS21 prior year adjustment (note 8)	39	33	39	33
Opening equity shareholders' funds as restated	5,814	5,249	3,931	4,442
(Loss) / profit for the financial year	(137)	225	(479)	(462)
Actuarial gain recognised in the pension scheme	101	389	-	-
Dividends	(55)	(49)	(55)	(49)
Closing equity shareholders' funds	5,723	5,814	3,397	3,931

Consolidated Note of Historical Cost Profits and Losses

For the year ended 30 September 2006

In both the current and the preceding financial year, there is no material difference between the profit before taxation and the profit after taxation as shown in the *profit and loss account* and their historical cost equivalent.

Consolidated Balance Sheet

At 30 September 2006

	Note	2006 £'000	Restated 2005 £'000
Fixed assets			
Intangible assets	10	1,234	1,327
Tangible assets	11	2,100	2,235
		3,334	3,562
Current assets			
Stocks	13	2,632	2,604
Debtors	14	3,114	3,085
Cash at bank and in hand		4	3
		5,750	5,692
Creditors: Amounts falling due within one year	15	(4,143)	(3,743)
Net current assets		1,607	1,949
Total assets less current liabilities		4,941	5,511
Creditors: Amounts falling due after more than one year	16	(956)	(1,211)
Provisions for liabilities and charges	19	(5)	(44)
Net assets excluding pension asset		3,980	4,256
Pension asset	26	1,743	1,558
Net assets		5,723	5,814
Capital and reserves			
Called up share capital	20	1,090	1,090
Share premium account	21	254	254
Revaluation reserve	21	313	313
Merger reserve	21	230	230
Profit and loss reserve	21	3,836	3,927
Equity shareholders' funds		5,723	5,814

The financial statements were approved by the Board on 24 January 2007 and signed on its behalf by:

S K BRETT
Director

P G POLLOCK
Director

Company Balance Sheet

At 30 September 2006

	Note	2006 £'000	Restated 2005 £'000
Fixed assets			
Tangible assets	11	500	505
Investments	12	6,159	6,159
		6,659	6,664
Current assets			
Debtors	14	2,567	2,977
Cash at bank and in hand		2	2
		2,569	2,979
Creditors: Amounts falling due within one year	15	(4,686)	(4,275)
Net current liabilities		(2,117)	(1,296)
Total assets less current liabilities		4,542	5,368
Creditors: Amounts falling due after more than one year	16	(1,132)	(1,426)
Provisions for liabilities and charges	19	(13)	(11)
Net assets		3,397	3,931
Capital and reserves			
Called up share capital	20	1,090	1,090
Share premium account	21	254	254
Revaluation reserve	21	313	313
Merger reserve	21	784	784
Profit and loss reserve	21	956	1,490
Equity shareholders' funds		3,397	3,931

The financial statements were approved by the Board on 24 January 2007 and signed on its behalf by:

S K BRETT
Director

P G POLLOCK
Director

Consolidated Cash Flow Statement

For the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	22	648	787
Returns on investments and servicing of finance			
Interest paid		(163)	(169)
Interest element of hire purchase payments		(8)	(14)
		(171)	(183)
Taxation		(8)	(28)
Capital expenditure			
Payments to acquire tangible fixed assets		(143)	(248)
Receipts from sale of other fixed assets		6	25
		(137)	(223)
Equity dividends paid to shareholders		(55)	(49)
Net cash inflow before financing		277	304
Financing			
Repayment of loans	24	(305)	(306)
Capital element of hire purchase payments	24	(80)	(142)
		(385)	(448)
Decrease in cash	23	(108)	(144)

Notes to the Financial Statements

For the year ended 30 September 2006

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.

Change in accounting policy

The Company has adopted FRS17 "Retirement Benefits" for the first time in full in place of SSAP24 "Pension Costs" and accounted for dividends in line with FRS21 "Events after the Balance Sheet Date" for the first time in these financial statements. The adoption of these standards represents a change in accounting policy and the comparatives have been restated accordingly. Details of the effects of the prior year adjustments on the adoption of FRS17 and FRS21 are given in note 21.

The adoption of the presentational requirements of FRS25 "Financial Instruments: Disclosure and Presentation" has had no impact in these financial statements.

Basis of consolidation

The consolidated accounts include the accounts of LPA Group plc and all its subsidiaries as at 30 September 2006 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 up to a maximum of 20 years. In the opinion of the directors, this represents a reasonable estimate of the period over which the Group will derive economic benefit from the goodwill acquired as part of the business. In addition to systematic amortisation, the book value is written down to the recoverable amount when any impairment is identified.

As permitted by 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.

Investments

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

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

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

Notes to the Financial Statements

For the year ended 30 September 2006

1. Accounting Policies (continued)

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Turnover

Turnover represents amounts invoiced for products sold excluding VAT.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Deferred taxation

Deferred tax is recognised, except as noted below, on timing differences that have originated but not reversed at the balance sheet date, where they result in an obligation to pay more tax, or a right to pay less tax in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes. 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. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Pension contributions

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

Defined benefit pension scheme surpluses (to the extent they are recoverable) or deficits are recognised in full on the balance sheet, net of deferred tax. The movement in the surplus/deficit arising from employee service in the year is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are recognised in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

The employees of the Company are members of the LPA Industries Limited Pension Scheme. The scheme is a multi-employer defined benefit scheme and as such it is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. In the Company, the contributions to the scheme are therefore accounted for as if it were a defined contribution scheme.

Contributions in respect of defined contribution schemes are charged to the profit and loss account in the year to which they relate.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or, if hedged, at the forward contract rate. 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.

Notes to the Financial Statements

For the year ended 30 September 2006

2. Turnover Analysis

An analysis of turnover by geographical market is given below:

	2006 £'000	2005 £'000
United Kingdom	11,924	11,455
Rest of Europe	1,212	1,339
Rest of World	601	675
	13,737	13,469

All turnover originates in the UK. Disclosure of segmental information is not given as the directors believe that to do so would be seriously prejudicial to the interests of the Group.

3. Net Operating Expenses

	2006 £'000	Restated 2005 £'000
Sales and distribution costs	1,229	1,188
Administrative expenses	2,131	2,059
Other operating income	(18)	(27)
	3,342	3,220

Net operating expenses in 2005 have been increased by £101,000 following the full adoption of FRS17. In addition £335,000 of administrative expenses in 2005 have been reclassified as cost of sales following a review of the classification of expenditure in order to give a more appropriate cost analysis.

4. Operating (Loss) / Profit

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

	2006 £'000	2005 £'000
Depreciation on owned assets	329	337
Depreciation on assets held under hire purchase contracts	33	52
Profit on disposal of fixed assets	(6)	(13)
Amortisation of positive goodwill	93	93
Operating lease rentals		
- plant and machinery	121	111
- land and buildings	178	174
Research and development expenditure	328	363
Auditors' remuneration		
- in respect of the Company	7	7
- in respect of subsidiary companies	28	27
- other services relating to taxation	16	15

Notes to the Financial Statements

For the year ended 30 September 2006

5. Employees

Average monthly number of employees, including directors:

	2006 No	2005 No
Production	135	145
Sales and distribution	26	27
Administration	22	23
	183	195

Staff costs, including directors:

	2006 £'000	Restated 2005 £'000
Wages and salaries	3,987	3,955
Social security costs	390	389
Other pension costs (see note 26)	302	243
	4,679	4,587

Detailed information concerning directors' emoluments, shareholdings and options is shown in the Board's remuneration report.

6. Net Finance Income

	2006 £'000	Restated 2005 £'000
Interest payable and similar charges		
Bank loans and overdrafts	(163)	(169)
Hire purchase contracts	(8)	(14)
Amortisation of debt finance costs arising on acquisition	(10)	(11)
Interest payable	(181)	(194)
Other finance income		
Net return on pension scheme (see note 26)	243	204
Net finance income	62	10

Other finance income for 2005 now includes the net pension scheme return of £204,000 following the full adoption of FRS17.

Notes to the Financial Statements

For the year ended 30 September 2006

7. Taxation

	2006 £'000	Restated 2005 £'000
United Kingdom Corporation Tax		
Corporation tax at 30% (2005: 30%)	-	8
Over-provision in previous years	-	(9)
Current taxation	-	(1)
Deferred taxation		
Net origination and reversal of timing differences (note 19)	(42)	33
Deferred taxation on increase in pension surplus recognised in the profit and loss account (note 26)	36	42
	(6)	75
Tax on (loss) / profit on ordinary activities	(6)	74

The impact of adopting FRS17 in full was to increase the deferred tax charge in 2005 by £38,000.

Current tax reconciliation	2006 £'000	Restated 2005 £'000
(Loss) / profit on ordinary activities before taxation	(143)	299
Theoretical tax at UK corporation tax rate of 30% (2005: 30%)	(43)	90
Effects of:		
- Goodwill amortisation	28	28
- Utilisation of tax losses	(6)	(54)
- Depreciation in excess of capital allowances / (accelerated capital allowances)	45	(6)
- Expenditure that is not tax deductible	13	13
- Pension credit	(32)	(37)
- Other differences	(5)	(26)
- Adjustments relating to prior year	-	(9)
Actual current taxation	-	(1)

Notes to the Financial Statements

For the year ended 30 September 2006

8. Dividends – All Equity

Dividends paid in the year were as follows:

	2006 £'000	2005 £'000
Final - in respect of preceding year 0.35p per share (2005: 0.30p)	39	33
Interim - in respect of current year 0.15p per share (2005: 0.15p)	16	16
	55	49

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

	2006 £'000	2005 £'000
Proposed - final 0.35p per share (2005: 0.35p)	39	39

Change in accounting policy

The Group has changed its accounting treatment of proposed dividends. FRS21 "Events after the Balance Sheet Date" no longer permits proposed dividends to be included as an expense in the profit and loss account, with the corresponding liability in the balance sheet. Dividend distributions are not recognised in the profit and loss account, they are disclosed as a component of the movement in shareholders' funds. A liability is recorded for a final dividend when the dividend is approved by the Company's shareholders, and for an interim dividend when the dividend is paid. The net impact of this change in the accounts is to increase net assets at September 2005 by £39,000.

9. Earnings Per Share

The calculation of earnings per share is based upon the loss after tax of £137,000 (2005: profit of £225,000) and the weighted average number of ordinary shares in issue during the year of 10.903m (2005: 10.903m). 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. Last year the weighted average number of ordinary shares diluted for the effect of outstanding share options was 11.0m. Adjusted earnings per share, which is disclosed to reflect the underlying performance of the Company, has been calculated on a loss of £44,000 (2005: profit of £318,000) being the profit after tax for the year before the amortisation of goodwill. Details are as follows:

		2006			2005	
	£'000	Basic pence per share	Diluted pence per share	£'000	Basic pence per share	Diluted pence per share
Basic earnings	(137)	(1.26)	(1.26)	225	2.06	2.05
Amortisation of goodwill	93	0.86	0.86	93	0.86	0.84
Adjusted earnings	(44)	(0.40)	(0.40)	318	2.92	2.89

Notes to the Financial Statements

For the year ended 30 September 2006

10. Intangible Fixed Assets

	Goodwill £'000
Cost	
At 1 October 2005 and 30 September 2006	1,841
Amortisation	
At 1 October 2005	514
Charged in the year	93
At 30 September 2006	607
Net book value	
At 30 September 2006	1,234
At 1 October 2005	1,327

Notes to the Financial Statements

For the year ended 30 September 2006

11. Tangible Fixed Assets

Group

	Freehold land and buildings £'000	Plant, vehicles and equipment £'000	Total £'000
Cost or valuation			
At 1 October 2005	1,014	7,050	8,064
Capital expenditure	-	227	227
Disposals	-	(101)	(101)
At 30 September 2006	1,014	7,176	8,190
Depreciation			
At 1 October 2005	140	5,689	5,829
Charged in year	14	348	362
Disposals	-	(101)	(101)
At 30 September 2006	154	5,936	6,090
Net book value			
At 30 September 2006	860	1,240	2,100
At 1 October 2005	874	1,361	2,235

Included within plant, vehicles and equipment are assets with a net book value of £131,000 (2005: £380,000), which are held under hire purchase contracts.

Cost or valuation as at 30 September 2006 is represented by:

		Freehold land and buildings £'000	Plant, vehicles and equipment £'000	Total £'000
Valuation	1980	-	423	423
	1996	544	-	544
Cost		470	6,753	7,223
		1,014	7,176	8,190

Notes to the Financial Statements

For the year ended 30 September 2006

11. Tangible Fixed Assets (continued)

Company

	Freehold land and buildings £'000	Plant, vehicles and equipment £'000	Total £'000
Cost or valuation			
At 1 October 2005 and 30 September 2006	544	3	547
Represented by:			
Valuation 1996	544	-	544
Cost	-	3	3
	544	3	547
Depreciation			
At 1 October 2005	40	2	42
Charged in year	4	1	5
At 30 September 2006	44	3	47
Net book value			
At 30 September 2006	500	-	500
At 1 October 2005	504	1	505

Freehold properties

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

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Cost	746	746	276	276
Accumulated depreciation	(199)	(185)	(89)	(85)
	547	561	187	191

Notes to the Financial Statements

For the year ended 30 September 2006

12. Investments

Group

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	Ordinary shares	100%	Electrical components
LPA Industries Limited	Ordinary shares	100%	Electrical components
Haswell Engineers Limited	Ordinary shares	100%	Metal fabrication
Excil Electronics Limited	Ordinary shares	100%	Electrical components

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

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

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

Company	**Subsidiary undertakings £'000**
Cost	
At 1 October 2005 and 30 September 2006	6,159

13. Stocks

	Group 2006 £'000	Group 2005 £'000
Raw materials and consumables	712	614
Work in progress	939	1,207
Finished goods and goods for resale	981	783
	2,632	2,604

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes to the Financial Statements

For the year ended 30 September 2006

14. Debtors

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	2,932	2,895	-	-
Amounts due from subsidiary undertakings	-	-	2,561	2,958
Other tax	-	13	-	13
Other debtors	8	5	-	-
Prepayments and accrued income	171	172	6	6
Deferred taxation (note 19)	3	-	-	-
	3,114	3,085	2,567	2,977

15. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2006 £'000	Restated 2005 £'000	2006 £'000	Restated 2005 £'000
Debt (note 17)	1,269	1,196	2,869	2,478
Trade creditors	2,030	1,714	10	15
Amounts owed to subsidiary undertakings	-	-	1,743	1,731
Other tax and social security costs	432	414	1	-
Other creditors	71	87	2	2
Accruals	341	324	61	49
Corporation tax	-	8	-	-
	4,143	3,743	4,686	4,275

The impact of adopting FRS21 is to exclude dividends payable of £39,000 as at September 2005.

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

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Debt (note 17)	956	1,211	887	1,181
Amounts owed to subsidiary undertakings	-	-	245	245
	956	1,211	1,132	1,426

Notes to the Financial Statements

For the year ended 30 September 2006

17. Borrowing Analysis

	Group		Company	
	2006	**2005**	**2006**	**2005**
	£'000	**£'000**	**£'000**	**£'000**
Due within one year				
Bank loans	294	295	294	295
Bank overdraft	941	832	2,575	2,183
Hire purchase obligations	34	69	-	-
	1,269	1,196	2,869	2,478
Due after more than one year				
Bank loans	887	1,181	887	1,181
Hire purchase obligations	69	30	-	-
	956	1,211	887	1,181
Total borrowings	2,225	2,407	3,756	3,659
Add: Loan issue costs	41	51	41	51
	2,266	2,458	3,797	3,710

	Group		Company	
	2006	**2005**	**2006**	**2005**
	£'000	**£'000**	**£'000**	**£'000**
Repayable				
Within one year	1,281	1,207	2,881	2,489
Between one and two years	333	324	305	305
Between two and five years	652	927	611	916
	2,266	2,458	3,797	3,710

Repayment profile, interest and security

The £1.2 million bank loan (originally advanced in July 2000) is repayable in 16 quarterly instalments of £76,000 the first payment being in October 2005. Interest is payable at 1.75% over base rate.

The following security is provided to the bank:

(i) First and only legal charge over each freehold and leasehold property owned by the Group;
(ii) First debenture from each Group company;
(iii) A Composite Guarantee by each Group company (as guarantor) in favour of the Bank 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 1.75% over base rate.

Changes to the Group's facilities after the year end are detailed within the Financial Review on page 6.

Notes to the Financial Statements

For the year ended 30 September 2006

17. Borrowing Analysis (continued)

Loan issue costs

Under FRS4 the bank loan is stated net of £41,000 of issue costs (2005: £51,000). The initial issue costs of £108,000 are being amortised over the 10 year life of the loan.

18. Financial Instruments

The Group's financial instruments comprise borrowings, cash and 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.

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

Further information on the Group's objectives and policies for using financial instruments, and strategies for managing risk are given within the Financial Review on page 7.

Financial liabilities: excluding non-debt current liabilities

Interest rates are managed by using fixed and floating rate borrowings. The only financial liabilities of the Group which are subject to interest charges are bank loans and overdrafts and obligations under hire purchase contracts. Floating rate liabilities comprise bank loans and overdrafts which bear interest at 1.75% over base rate. Fixed rate liabilities comprise hire purchase contracts which bear interest at the negotiated market rate prevailing at the time the commitment is made. In the year the weighted average interest rate of the fixed rate financial liabilities was 7.2% (2005: 7.6%). The interest rate profile of the Group's financial liabilities, all of which are denominated in sterling at 30 September was:

	2006	**2005**
	£'000	**£'000**
Floating rate financial liabilities	2,163	2,359
Fixed rate financial liabilities	103	99
	2,266	2,458

Maturity of financial liabilities

The maturity profile of financial liabilities is shown in note 17.

Un-drawn committed facilities

The Group's only un-drawn committed borrowing facility at 30 September 2006 and 30 September 2005 was its bank overdraft expiring in one year or less. The un-drawn amount at 30 September 2006 was £0.7 million (2005: £0.7 million).

Fair value of financial instruments

The fair value of the Group's financial instruments is not materially different from their book value.

Notes to the Financial Statements

For the year ended 30 September 2006

18. Financial Instruments (continued)

Currency exposures

The tables below show 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. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in sterling. The tables show the Group's currency exposure after taking into account the effect of any currency hedges entered into to manage these currency exposures:

Exposure at 30 September 2006	Cash balances £'000	Other net monetary assets and liabilities £'000	Total net monetary assets and liabilities £'000
Euro	466	(466)	-
US Dollar	28	(42)	(14)
Australian Dollar	-	-	-
	494	(508)	(14)

Exposure at 30 September 2005	Cash balances £'000	Other net monetary assets and liabilities £'000	Total net monetary assets and liabilities £'000
Euro	236	(236)	-
US Dollar	21	(21)	-
Australian Dollar	-	3	3
	257	(254)	3

At 30 September 2006 the Group had commitments under non-cancellable forward exchange contracts totalling £605,000 (2005: £1,227,000) taken out to hedge expected future foreign currency sales and purchases.

Unrecognised gains on forward exchange contracts at 30 September 2006 were £1,000 (2005: losses of £7,000). The gains are expected to be recognised in one year or less. The fair value of forward exchange contracts is an estimate of the amount the Group might expect to pay or receive on unwinding these contracts at 30 September 2006.

Notes to the Financial Statements

For the year ended 30 September 2006

19. Provisions for Liabilities and Charges

Group	**Dilapidations provision £'000**	**Deferred taxation £'000**	**Total £'000**
At 1 October 2005 - as previously stated	5	11	16
FRS17 prior year adjustment	-	28	28
At 1 October 2005 - restated	5	39	44
Credit to profit and loss account	-	(42)	(42)
Deferred tax asset shown within debtors (note 14)	-	3	3
At 30 September 2006	5	-	5

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

Deferred taxation provided in the accounts and amounts unrecognised are as follows:

Group	**Provided**		**Not available for setoff till future periods**	
	2006 £'000	**Restated 2005 £'000**	**2006 £'000**	**2005 £'000**
Capital allowances in advance of depreciation	99	137	-	-
Other timing differences	(12)	(13)	-	-
Unutilised losses	(90)	(85)	(95)	(106)
	(3)	39	(95)	(106)

At 30 September 2006 there are unrecognised timing differences in respect of unrelieved trading losses of £317,000 (2005: £353,000).

Deferred tax assets are disclosed in note 14.

Company

The Company has the following deferred taxation provided in the accounts:

	2006 £'000	**2005 £'000**
Capital allowances in advance of depreciation	13	13
Other timing differences	-	(2)
	13	11

Notes to the Financial Statements

For the year ended 30 September 2006

20. Share Capital

	2006 £'000	2005 £'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 (2005: 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 2006	2005
The Peter Pollock Option	Apr 1997	40p	01 Jan 2002 to 20 Apr 2007	750,000	750,000
1997 Approved Share Option scheme	Oct 2000	85p	05 Oct 2003 to 04 Oct 2007	10,000	10,000
Enterprise Management Incentive scheme	Oct 2000	85p	05 Oct 2003 to 04 Oct 2010	105,000	105,000
	Mar 2001	59p	29 Mar 2004 to 28 Mar 2011	200,000	200,000
	Jul 2001	56p	01 Aug 2004 to 31 Jul 2011	22,000	27,000
	Jan 2002	32p	31 Jan 2005 to 30 Jan 2012	189,000	189,000
	Feb 2003	13p	20 Feb 2006 to 19 Feb 2013	190,000	190,000
	Mar 2003	15p	14 Mar 2006 to 13 Mar 2013	5,000	5,000
	Feb 2006	19p	20 Feb 2009 to 19 Feb 2016	5,000	-

21. Reserves

Group	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss reserve £'000
At 1 October 2005 - as previously reported	254	313	230	2,266
FRS17 prior year adjustment (note 26)	-	-	-	1,622
FRS21 prior year adjustment (note 8)	-	-	-	39
At 1 October 2005 - restated	254	313	230	3,927
Loss for the year	-	-	-	(137)
Actuarial gain	-	-	-	101
Dividends	-	-	-	(55)
At 30 September 2006	254	313	230	3,836

In accordance with FRS10 transitional rules, cumulative goodwill on acquisitions written off to reserves is £3,092,000 (2005: £3,092,000).

Notes to the Financial Statements

For the year ended 30 September 2006

21. Reserves (continued)

Company	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss reserve £'000
At 1 October 2005 - as previously reported	254	313	784	1,451
FRS21 prior year adjustment (note 8)	-	-	-	39
At 1 October 2005 - restated	254	313	784	1,490
Loss for the year	-	-	-	(479)
Dividends	-	-	-	(55)
At 30 September 2006	254	313	784	956

22. Reconciliation of Operating (Loss) / Profit to Net Cash Inflow from Operating Activities

	2006 £'000	Restated 2005 £'000
Operating (loss) / profit	(205)	289
Depreciation charges	362	389
Amortisation of goodwill	93	93
Profit on sale of tangible fixed assets	(6)	(13)
Increase in stocks	(28)	(113)
Increase in debtors	(26)	(305)
Increase in creditors	335	382
Adjustment for pension funding	123	65
Net cash inflow from operating activities	648	787

23. Reconciliation of Net Cash Flow to Movement in Net Debt

	2006 £'000	2005 £'000
Decrease in cash in the period	(108)	(144)
Cash outflow from decrease in debt and lease financing	385	448
Change in net debt resulting from cash flows	277	304
New hire purchase agreements	(84)	-
Amortisation of loan costs	(10)	(11)
Movement in net debt in the period	183	293
Opening net debt	(2,404)	(2,697)
Closing net debt	(2,221)	(2,404)

Notes to the Financial Statements

For the year ended 30 September 2006

24. Analysis of Net Debt

	At 1 October 2005 £'000	Cash flow £'000	Non cash changes £'000	At 30 September 2006 £'000
Cash in hand and at bank	3	1	-	4
Bank overdraft	(832)	(109)	-	(941)
	(829)	(108)	-	(937)
Bank loans	(1,476)	305	(10)	(1,181)
Hire purchase obligations	(99)	80	(84)	(103)
Net debt	(2,404)	277	(94)	(2,221)

25. Financial Commitments

Operating lease commitments

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

Group	**Land and buildings**		**Plant and machinery**	
	2006 £'000	**2005 £'000**	**2006 £'000**	**2005 £'000**
Operating leases which expire:				
Within one year	-	-	18	23
Within two to five years	-	-	97	55
After more than five years	178	174	-	-
	178	174	115	78

Company	**Plant and machinery**	
	2006 £'000	**2005 £'000**
Operating leases which expire:		
Within two to five years	8	8

Capital commitments

Contracted for but not provided in the accounts amounted to £Nil (2005: £Nil).

Notes to the Financial Statements

For the year ended 30 September 2006

26. Pension Arrangements

Defined contribution schemes

The Group makes contributions to several defined contribution arrangements. The pension cost charged to the profit and loss account for the year in respect of these schemes was £69,000 (2005: £67,000).

Defined benefit scheme

The Group also operates a defined benefit pension scheme. The last full actuarial valuation was carried out as at 1 April 2003 although the 1 April 2006 valuation is progressing and the data from this has been updated to 30 September 2006 by an independent qualified actuary.

Contributions made by the employer over the year were £85,000 (2005: £85,000), plus an additional £25,000 (2005: £26,000) in respect of life assurance premiums. The scheme is closed to new entrants and therefore under the projected unit method the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2006	**2005**	**2004**
Inflation	3.30% pa	2.90% pa	3.00%pa
Salary increases	3.80% pa	3.40% pa	3.50%pa
Rate of discount	5.00% pa	5.00% pa	5.50%pa
Pension increases - post April 1997	3.25% pa	2.90% pa	3.00%pa
Pension increases - pre April 1997 non guaranteed minimum	0.00% pa	1.45% pa	1.50%pa

The fair value of scheme assets, the present value of scheme liabilities and the expected long term rates of return were as follows:

	2006		**2005**		**2004**	
	Return	**£'000**	**Return**	**£'000**	**Return**	**£'000**
Equities	8.00% pa	5,783	8.00% pa	5,478	8.00%pa	6,006
Index Linked Gilts	4.45% pa	1,944	4.35% pa	3,063	4.85%pa	2,804
Gilts	5.00% pa	1,285	-	-	-	-
Bonds	5.00% pa	1,911	5.00% pa	1,832	-	-
Cash and other	3.75% pa	176	3.35% pa	277	3.75%pa	476
Market value of assets		11,099		10,650		9,286
Present value of liabilities		(8,609)		(8,424)		(7,755)
Surplus in the scheme		2,490		2,226		1,531
Related deferred tax liability		(747)		(668)		(459)
Net pension asset		1,743		1,558		1,072

The pension surplus is recoverable over the future working lifetime of the membership.

Notes to the Financial Statements

For the year ended 30 September 2006

26. Pension Arrangements (continued)

The pension cost charged to operating profit was as follows:

	2006 £'000	2005 £'000
Current service cost	233	176
Past service cost	-	-
	233	176

The analysis of the amounts credited to net finance income were as follows:

	2006 £'000	2005 £'000
Expected return on pension scheme assets	656	626
Interest on pension scheme liabilities	(413)	(422)
Net credit to other finance income	243	204

The actuarial gain in the statement of total recognised gains and losses is analysed below:

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	317	960
Experience gains and losses arising on the scheme liabilities	190	82
Changes in assumptions underlying the present value of the scheme liabilities	(363)	(486)
	144	556

The movement in the scheme surplus during the year is as below:

	2006 £'000	2005 £'000
Surplus at the beginning of the year	2,226	1,531
Current service cost	(233)	(176)
Contributions	110	111
Past service cost	-	-
Net finance income	243	204
Actuarial gain	144	556
Surplus at the end of the year	2,490	2,226

Of the £79,000 (2005: £209,000) increase in the related deferred tax liability £36,000 (2005: £42,000) was charged to the profit and loss account and £43,000 (2005: £167,000) included in the statement of total recognised gains and losses.

Notes to the Financial Statements

For the year ended 30 September 2006

26. Pension Arrangements (continued)

The history of experience gains and losses is as follows:

	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets					
Amount (£'000)	317	960	360	429	(1,791)
% of scheme assets	3	9	4	5	(22)
Experience gains and losses on scheme liabilities					
Amount (£'000)	190	82	81	(459)	-
% of the present value of scheme liabilities	(2)	(1)	(1)	6	-
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	144	556	884	(235)	(3,449)
% of the present value of scheme liabilities	(2)	(7)	(11)	3	47

Change in accounting policy

The Group previously accounted for its defined benefit pension scheme under SSAP24 "Pension Costs". Under SSAP24 a regular pension cost was determined using actuarial methods and charged to the profit and loss account. Variations from the regular pension cost were spread over the average remaining service lives of employees. The cumulative difference between the profit and loss account expense and employer contributions was held in the balance sheet as either a prepayment or accrual. Under FRS17 "Retirement Benefits" pension scheme deficits or surpluses are recognised on the balance sheet. The profit or loss account comprises the current service cost, the appropriate proportion of any past service cost, the interest cost and the expected return on any plan assets.

The net impact of this change in the accounts is to increase net assets as at September 2005 by £1,622,000 and to increase earnings in the year to September 2005 by £85,000 as below.

	£'000
Increase in net assets as at September 2005	
Creditors: Amounts falling due within one year - pension accrual	92
Provisions for liabilities and charges - deferred tax	(28)
Pension asset	1,558
	1,622
Increase in earnings in the year to September 2005	
Cost of sales - pension cost	20
Operating expenses - pension cost	(101)
Finance income - expected return on pension scheme assets	626
Finance income - interest on pension scheme liabilities	(422)
Taxation - deferred	(38)
	85

Five Year Summary

	Restated 2002 £'000	Restated 2003 £'000	Restated 2004 £'000	Restated 2005 £'000	2006 £'000
Sales and results					
Turnover	13,806	12,574	13,540	13,469	13,737
Operating profit / (loss) before goodwill	28	(47)	373	382	(112)
Amortisation of goodwill	(108)	(93)	(93)	(93)	(93)
Operating profit / (loss)	(80)	(140)	280	289	(205)
Exceptional items					
Profit on sale of tangible fixed assets	-	106	-	-	-
Profit before interest and taxation	(80)	(34)	280	289	(205)
Net finance income	(18)	(137)	(32)	10	62
Profit / (loss) before taxation	(98)	(171)	248	299	(143)
Taxation	(99)	69	(41)	(74)	6
Profit / (loss) after taxation	(197)	(102)	207	225	(137)
Net assets employed					
Intangible fixed assets	1,606	1,513	1,420	1,327	1,234
Tangible fixed assets	3,320	2,651	2,388	2,235	2,100
Net current assets	2,026	1,946	1,955	1,949	1,607
	6,952	6,110	5,763	5,511	4,941
Non-current liabilities	(2,713)	(2,011)	(1,575)	(1,211)	(956)
Deferred taxation and provisions	(106)	(37)	(11)	(44)	(5)
	4,133	4,062	4,177	4,256	3,980
Pension asset	590	399	1,072	1,558	1,743
Equity shareholders' funds	4,723	4,461	5,249	5,814	5,723

Ratios	**2002**	**2003**	**2004**	**2005**	**2006**
Operating profit to sales	(0.6%)	(1.1%)	2.1%	2.1%	(1.5%)
Operating profit to net assets employed	(1.7%)	(3.1%)	5.3%	5.0%	(3.6%)
Net assets per ordinary share	43.3p	40.9p	48.1p	53.3p	52.5p
Dividends per ordinary share	0.25p	0.25p	0.45p	0.50p	0.50p
Basic earnings per share	(1.81p)	(0.94p)	1.90p	2.06p	(1.26p)
Earnings per share excluding goodwill amortisation	(0.82p)	(0.08p)	2.75p	2.92p	(0.40p)
Gearing (net debt as a % of shareholders' funds)	73.9%	72.9%	51.4%	41.3%	38.8%

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Forty Fifth Annual General Meeting of LPA Group plc ("the Company") will be held at the offices of Teather & Greenwood Limited, Beaufort House, 15 St Botolph Street, London EC3A 7QR on Monday 26 February 2007 at 10.00 am for the following purposes:

Routine business

1. To receive the accounts for the year ended 30 September 2006, together with the reports of the directors and the auditors thereon.
2. To declare a final dividend of 0.35p per ordinary share for the year ended 30 September 2006, payable on 16 March 2007 to shareholders on the register at the close of business on 23 February 2007.
3. To re-appoint John Goodger as a director of the Company.
4. To appoint the auditors and to authorise the directors to fix the auditors' remuneration.

Other business

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

5. That the directors be generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (as defined in section 80 of the Companies Act 1985) up to an aggregate nominal amount of £364,000 to such persons at such times and on such terms and conditions as the directors see fit provided that this authority shall expire on the date of the next Annual General Meeting, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired, and that this authority shall be in substitution for all subsisting authorities to allot relevant securities previously granted to the directors which (to the extent that they remain in force and unexercised) are revoked.

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

6. That, subject to and conditional upon the passing of resolution 5 above, the directors be given power pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of the said Act) for cash pursuant to the authority conferred by resolution 5 above as if section 89(1) of the said Act did not apply to any such allotment provided that this power shall be limited:

   a. to the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive offer in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate to the nominal value of shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or the requirements of any recognised regulatory body in the territory; and

   b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £109,000 (representing 10% of the present issued share capital),

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

Notice of Meeting (continued)

To consider and if thought fit pass resolution 7 as an extraordinary resolution:

7. That the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined in Section 163(3) of the Companies Act 1985) of any of its ordinary shares of 10p each ("ordinary shares") provided that:

   a. The maximum number of ordinary shares hereby authorised to be purchased is 1,095,000 representing 10% of the issued share capital;

   b. The minimum price which may be paid for an ordinary share is 10p (exclusive of expenses);

   c. The maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary shares are contracted to be purchased (exclusive of expenses);

   d. The authority hereby conferred shall, unless renewed prior to such time, expire on the date of the next Annual General Meeting.

To consider and, if thought fit, pass the following 8 as an ordinary resolution:

8. That:

   a. the rules of the LPA Group plc Employee Share Option Scheme 2007 ("the Scheme"), the main features of which are summarised in a document enclosed with the Annual Report and Accounts, be and are hereby approved; and

   b. the directors be and are hereby authorised to:

      (i) do all such acts and things as they may consider necessary or desirable to implement the Scheme; and

      (ii) vote and be counted in a quorum on any matter connected with the Scheme notwithstanding that they may be interested in the same, except that no director may be counted in a quorum or vote in respect of his own participation, and any provisions of the Articles of Association of the Company be and are hereby relaxed to that extent accordingly.

By order of the Board
Stephen Brett
Secretary
24 January 2007

Registered office:
Tudor Works, Debden Road
Saffron Walden, Essex
CB11 4AN

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company. Any instrument appointing a proxy must be received at Capita Registrars, Registrars for LPA Group PLC, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than forty-eight hours before the time fixed for the meeting. A Form of Proxy is attached.
2. The register of the interests of the directors and their families in the share capital of the Company, together with the service contracts of directors, and copies of the rules of the proposed LPA Group plc Employee Share Option Scheme 2007 will be available for inspection at the venue of the annual general meeting from 9.45 am until the meeting is concluded. The same documents are available for inspection at the Company's registered office during normal business hours from the date of despatch of this document until the date of the Annual General Meeting.

LPA Group plc - Form of Proxy

For use at the Annual General Meeting to be held at 10.00 am on Monday 26 February 2007 at the offices of Teather & Greenwood Limited, Beaufort House, 15 St Botolph Street, London EC3A 7QR.

I/We ....

of ....

being a member/members of LPA Group plc hereby appoint (note 1) .... or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the above mentioned meeting and at any adjournment thereof. I/We wish this proxy to be used as shown below:

Signed .... Dated 2007

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

Resolution	**For**	**Against**
1. To receive the accounts for the year ended 30 September 2006.		
2. To declare a final dividend of 0.35p per ordinary share for the year ended 30 September 2006.		
3. To re-appoint John Goodger as a director of the Company.		
4. To appoint the auditors and to authorise the directors to fix the auditor's remuneration.		
5. To authorise the directors to allot shares (as defined in section 80 of the Companies Act 1985) in the Company.		
6. To authorise the directors (pursuant to section 95 of the Companies Act 1985) to allot shares in the Company for cash.		
7. To authorise the Company to make market purchases (as defined in section 163(3) of the Companies Act 1985) of its own shares.		
8. To approve the rules of the LPA Group plc Employee Share Option Scheme 2007 ("the Scheme") and authorise the directors to implement the Scheme		

Notes:

1. If you wish to appoint as your proxy any person(s) other than the Chairman of the meeting, please insert the full name(s) of the proxy or proxies (in block capitals) in the space above. A proxy need not be a member of the Company and may attend the meeting in person but may not vote except on a poll. Please note that a proxy may not speak at the meeting except with the permission of the Chairman of the meeting.
2. To be effective a form of proxy must be in writing and signed by the member or his duly authorised attorney or, if the member is a corporation under its common seal or signed by a duly authorised officer or attorney. A corporation may appoint a representative to attend and vote at the meeting.
3. To be valid this proxy, together with any power of attorney under which it is signed, must be received at Capita Registrars, Registrars for LPA Group PLC, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting.
4. In the case of joint holdings the vote of the first-named holder in the register will be accepted to the exclusion of the other joint holders.