

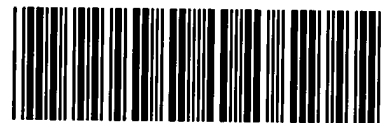
LPA Group PLC

Annual Report & Accounts

Year ended 30 September 2022

Company Number: 00686429

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Financial & Operational Highlights

For the Year ended 30 September 2022

	2022	2021
	£000	£000
Order Entry	19,689	23,163
Order Book	27,762	27,350
Revenue	19,325	18,265
Underlying Operating (Loss)*	(226)	(274)
Share Based Payments & Exceptional Items	1,310	(74)
Profit/(Loss) before Tax	1,074	(387)
Basic Earnings /(Loss) Per Share	8.99p	(0.17)p
Gearing**	3.5%	11.9%

* Operating Profit/(Loss) before Share Based Payments and Exceptional Items

** Net Debt as a % of Total Equity

Through the year to 30 September 2022, the year included the following highlights and operational developments.

- Record year for our new LED tube product with significant orders from UK and worldwide customers. This is an important step as we approach the September 2023 ban across the EU on the sale of old technology fluorescent tubes.
- Excellent year for new Plane Power range of products with customers now including - Heathrow, Shanghai, Beijing, Copenhagen, Melbourne, Auckland, Stockholm and Schiphol airports.
- Appointment of first employee outside of the UK in support of growth plans for the DACH region. This is an essential resource in support of some of the biggest rolling stock customers in the world.
- Continued growth of distribution network to support growth plans for both our electronic / lighting, and electro-mechanical business divisions.
- Successful delivery of the Viaggio Nightjet / ÖBB project, which is the most technically advanced intelligent lighting system ever undertaken by the Group. This is a flagship platform for the customer with further follow-on orders expected.

Contents

Financial & Operational Highlights.....	1
STRATEGIC REPORT	3
Chairman's Statement	3
Business Model and Strategy	6
Environmental, Social and Governance.....	8
Chief Executive Officer's Review	10
Financial Review	13
Principal Risks and Uncertainties	18
Key Performance Indicators.....	19
BOARD REPORTS	20
Audit Committee Report.....	20
Remuneration Report	21
Corporate Governance Report	24
Directors' Report	33
COMPANY INFORMATION	37
GROUP FINANCIAL STATEMENTS	38
Independent Auditor's Report to the Members of LPA Group plc.....	38
Consolidated Income Statement.....	45
Consolidated Statement of Comprehensive Income	46
Consolidated Balance Sheet.....	47
Consolidated Statement of Changes in Equity.....	48
Consolidated Cash Flow Statement.....	49
Notes to the Financial Statements	51
COMPANY FINANCIAL STATEMENTS	89
Company Balance Sheet	89
Company Statement of Changes in Equity	90
Company Notes to the Financial Statements	91
OTHER INFORMATION	99
NOTICE OF MEETING	102
FORM OF PROXY.....	108

STRATEGIC REPORT

Chairman's Statement

Overview

It has been a busy year for us as we rebuild the individual business plans for the members of the Group that result directly from our strategic planning exercise. These plans cover markets, people, operations and facilities and will naturally morph as opportunity and markets dictate.

We have long recognised the need to broaden our offering as some of our operations have become too reliant on a few large customers. A lot of our future project work whilst still robust continues to suffer from re-scheduling by our customers and this was reflected in our ability to cover our overhead in the first part of the year. We managed the second half of the year in a more conservative way and are actively pursuing projects that have more immediate delivery times. In the second half we began to see the impact that the aftercare markets for our customers could have on building resilience into our overhead recovery and as a result, we returned to profitability. We are set up well going forward and have ended the year with a strong order book replacing most of what has been delivered this year and at the time of writing it has grown still further.

We have had a very good response to our customer and relationship management programmes and we have signed up a number of new distributor partners across the globe this year as well as seeing Channel expand its distribution products here in the UK. It was also very encouraging to see the end of pandemic restrictions and to attend Innotrans in Berlin this year. We had a successful event and it was heartening to gain the opportunity once again to be face to face and enjoy open conversations with so many customers that have been unable to travel.

The planning highlighted our need to recruit into a number of key posts and some high calibre people have been appointed to take the Group forward. The new Managing director for our electro-mechanical systems operations commenced in August 2022 and is now well in post. He and the team have recruited a new Technical Engineering director and already we are seeing the impact on their business plans. We have struggled to recruit an MD for our Channel business and must go back and re-think the scope of how this operation functions. Our new Group CFO, Stuart Stanyard, will join the Board in March 2023 and will in place before the AGM. We have recruited heavily into our Sales teams and into engineering competency generally and this should impact the second half of the current year and beyond. We have also been conscious that to recruit this talent pool we need to rebase our reward mechanisms to retain more moderate salaries and to increase the performance related element of our remuneration packages.

As a market leading designer and manufacturer of high reliability electronic, electro-mechanical components and systems, we pride ourselves on our capabilities. Operationally, the manufacturing facilities remain first class. We have upgraded some of our machinery and tooling and we will look to broaden our offering with a limited amount of Capex in the new year. We have investment to make in our enterprise resource planning ("ERP") which will only enhance our ability to manage productivity going forward. The incidence of turnover in our staff who operate our facilities has been manageable and throughout the last two years we have sought to bring in apprentices and young engineers.

To ensure that we had plenty of working capital to carry us through what is a difficult trading environment both in the UK and in our export markets we sold some vacant land realising a substantial £1.5m profit; the profit and cash are reflected in these accounts. We are continuing to look to buy and re-invent products from ours and other businesses that will enhance our offering particularly in the aftercare market and having a strong cash position will make us that much more agile to move quickly.

Chairman's statement (continued)

Shareholders and Investors

We want to communicate our long-term plans to deliver shareholder value in line with our vision and mission and our continuing commitment to our reputation. Therefore, the Chairman and the CEO will continue to meet key shareholders where possible in person and work closely with its Brokers and Advisers to ensure regular and open dialogue.

Importantly, we have stakeholders, in the wider sense, all over the world and we have struggled in the last two years to see them. The Group is in the business of long-term contracts and projects that we export widely and this needs to be reflected in our stakeholder relationships which must be proactive, long term, visible and embedded into our corporate culture. Our staff need to be able to travel and meet our customers first hand, as much of what we do is solutions based and flows from these interactions. We have now recruited our first senior employee who resides in our DACH (Germany, Austria and Switzerland) market and we believe this investment will only strengthen our relationships further.

Dividends and Pension Fund

No dividends were declared in 2021 and no interim or final dividends have been declared in 2022. The Board believes in a progressive dividend policy and so will keep the policy under review, however, given the ongoing economic and market challenges, we believe it continues to remain appropriate in the shorter term to defer any resumption of the policy.

The LPA Industries Limited Defined Benefit Scheme was part of the Deloitte Pensions Master Plan throughout the entire year under review. This arrangement had included the transfer of the advisory functions, administration and the pensioner payroll to Deloitte. The total costs of this transition have been substantial as the Scheme has necessarily been subject to a level of scrutiny and audit to ensure that it can be prepared for an eventual exit to an insurance provider. The costs of running the scheme have been borne by the Company and this year amounted to £174,800 (2021: £283,128 including £100,000 of Company contribution). The rectification work is largely complete and subject to GMP equalisation ongoing discussion we anticipate substantially reduced costs going forward.

A full Actuarial valuation of the Scheme was carried out in March 2021 which indicated the Scheme was at a healthy 121% funding level. At 31 March 2022 an actuarial report indicated that this had risen to 127% of the actuarial funding level. The benefit of the change in investment strategy in January 2022, when the Trustees having undertaken a review in 2021 agreed to lock in the gains and de risk the scheme, has been beneficial. The key driver for the then improved funding position has been the higher than assumed returns on the Scheme's assets and the changes in financial conditions which have reduced the liabilities. It is natural for the Scheme's funding level to fluctuate over time reflecting changes in the financial markets and this was apparent during the last six months of the year under review especially sparked by the mini-budget on 23 September 2022. Over the year to 30 September 2022 the Scheme's assets, which are with Legal & General Investment Managers in LGIM funds marginally outperformed the benchmark return at -24.8% versus -25%.

The IAS19 actuarial surplus recognised at 30 September 2022 was £2.5m (2021 restated: £2.6m). The Trustees, under advice, did not seek any voluntary employer contributions during the year from the Company (2021: £100,000). The IAS19 position shown in the notes to these accounts reflects the impact of rising interest rates on the present value of the Assets and the liability to pay pensions in the future.

Chairman's statement (continued)

Employees.

Our people and our investment in them is key to our future success. Their skills alone are not enough without a commitment to the style and corporate values that the Board are committed to promoting. Our recently appointed subsidiary directors are fully committed to these values and we will see the impact of this in the coming years.

The general health, and well-being of our employees personally, cannot be underestimated. We have had a number of retirements of long-standing staff during the pandemic; but we are not alone in this. Senior management time on people issues, managing our employee numbers and the cost base is now part of daily routine. Communication with our staff and progressive investment in their well-being will distinguish us and we hope to persuade more youngsters and apprentices to join an engineering group.

We pride ourselves on our engineering skills and our factory operations and we are committed to keeping them intact to fulfil our record order book. We do maintain flexibility through use of agency and temporary contracts, but we have no zero-hour contracts.

I should like to thank all our employees, past and present, for their hard work and diligence during yet another challenging year.

Board and Management

Board members' biographies and relevant experience are set out within Company Information on page 35 of the Annual Report and are published on the Group's website www.lpa-group.com.

Paul Curtis (CEO) heads up the Executive Team and we have retained some interim support following the departure of Chris Buckenham. We have secured a contract with our new Group Finance Director who will join before the AGM. Andrew Jenner, as Senior Independent Director, and Chair of the Audit Committee has been in post throughout the year under review as has Gordon Wakeford who is chairman of our Remuneration Committee.

We have started a broader communication programme including a comprehensive newsletter to our Employees, this was published shortly after the year end and will be updated every 6 months. The Board's belief in instilling our corporate values, including through induction and regular communication, remains a priority.

Outlook

The Executive team have a strong order book to work with, a solid balance sheet, positive cash flow and importantly a good plan. It will take a little longer to see the impact of such a significant change in the group's leadership and given the gestation period for our engineers to turn opportunity into quality engineered products we anticipate a strong second half to the current financial year and thereafter. The Company has a bright future built on our capabilities and great customer relationships.

Robert B Horvath

Chairman

2 February 2023

Business Model and Strategy

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

LPA is a market leading designer, manufacturer and supplier of high reliability, LED based lighting, electronic systems, electro-mechanical systems and a distributor of engineered components supplying markets operating within high dependency, hostile and benign environments which focuses on the market segments of rail, rail infrastructure, aviation, airport infrastructure and defence. These are viewed as stable / growth markets both in the UK and globally. All Group activities serve the same markets (to a greater or lesser extent), have a mutual dependence on transportation (which accounts for more than two thirds of Group turnover), share resource and frequently work on the same projects.

The Group has a reputation for innovation, providing cost effective solutions to customers' problems which aim to improve reliability and reduce maintenance and life cycle costs. Three distinct sites across the UK are operated, namely:

LPA operations	Market segment	Products, solutions, and technologies
LPA Connection Systems Light & Power House Shire Hill Saffron Walden CB11 3AQ, UK Tel: +44 (0)1799 512800	Electro-mechanical systems A designer and manufacturer of electro-mechanical systems and components to the rail, aircraft ground support and niche industrial markets.	- Hybrid / battery control boxes and systems - Control panels & boxes - Enclosures, fabrications, laser cut, form & weld - Rail, aircraft, ship & industrial connectors - Shore supply systems - Transport turnkey engineering and manufacturing services
Email: enquiries@lpa-connect.com		
LPA Channel Electric Bath Road Thatcham Berkshire RG18 3ST, UK Tel: +44 (0)1635 864866	Engineered component distribution High value, high level service distributor and added value solutions provider to the rail and aerospace & defence markets.	- Circuit breakers - Connectors - Fans & motors - Relays & contactors - Switches - USB charging units
Email: enquiries@lpa-channel.com		
LPA Lighting Systems LPA House Ripley Drive Normanton West Yorkshire WF6 1QT, UK Tel: +44 (0)1924 224100	LED lighting and electronic systems A designer and manufacturer of LED lighting and electronic systems which serve the rail, infrastructure, and other high reliability markets	- Electronic control systems - Electronic monitoring systems - Fluorescent lamp Inverters - Complete rolling stock interior lighting systems - Rolling stock interior and exterior door status indication systems - Rolling stock seat electronics solutions
Email: enquiries@lpa-light.com		

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

Business Model and Strategy (continued)

A wide range of leading organisations form our customer base, including: Alstom, Avanti, BAA, BAe Systems, CAF, Compin, CRRC, Downer EDI, First Group, Grammer, Heathrow Airport, Hitachi, ITW GSE, Kinki Sharyo, Knorr Bremse, Leonardo, Omer, Shanghai Pudong Airport, Siemens, SNCF, Stadler, Spirit Aerospace, Taiwan Rolling Stock Company, Transport for London, Unipart Rail and Wabtec.

It is our intention to strengthen the Group's position within the global marketplace by growing our customer base, alongside the addition of new products and the undertaking of selected strategic acquisitions. This is underpinned by our Vision, Mission and Objectives as detailed below and the business planning that we do each year.

Vision, Mission & Objectives (VMO)

Vision

- To be a market leading electronic / electro-mechanical engineering Group, supplying high quality components and systems to customers in safety critical and challenging markets.

Mission

- Provide sustainable growth and returns to shareholders.
- Grow organically and by acquisition.
- Be our customers' first choice for products and services.
- Be an ethical and responsible employer.

Objectives

- Promote and build on the history and brand of LPA.
- Ensure all companies within the Group deliver 'best in class' products and services.
- Focus on reducing dependency on the transportation market.
- Continuous innovation and product development.
- Improved sales channels for export.
- Targeted acquisitions to bring growth, technology, or access to markets.
- Work together across the Group and maximise opportunities.
- Exploit Group capability and technology to create new products and service new markets.
- Be an employer of choice.

Values and Culture

Investment in our people is paramount to our success and we have created clear communication and development strategies to enhance skills and ensure that we all understand and align to Group values, culture and best practice. This is supported by the Board and Executive teams and demonstrated by their visibility and accessibility across the Group.

Our core values are promoted throughout the Group. These are set out below and published on our website www.lpa-group.com.

Business Model and Strategy (continued)

LPA Core Values

- Leadership - you do not need to be in a position of power to lead in what you do.
- Passion - love what you do, use it to drive both yourself and the business forward.
- Accountability - whatever you do, own it and do it well.
- Continuous Product Improvement - staying ahead of the competition.
- Personal Growth - always seek to learn and improve.
- Diversity - everyone deserves a chance and a voice.
- Fun - yes, it is work, but it does not mean we cannot enjoy it!
- Innovation - technology is everything to us, look forward and push the boundaries.
- Integrity - honesty and respect are key to who we are.
- Teamwork - work with your colleagues not against them.

Environmental, Social and Governance

Environment. The board is committed to minimising its impact on the environment and ensuring that each of our sites provide a positive impact on their local environment. The product ranges of the Group have long been focused on long life reliability, which reduce waste and recycling for our customers. Our manufacturing sites are modern with efficient heating and ventilation systems installed that assist to minimise the carbon footprint, whilst our machinery and processes do not require overly high energy inputs, thus our Co² outputs are minimised. One of our manufacturing sites is certified under ISO 14001 and carbon neutral, whilst our others are working towards and committed to achieving it.

Social activities and engagement with community is encouraged throughout the Group. Our annual charity golf day is a key event within the calendar and one much appreciated by attendees. Donations received are matched by the Group and used in the support of several charities. Within the year these activities benefitted youth sport, engineering education at the local school and a cancer hospice. We continue to review our marketing activities to combine, where practical, business promotion with support for our local communities.

Governance is outlined across our Annual Report and remains a core value of the Group, both as an AIM listed entity, but as part of the DNA of our activities. These areas have long been core to the Company. Additional areas of focus in recent years have included risks posed through digital and cyber channels. The Group maintains Cyber Essentials certification and contracts external IT support to ensure current and constant IT support, with monitoring and prevention paramount to the continuance of our business and safeguarding of our data, assets and those of our customers and employees.

Our Corporate and Social Responsibility (CSR) policy sets out the basis on which the Group seeks to be a responsible business that meets the highest standards of ethics and professionalism. Our company's social responsibility falls under two categories: compliance and proactiveness. Compliance refers to our company's commitment to legality and willingness to observe community values. Proactiveness is every initiative to promote human rights, help communities, protect our natural environment and resources.

The full CSR policy is set out on the Group's website – www.lpa-group.com/investor-information/company-information/ with other key governance policies including the Group's approach to ethical trading, code of conduct, Criminal Finances Act 2017 and Whistle Blowing.

Health, Safety & Wellbeing

It is Group policy to provide and maintain healthy and safe working conditions and to consider its employees wellbeing, whilst operating in a responsible manner to the environment. The Group operates Health & Safety Committees to encourage and facilitate participation by all its employees in improvement, awareness and development of a safe working environment. Reporting of opportunities for improvement and near misses, including suggestions, observations, concerns, or potential improvements are encouraged and requested from all staff and visitors to our sites. Monthly reporting outlining all accidents or matters reported are KPIs, published through use of health & safety notice boards, together with site committee meeting activities. Each site has volunteer fire marshals and first aiders who are provided with the requisite training and a qualified health and safety representative, supported by external expertise.

The wellbeing of our staff is paramount to the Group. Provisions are in place that provide all employees and their families direct access to wellbeing, medical and advisory services, linked to our Group Life Assurance provisions.

The Group encourages employees to plan for their future and provides a defined contribution pension provision which meets or exceeds the UK's Auto Enrolment requirements. The Group also funds advisory sessions, arranges onsite access to its advisors, and facilitates induction sessions for all employees so they can discuss their retirement provisions and fully understand the benefits and options available to them within the Group's pension scheme.

Employment Policies

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

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

Chief Executive Officer's Review

Trading Results

An increase in activity during H2 ensured a positive trading period but fell short of full recovery from the difficult trading experienced during H1, resulting in an underlying operating loss for the full year slightly ahead of prior year at £0.23m (2021: Loss £0.27m). During the period, the successful sale of a piece of unused land held by the Group, realised levels exceeding expectations and raised a net profit of £1.51m, resulting in a final PBT for the year of £1.07m (2021: Loss of £0.39m).

Even though there were several delayed project awards within the period, orders slightly edged revenues, resulting in the orderbook increasing marginally during the year and remaining at a solid £27.7m (2021: £27.3m).

Added Value ("AV") for the year remained broadly in line with expectation at 49.1% (2021: 50.5%) but suffered from general inflationary pressure and increasing material costs across all sectors. This is an area being actively managed to ensure that future revenues continue to remain at AV expectations.

2022 Summary

- Order book increased to £27.7m (2021: £27.3m)
- Order entry at £19.7m (2021: £23.2m)
- Revenue at £19.3m (2021: £18.3m)
- Underlying Operating Loss of £0.23m (2021: Loss £0.27m)
- Profit before tax (including sale of land) at £1.07m (2021: Loss of £0.39m)
- Net cash inflow from operating activities £0.1m (2021: £1.2m).

Markets

Aviation (aircraft) build programmes have remained steady for the year with revenues resulting at expected levels. The Group involvement is predominantly on the A350 and A220 aircraft and, with both these aircraft programs intending to increase production rates, it is forecast that the business in this area will increase as we move through 2023 and beyond. Both these platforms enjoy strong orderbooks, covering multiple customers, and are scheduled to remain in production for many years.

With the rapid development of electric and other powertrain technology there are several opportunities developing for a new generation of flight vehicles. This is an area of much interest to the Group and one where we have been subsequently focusing our efforts. This is an industry in its infancy but is one where we are looking to be successful over the coming years as it comes of age.

Aviation (infrastructure) performed well in the year, with revenues increasing 96% and orders increasing 68%, when compared to 2021 levels. Export at 81% was a strong feature within the revenue number and demonstrates the importance of the improved sales channels that are now in place for this segment. The key objective of appointing distribution partners within all 1st tier targeted countries is nearly complete and efforts are now ongoing in expanding this further to include 2nd tier countries and beyond. This expansion and management of our distribution network is an essential strategic program and crucial to our vision of building a robust worldwide sales network of which further developed products can be promoted through.

Chief Executive Officer's Review (continued)

During the year the Group also launched the new Plane Power cable carrying system. As with the Plane Power connectors, the product was received well by our customer base and initial orders for airports in the UK and Australia were received within the period.

Rail has seen some recovery during the period but is still experiencing some frustrations and delays with project new build schedules. This is however somewhat being offset by the expansion of our sales network and the drive towards an increased product offering. The aftercare market remains a key area for the Group and is one where we are now starting to see some of the previously stalled spending being released.

The expansion of our global sales network and the addition of a dedicated LPA sales resource in the DACH market is progressing well for our Lighting and Electronics business. This increased support brings better market intelligence and offers a greater level of service and support, which is being appreciated by both existing and potential customers. This expanded coverage is essential for our LED tube product which is receiving much interest as we approach the September 2023 ban across the EU on the sale of old technology fluorescent tubes. It is envisaged that this change in legislation will create several opportunities for this product over the current and coming years.

Work is also underway in the standardisation of our Rail connector range with a view of targeting the Rail aftermarket sector within countries other than the UK. As with our Lighting and Electronics business, this will again rely on the development and expansion of our sales channels in these regions. This is however fast becoming a core skill and competence within the Group and is a key development area receiving much focus.

Industrial market expansion is a somewhat new area for the Group and will look to target niches such as infrastructure, marine and energy. In support of this we have taken on new products at our distribution business and strengthened our sales team within our electro-mechanical business. These are the first steps into these markets but are steps that we believe to be essential for growth and the development of a diverse sales profile.

Operational Review

The transition of the business from a predominantly project driven model to one that has a balance of projects and standard products, serving multiple markets and countries, is firmly underway. This is however a medium-term strategy and, as such, it will take time before the benefits of this are truly realised.

In support of this vision, there has been much change within the business units in relation to both process and people. The complete refresh of our sales teams, in both our distribution business and electro-mechanical business, is now complete, and coming up to speed. Several other senior appointments across the Group have also been concluded, which although impacting overhead costs, they are essential in achieving the goals of growth that the business has.

Our electro-mechanical business is well on its way to achieving the aviation approval standard AS9100 and is now also targeting the IS14001 certification in support of our environmental credentials. Our distribution business will also start the journey to achieve IS14001 in the coming year, which will result in all Group companies being compliant of this important standard.

Chief Executive Officer's Review (continued)

Outlook

The Group has endured difficult trading over the last few years due to dependence on a marketplace that was severely disrupted by several global situations. During this period however much work has been undertaken throughout the Group to ensure the foundations for growth and the de-risking of our customer dependence are in place. We expect to see progression as we move through the coming year and look forward to a more stable and robust business for the future.

Paul Curtis

Paul Curtis

Chief Executive Officer

2 February 2023

Financial Review

Set out are the key drivers related to the business performance in the year and position at 30 September 2022, together with explanation of the financial Key Performance Indicators as summarised on page 19.

Trading Performance

Macro-economic factors

Although some improvement has been seen across our markets in relation to clarity of customer requirements, the 2022 year continued to see some frustration and delays to both order placement and delivery schedules. Whilst H1 was heavily impacted by these delays, H2 saw some improvement and an uplift in activity, resulting in a profitable period, highlighting that once over a certain level, a good level of return can be expected from the business.

Inflation was and continues to be a battle, with cost of energy, people and materials, all moving up beyond levels experienced prior. Efforts to mitigate these increases have been ongoing and where possible fed through to the market. Added Value remains broadly inline with expectations and is expected to remain at this level as we move forward.

Supply of material and components has also been problematic within the period. Electronic components, in particular, have seen the biggest disruption, with deliveries moving out to a 52 week lead-time in some cases. The result of this causing delays to shipments, considerable engineering time looking for alternatives and, in some cases, cost increases as premiums paid for stock availability from alternate suppliers.

As the business shapes itself for the future, employment has been a key feature of the year. Uncertainty in the market, coupled with a low unemployment rate, has made this somewhat difficult at times. However, the year has seen good progress on this, and with a few exceptions, the Group moves into the new year with a high percentage of this change completed and plans for others in place.

Headlines

- Order entry slightly exceeded sales at £19.7m (2021: £23.2m) resulting in a strong order book of £27.7m (2021: £27.3m), an increase of 1.8%;
- Revenue of £19.3m up 5.8% (2021: £18.3m) with electro-mechanical systems revenues down £1.2m and engineered component distribution down £0.1m, lighting and electronic systems up £2.4m;
- Added Value reduced by 1.4% at 49.1% (2021: 50.5%) through cost pressures and the need to source alternative suppliers; and
- Gross margins 22.8% (2021: 20.3%), was up 2.5% primarily because of product mix and some reduction in production overhead costs.

By comparison to 2021, H1 2022 revenues decreased by 7.2% at £8.6m (2021: £9.3m), delivering an underlying operating loss of £568,000 (2021: profit of £154,000). H2 revenues were anticipated to accelerate as customer production recovered from delayed projects. H2 delivered revenues of £10.7m (2021: £9.0m), representing an increase of 19.3% against H2 2021 sales. This resulted in an H2 underlying profit of £342,000 (2021: loss of £428,000).

Distribution costs and administrative expenses increased by 9.9% to £4.6m (2021: £4.3m). The main contributors to this were the wider economic cost pressures seen across the industry. Also, the UK Government Covid support was withdrawn during 2021 leading to a reduction in other operating income.

Financial Review (continued)

Trading Performance (continued)

Group employment costs reduced by £100,000 to £6.21m (2021: £6.32m) inclusive of exceptional costs, as outlined below. Included are share based payments of £13,000 (2021: £28,000) relating to the award of share options through the Group's Long Term Incentive Plan, these calculated using the Black-Scholes model.

Other operating income of £7,000 (2021: £217,000) reduced due to support from CJRS grant receipts during 2021.

Exceptional Costs and Non-Underlying Items

Exceptional costs in the year totalled a gain of £1,323,000, (2021: loss of £46,000). Key items comprised:

- (i) Sale of surplus land raising a net profit of £1,506,000 in 2022 (2021: £nil)
- (ii) £10,000 dual running management costs (2021: £46,000). These costs reflect extended crossover periods for appointments and retirements for the Group's directors, a transition process which commenced in 2017 and completed on 31 December 2021.
- (iii) reorganisation costs in 2022 of £173,000 (2021: £nil) - associated with cost base reductions.

Finance Costs and Income

Within finance costs, the interest on borrowings increased to £88,000 (2021: £86,000). The weighted average interest rate increased by 0.5% from 2.7% to 3.2%. There was no utilisation of the Group's overdraft facility in the year. The UK base rate increased 7 times throughout the year, increasing through the year from 0.10% to 2.25%.

Profit before Tax, Taxation and Earnings Per Share

After net finance costs of £10,000 (2021: £39,000) a profit before tax of £1,074,000 was recorded (2021: loss £387,000). A tax credit of £111,000 (2021: £365,000) is recognised, reporting a profit after tax of £1,185,000 (2021: loss of £22,000). This resulted in a basic earnings per share of 8.99p (2021: loss per share 0.17p).

Tax reflects the UK corporation tax rate of 19.0% (2021: 19.0%). The tax credit recognised is largely the consequence of recognition of tax losses and tax credits on qualifying R&D expenditure.

Treasury

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

Balance Sheet

Shareholders' funds increased by £1.0m (7.0%) in the year to £14.8m (2021: £13.7m), including:

- profit for the year of £1.2m;
- a decrease in the defined benefit pension asset recognised of £0.1m (2021: increase of £1.3m); and
- an increase in ordinary share capital of £3,000 following exercise of share options and issue of 35,000 new shares with a share premium recognised of £14,000 (2021: share capital £79,000, share premium £221,000).

This has resulted in an increase to the net asset value per ordinary share to 109.4p (2021: 102.0p). Adjusted net asset value per share (calculated excluding goodwill and the pension asset) was 82.6p (2021: 74.4p).

Financial Review (continued)

- Gearing (net debt as a % of total equity) reduced to 3.5% (2021: 11.9%) assisted by the cash proceeds from the sale of land;
- net debt decreasing by 68% to £0.52m (2021: £1.63m);
- working capital, as defined as inventory, trade & other receivables less trade & other payables, increasing 9.6% to £5.08m (2021: £4.63m); and
- pension asset surplus recognised reducing by 3.6% to £2.47m (2021: £2.56m).

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

Intangible assets, which comprise goodwill related to the Group's investment in Excil Electronics Ltd, capitalised development costs and software purchases were £1,473,000 (2021: £1,405,000). After assessment for impairment the goodwill remains unchanged at £1,149,000. Development costs capitalised in the year, representing the continued development of the Group's technologies and new product development ("NPD"), were £163,000 (2021: £167,000). There were no Capitalised development assets written off in the year (2021: loss of £53,000).

The net book value of property, plant and equipment as at 30 September 2022, including Right of Use Assets, totalled £5,985,000 (2021: £6,433,000), of which property represented £3,913,000 (2021: £4,115,000), plant, equipment and motor vehicles £2,072,000 (2021: £2,318,000). Additions in the year increased following the low level in the previous year of capital investment, at £419,000 (2021: £215,000). Disposals in the year totalled £1,666,000 with a net book value of £170,000 including sale of surplus land and Right of Use lease terminations (2021: £368,000 with a net book value of £9,000). The depreciation charge reduced 7.7% reflecting prior levels of investment at £699,000 (2021: £757,000).

Net trading assets (defined as inventories plus trade and other receivables; plus current tax and less trade and other payables) were 9.3% higher at £5,119,000 (2021: £4,688,000), predominantly through higher activity at the end of the year increasing the level of debtors.

Net Debt and Financing

The Group's main bank finance is a bank loan drawn down in 2019 at £2.6m and repayable over 5 years. Repayments are quarterly over the term with a bullet repayment in March 2024 of £1.8m (quarterly repayments calculated at draw down on a 15 year repayment term). As at 30 September 2022 the amount outstanding was £2.1m (2021: £2.3m). Interest is payable at base rate plus 2.25%.

Cash Flow

Net cash inflow from operating activities was £77,000 (2021: £1,189,000) made up of a trading cash inflow of £395,000 (2021: £601,000); an increase in working capital of £612,000 (2021 decrease: £594,000); tax refunds of £159,000 (2021: £77,000) and voluntary defined benefit pension contributions of £Nil (2021: £83,000). Overall, there was a net increase in the Group's cash position of £841,000 (2021: £513,000), which included £17,000 receipts from the exercise of share options (2021: £300,000).

Capital expenditure outflows on property, plant and equipment reduced to £88,000 (2021: £100,000), excluding assets financed through lease arrangements. Capitalised development expenditure amounted to £163,000 (2021: £167,000), including expenditure to develop a new range of aircraft ground power support products and further product developments focused on smart lighting and electronic systems, including rail seat electronics. The Group also benefitted from the sale of surplus land raising £1,666,000.

Financial Review (continued)

In the year new leasing arrangements led to right of use additions of £331,000 (2021: £115,000). Interest at 3.7% was charged on fixed rate borrowings (2021: 3.6%). Interest on the Group's overdraft facility is payable at base rate plus 2.0%. The facility was unutilised as at 30 September 2022 and 2021. The composite interest rate across both borrowings and lease liabilities was 3.1% (2021: 2.7%).

Capital loan repayments of £190,000 were made in the year (2021: £187,000). Outflows repaying the principal elements of lease liabilities were £390,000 (2021: £420,000). Interest payments on borrowings amounted to £88,000 (2021: £86,000).

The Group's dividend policy was paused in 2020 as a safeguard to secure cash reserves through the economic downturn and supply issues, this continuing through 2022 with no distributions.

Defined Benefit Pension Asset

The LPA Industries Limited Defined Benefit Scheme was part of the Deloitte Pensions Master Plan throughout the entire year under review. This arrangement had included the transfer of the advisory functions, administration and the pensioner payroll to Deloitte. The total costs of this transition have been substantial as the Scheme has necessarily been subject to a level of scrutiny and audit to ensure that it can be prepared for an eventual exit to an insurance provider. The costs of running the scheme have been borne by the Group and this year amounted to £174,800 (2021: £283,128 including a £100,000 Group contribution). The rectification work is largely complete and subject to GMP equalisation ongoing discussion, we anticipate substantially reduced costs going forward.

A full Actuarial valuation of the Scheme was carried out in March 2021 which indicated the Scheme was at a healthy 121% funding level. At 31 March 2022 an actuarial report indicated that this had risen to 127% of the actuarial funding level. The result of the change in investment strategy in January 2022, when the Trustees having undertaken a review in 2021 agreed to lock in the gains and de risk the scheme, has been beneficial. The key driver for the then improved funding position has been the higher than assumed returns on the Scheme's assets and the changes in financial conditions which have reduced the liabilities. It is natural for the Scheme's funding level to fluctuate over time reflecting changes in the financial markets and this was apparent during the last six months of the year under review especially sparked by the mini-budget on 23 September 2022. Over the year to 30 September 2022 the Scheme's assets, which are with Legal & General Investment Managers in LGIM funds marginally outperformed the benchmark return at -24.8% versus -25%.

The IAS19 actuarial surplus recognised at 30 September 2022 was £2.5m (2021 restated: £2.6m). This is after restricting the asset recognised by a tax deduction of 35% which is applied to any refund from a UK pension scheme. This change in accounting for the surplus in the year has been recognised as a prior year adjustment with the resulting restatements of prior year accounts outlined in note 21 to the accounts.

The Trustees, under advice, did not seek any voluntary employer contributions during the year from the Group (2021: £100,000). The IAS 19 position shown in the Notes to these accounts reflects the impact of rising interest rates on the present value of the Assets and the liability to pay pensions in the future.

Financial Review (continued)

Going Concern

In assessing going concern, including impacts of supply chain shortages and inflationary pressures seen latterly, the directors note that current economic conditions are continuing to create uncertainty. Such uncertainties have and continue to make forecasting extremely challenging, with these multiple factors causing delivery schedule delays.

In assessing the Group's going concern the directors also note that (i) despite reporting an underlying operating loss in the current year and anticipating a challenging start to the 2023 year, the Group is expected to return to profitability in the near term; (ii) has in place adequate working capital facilities for its forecast needs and was cash generative through the 2022 financial year, with a positive EBITDA and strong cash management, benefiting from the sale of the surplus land; (iii) has a strong order book with significant further opportunities in its market place; and (iv) has proven adaptable in past periods of adversity, as again proven through the 2022 challenges. Therefore, the directors believe that it is well placed to manage its business risks successfully.

The Group continues to witness supply chain delays, aligned with price pressures from commodities, utilities and wage inflation. These all pose risks to UK manufacturing businesses but supply chain delays creates on-shoring opportunities for the Group which we are seeking to exploit.

Whilst the Group benefitted significantly from the recent sale of surplus land, which generated £1.6m of net cash, the support of its bank is still seen as very important. The directors continue to develop its strong working relationship with its bank that provides for the funding and working capital facilities as outlined in note 15. Should there be additional significant delays in our project-based work then there are actions available to management to mitigate any cash need. We expect that if required the bank would remain supportive and a suitable agreement would be reached to provide the Group with sufficient financing. The current loan facility is due to expire in March 2024 and the Board foresees that a new facility agreement will be entered into.

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

Paul Curtis

Paul Curtis
Chief Executive Officer
2 February 2023

Principal Risks and Uncertainties

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

Principal Risk or Uncertainty	Mitigation
Rail market dependency including both the UK rail market and worldwide rail projects.	- The Group maintains close working dialogue with its customers, suppliers and government agencies. - Growth outside our traditional markets remains a key focus. However, rail will continue to feature as a core market and remains an attractive sector for the Group. - The Group continues to focus on non-project work to alleviate the effects of project delays and underpin routine workflows.
Inflationary pressures	- Sales prices of products are frequently reviewed against cost pressures and market dynamics to ensure appropriate levels of return are achieved. - Management of our supply chain relationships is a key activity. - Automation is used where possible. - Process reviews to improve efficiency are an ongoing activity.
Certain activities benefit from long standing commercial relationships with key customers and suppliers	- The Group devotes resource to ensure that good customer relationships are maintained while continuing to build relationships with new customers across different business sectors and geographies. - Senior level relationships are encouraged with suppliers and customers throughout the Group.
The Group activities operate in competitive markets which are subject to product innovation, technical advances and intensive price competition	- The Group invests in research and development to establish new technologies and products to sustain its competitive position. - Continuous efforts for cost down and efficiencies. - Good relationships with customers are forged to ensure accurate market intelligence is gleaned to help shape policy and practice.
The Group is exposed to several financial market risks including liquidity and credit risk, and through movements in foreign exchange and interest rates	- Forex exposure, predominantly Euros, is mitigated where possible through natural hedging across the Group. - Excess forward predicted currency inflows are covered, where appropriate, by fixed exchange contracts. - Further detail as to the Group's approach to managing this risk is described in note 17 to the financial statements.
Poor investment returns and longer life expectancy may result in an increased cost of funding the Group's defined benefit pension arrangement.	The Group and the trustee of the scheme review these risks with actuarial and investment advice as appropriate and take action to mitigate the risks where possible.
The Group is exposed to supply chains across the globe which can cause delays to product supply and inflationary pressures.	- Additional stocks have been held through 2022 to minimise inflationary impact and to safeguard against short term supply issues. This will continue through 2023. - The Group maintains a portfolio of suppliers and continues to work closely with all, to ensure continuance of supplies. - Products, particularly electronic systems, are subject to redesign to ensure compatibility with suitable alternative components is achieved.
The ability to attract and retain skills and staff.	- The Group monitors staff movements closely whilst seeking to upskill roles to automate areas where the labour pool is challenged. - Personal development is encouraged. The Group supports continuous training and development of its staff. - Communication is done at individual and Group level, incorporating, appraisals, announcements and Group wide newsletters.

Key Performance Indicators

The Group uses the following key performance indicators to assess the progression in its business: factors affecting them are discussed in the Chairman's Statement, the Chief Executive Officers' Review and the Financial Review on pages 3 to 19 with an Additional Performance Measures glossary on page 101.

KPI	Basis of measurement	2022	2021
Health & Safety			
Riddors	reportable incidents of disease or danger occurrences	None	None
Accidents	events that cause impact, damage or injury involving a person or infrastructure, which are not a Riddor	25	13
Near misses	events that occurred which have not caused an Accident	21	15
Financial			
Orders to revenue	orders for the year expressed as a multiple of revenue as a measure of prospective growth	1.02	1.27
Order entry	order intake confirmed	£19.7m	£23.2m
Order book	the measure of opening order book, plus order entry, less revenue	£27.7m	£27.3m
Revenue growth	increase/(decrease) year-on-year as a percentage of prior year	5.8%	(11.8%)
Added value	the margin generated on revenue after deduction of material costs but before other costs of sale and conversion	49.1%	50.5%
Gross margin	as a percentage of revenue	22.8%	20.3%
Profitability	underlying operating (loss) as a return on trading activities to revenue	(1.2%)	(1.5%)
Cash generation	net increase in cash and cash equivalents before financing activities	£1.5m	£0.9m
Gearing	the measure of net debt being borrowings and lease liabilities less cash balances, to net assets	3.5%	11.9%

This year's comparative of accidents reflects increased level of activities at the end of covid restrictions and a greater emphasis on the reporting within the factories.

The Strategic Report on pages 3 to 19 was approved by the Board on 2 February 2023 and signed on its behalf by:

Paul Curtis

Paul Curtis
Chief Executive Officer

BOARD REPORTS

Audit Committee Report

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

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

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

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

Andrew Jenner
Chairman of the Audit Committee
2 February 2023

Remuneration Report

This report has not been prepared in accordance with Schedule 8 to SI 2008/410 of the Companies Act 2006 because as an AIM listed company LPA Group plc does not fall within the scope of the Regulations.

Unaudited information

Remuneration Policy

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

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

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

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

Executive Directors' Remuneration and Terms of Appointment

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

Paul Curtis, CEO, has a service contract dated 26 September 2018, amended 24 March 2020 with a notice period of 6 months. As at 1 January 2023 his annual salary was £193,325 (January 2022: £193,325), he receives 10% employer pension contributions to the Group's defined contribution scheme enhanced by NI savings, private health insurance and he is entitled to the provision of a car, or car allowance with insurance and break down cover. In addition, he is eligible for options under the Company's share schemes and, subject to the achievement of the Group's objectives, is entitled to payments under the Company's discretionary bonus schemes.

Chris Buckenham, resigned as CFO and Company Secretary on the 31 August 2022. As at 1 January 2022 Chris Buckenham had an annual salary was £151,341 and received 10% employer pension contributions to the Group's defined contribution scheme, and was entitled to the provision of a car allowance and private health insurance. He was entitled to a 6 month notice period. Included within his salary he received a fee of £5,000 pa, as Director of the LPA Industries Pensions Trustees Limited. In addition, he was eligible for options and payment under the Company's discretionary bonus schemes, however all his options have now lapsed. He also received a loss of office payment within the year.

Independent Directors' Remuneration and Terms of Appointment

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

Remuneration Report (continued)

Robert B Horvath, Independent Chairman from 9 August 2021, was appointed on 1 February 2021 as NED and Chair elect. He has a term of office as set out in his letter of appointment dated 10 January 2021, which expires on 31 January 2024, with up to two triennial extensions. As at 1 January 2023 he receives a fee of £60,000 per annum (January 2022: £60,000).

Andrew Jenner was appointed on 1 September 2021 as Senior Independent Director and Chair of the Audit Committee. He has a term of office, as set out in his letter of appointment dated 14 June 2021, which expires on 31 August 2024, with up to two triennial extensions. As at 1 January 2023 he receives fees of £37,000 per annum (January 2022: £37,000).

Gordon Wakeford has a term of office, as set out in his letter of appointment dated 3 February 2020, which expires at the conclusion of the Company's annual general meeting to be held in the spring of 2023, with up to two triennial extensions. As at 1 January 2023 he receives fees of £35,000 per annum (January 2022: £35,000). He also held the position of Chair of the Remuneration Committee from 1 January 2022.

Len Porter resigned as Senior Independent Director and Chair of the Remuneration Committee on the 31 December 2021.

Information Subject to Audit

Directors' Remuneration

Directors' remuneration for the year was as follows:

	Salaries and Fees	Loss of office	Bonus	Benefits	LTIP*	Pension	Total 2022	Total 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Peter Pollock (to 08/08/21)	-	-	-	-	-	-	-	79
Paul Curtis	193	-	10	15	5	25	248	236
Chris Buckenham (to 31/08/22)	139	81**	-	9	-	16	245	180
Executive Director	332	81	10	24	5	41	493	495
Robert B Horvath (from 01/02/21)	58	-	-	-	-	-	58	33
Andrew Jenner (from 01/09/21)	37	-	-	-	-	-	37	3
Gordon Wakeford (from 01/04/20)	35	-	-	-	-	-	35	34
Len Porter (to 31/12/21)	10	-	-	-	-	-	10	38
Independent Directors	140	-	-	-	-	-	140	108
Total	472	81	10	24	5	41	633	603

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

** Loss of office includes payment in lieu of notice, which includes 1.5 months beyond the financial year end.

There was no exercise of share options by Directors during the year (2021: 790,000 shares, gain of £271,500 in relation to Peter Pollock, a previous Director).

Remuneration Report (continued)

Directors' Pension Arrangements

During the year ending 30 September 2022, Paul Curtis and Chris Buckenham received employer contributions to the Group's defined contribution scheme under a salary sacrifice arrangement.

Directors' Shareholdings

Shareholdings of those serving at 30 September 2022:

	Number of Ordinary Shares	
	30 September 2022	30 September 2021
Paul Curtis	38,300	38,300
Robert B Horvath	100,000	33,000
Gordon Wakeford	21,700	21,700
Andrew Jenner	20,000	-
	180,000	93,000

During the year Robert B Horvath acquired 67,000 and Andrew Jenner 20,000 ordinary shares in the Company. (2021: Robert B Horvath acquired 30,000 and Gordon Wakeford acquired 6,700 Ordinary Shares). Since the year end Gordon Wakeford has acquired a further 6,300 shares.

Directors' Interests in Share Options

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

	Date of Grant	Option Price (p)	Earliest Exercise Date	Latest Exercise Date	At 30 September 2022	At 30 September 2021
Paul Curtis						
PSP 2018	Aug 18	104.80	02/08/21	01/08/28	60,000	60,000
PSP 2018	Feb 20	109.33	20/02/23	19/02/30	50,000	50,000
PSP 2018	July 20	63.17	23/07/23	22/07/30	30,000	30,000
PSP 2018	Mar 21	83.50	02/03/24	01/03/31	30,000	30,000
					170,000	170,000

During the year Nil share options were awarded to Directors (2021: one award with a composite average exercise price of 83.5p).

Gordon Wakeford

Chair of Remuneration Committee

2 February 2023

Corporate Governance Report

Section 172

The board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of the shareholders, while having due regard for the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, these being:

Matter	Detail	Referenced on Page(s)
a. The likely consequences of any decision in the long term;	• Company purpose • Business model and strategy • Longer term viability • Dividend policy • Risk appetite and risk management • Pension obligations	• 6, 7 • 6, 7, 8 • 5, 12, 17, 27 • 4 • 18, 27, 28 • 4, 16
b. The interests of the company's employees;	• Health, wellbeing and safety of our people • Engaging our people • Developing our people • Board employee engagement • Diversity and inclusion	• 9 • 7, 8 • 7, 8 • 7 • 8, 9
c. The need to foster the company's business relationships with suppliers, customers and others;	• Business ethics & code of conduct • Corporate culture and ethical values	• 8, 30, 31 • 5, 7, 9, 30, 31
d. The impact of the company's operations on the community and the environment;	• Environmental responsibility • Emission and energy management • Supporting our communities	• 8, 27 • 8 • 8, 27
e. The desirability of the company maintaining a reputation for high standards of business conduct; and	• Stakeholder propositions • Sustainability of our business model • Values statements and our culture • Our approach to a sustainable business • Internal controls	• 25 • 24 • 7 • 6 • 27, 28, 31
f. The need to act fairly between members of the company.	• Investor engagement • Annual General Meeting	• 4, 31 • 31, 36

The Chairman is responsible for oversight, adoption, and communication of the Group's Corporate Governance Model. Compliance is reviewed every year and updated as necessary and appears on pages 24 to 32 of this report and on the website www.lpa-group.com.

Despite being a micro-cap company the Group has consistently, for a number of years, applied high standards of Corporate Governance. In complying with Article 26 of the London Stock Exchange rules applicable to AIM listed entities, which requires AIM listed companies to apply a recognised Corporate Governance Code, the Group complies as far as is practicable with the Quoted Company Alliance's Corporate Governance Code (the Code) and where we fall short of full compliance, explain what is required to achieve full compliance. No shortfalls have been identified. This document is an integral part of the Company's Annual Report, which the Board considers to be a 'Document of Record' subject to annual reviews, which will be recorded on the Group's website, www.lpa-group.com.

Corporate Governance Report (continued)

The Code

The Code comprises ten principles, which are listed below, together with a statement of the Group's current position and, where this deviates from the code, an element of a Road Map to full compliance. Having rejuvenated the Board, the Group is committed to improving liquidity and the nature of the shareholder base to better equip the business with sources of equity funding, supporting its growth plans. In recent years the Group has relied upon debt funding to support its capital investments into capacity and capabilities and fund working capital requirements of full compliance. In addition, the Group has adopted a 'North Star' or 'Guiding Light' principle, which may be considered to be a precis of the corporate governance principle.

North Star Guiding Light

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

Principle 1

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

The code requires a disclosure of the Group's business model and strategy, including key challenges in their execution in the Annual Report, which is included in Strategic Report on pages 3 to 19.

The Group operates in markets dominated by large multinational corporates, with a wide supplier base populated by small and medium sized enterprises, both privately owned and quoted. The Group has grown organically and by acquisition and has always recognised that it will either be a consolidator of similar SME's by acquisition or consolidated by a larger multinational enterprise through being acquired. The Group has relooked at its strategy and has a plan to grow the business recognising the difficult trading conditions brought on by the effects of the pandemic. The Board itself has been rejuvenated to support the business and the management team in order to deliver the strategy and be responsive to constantly changing market conditions.

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

Corporate Governance Report (continued)

Principle 2

Seek to understand and meet shareholder needs and expectations

The Group's shareholder base has been dominated by founding family shareholders in the past. This is changing but it still has only limited numbers of Institutions. Whilst 50% of our shares are owned by 5 holders there is still a significant shareholder base of private or relatively small holdings. The market in the shares is relatively illiquid and there can be a wide spread between the bid and offer price, making dealing in the shares challenging. Having rejuvenated the Board, the Group is committed to improving liquidity and the nature of the shareholder base to better equip the business with sources of equity funding, supporting its growth plans. In recent years the Group has relied upon debt funding to support its capital investments into capacity and capabilities and fund working capital requirements.

Investor liaison is the responsibility of the Chief Executive and where necessary the Non-Executive Chairman, supported by the Group's Executive.

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

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

The Group aims to meet Shareholders, prospective shareholders and other interested parties, immediately after the Interim and Final Announcements as recommended and organised by its Nominated Broker. The Chairman is available to shareholders throughout the year and, subject to any rules regarding confidential information, is able to discuss the strategic direction of the Group.

The Board is acutely aware of its responsibility to ensure that there is no false market in the Group's shares and to ensure the market is properly informed of changes in expectations and significant events in a timely way. The last 2 years have witnessed severe challenges for most businesses and especially in the sectors the Group operates in. These significant challenges are manifested in the ability to forecast and manage expectations in the short term as our customers struggle to keep their projects on track and their commitments and orders to us to the agreed upon schedules. Some of these unforeseeable activities remain beyond the control of the Group.

Corporate Governance Report (continued)

Principle 3

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

The Board recognises that our people are our most valuable asset. Staff surveys at each of the Group's Sites are undertaken to monitor and engage with our staff and ensure their needs are being met. Apprenticeships, degree and other courses, support, training, and personal development are offered to staff as part of a long term plan for success, notwithstanding the ongoing challenges that the current macro-economic climate presents.

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

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

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

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

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

Principle 4

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

The Principal Risks and Uncertainties are identified in the Strategic Report, which is included on page 18. Each trading entity includes a Successes, Opportunities, Failures and Threats (SOFT) Report within its monthly progress report, which is incorporated into the Group Performance Review, which is circulated to the board each month. Risk registers for entities identify key risks. Risk is considered at the monthly Executive Meetings comprising the Managing Directors or General Managers of the entities, the CEO and the CFO. The CEO and the CFO include commentary on identified changes in risk in their reports to Board Meetings. Internal Controls are detailed below.

Internal Control

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

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

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

Corporate Governance Report (continued)

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

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

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

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

Principle 5

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

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

The independent Directors all served throughout the year.

Paul Curtis as Executive Director, also served throughout the year. Chris Buckenham, resigned his Executive Director position as at 31 August 2022 and the replacement for this position was actively recruited.

Board Composition and Responsibility

As of 1 January 2023, the Board comprises three independent Directors and one Executive Director (the CFO role has recently been filled and the appointment contract signed with a commencement date in March 2023). There is a clear division of responsibility between the Independent Directors, including the Chairman and the Executive Director.

Robert B Horvath, Andrew Jenner and Gordon Wakeford are regarded as independent directors. They are from varied backgrounds and bring with them a range of skills and experience in commerce and industry. The Directors are judged to have made the necessary time commitment to fulfil their roles which is evaluated through achievement of deadlines, commitments, availability, and attendance at meetings.

The Board meets at least six times during the year, with additional meetings being convened as necessary. The Board has two standing committees, the Audit Committee and the Remuneration Committee, both having written terms of reference which are published on the Group's website. These comprise the Board's independent directors who served through the year. Andrew Jenner served as Chair of the Audit

Corporate Governance Report (continued)

Committee and Senior Independent Director; Gordon Wakeford served as Chair of the Remuneration Committee. Len Porter remained a member of both Committees through to 31 December 2021.

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

The Remuneration Committee meets at least twice a year and its principal function is to determine executive remuneration policy and that of the Independent Chairman on behalf of the Board. In addition, the committee is responsible for supervising the various share option schemes and for the granting of options under them.

A schedule of the Board meetings, its committees and the Director attendance compared to the meetings held is set out below:

Year ending 30 September 2022	Board meetings	Audit committee	Remuneration committee	AGM 2022
No of meetings	9	4	5	1
Executive Directors				
P V Curtis	9/9	n/a	n/a	1/1
C J Buckenham (resigned 31/08/22)	8/9	n/a	n/a	1/1
Independent Directors				
R B Horvath	9/9	4/4	5/5	1/1
A Jenner	9/9	4/4	5/5	1/1
G Wakeford	9/9	4/4	5/5	1/1
L Porter (resigned 31/12/21)	2/2	1/1	1/1	-

Attendance at meetings by invitation is not shown - (n/a).

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 Group CEO/CFO who performs the role of the Company Secretary, and 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.

Corporate Governance Report (continued)

Principle 6

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

The Board has a broad balance of skills and experience as well as personal qualities. Recent Board appointments have reinforced this balance, including the appointment of the new Independent Chairman from 9 August, rotation of Committee Chair's and Senior Independent Director roles through 2022.

The Board recognises that its small size limits the opportunity for gender balance and diversity, however, ensures that its recruitment processes are fair, and all candidates are considered and treated equally. The Board is not dominated by any one person or group of people with recent Board changes re-enforcing independence.

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

This Annual Report identifies each Director with their biography, which outline the relevant skills, qualifications and previous roles that each have held. This demonstrates the adequacy of the Board and identifies any additional experience, skills, personal qualities, gender balance and capabilities necessary to deliver the strategy for the benefit of shareholders and shows how directors are maintaining their skill sets.

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

Annual Reports will also detail significant matters requiring external advice and describe any significant advice provided internally to the Board by the Company Secretary or Senior Independent Director.

Principle 7

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

The objective has been to create a board with the necessary skills and experience to deliver the Group's strategy over the medium term, following a period of relative board stagnation. The maintenance and development of the board skills matrix assists the Chairman in his discussions with the Senior Independent Director ("SID") to ensure the skills available within the Board remain appropriate. In 2022 this led to an examination of the role of the CFO and ultimately to the recruitment of a CFO with broader skills able to contribute more to the Board's overall commercial and operational governance within its subsidiaries. The Group considers this approach compliant to the Code, and the Chairman will continue to develop this area as part of the Road Map.

The Chief Executive's individual performance has been assessed and feedback given.

Principle 8

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

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

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

Corporate Governance Report (continued)

The Chair's Corporate Governance statement in the Annual Reports comments upon how the culture is consistent with the Group's objectives, strategy and business model contained in the strategic report, the principal risks and uncertainties, how these are monitored and how a healthy corporate culture is promoted and assessed. Group values are promoted around the Group as outlined on pages 7 and 8.

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

Principle 9

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

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

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

Principle 10

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

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

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

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

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

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

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

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

Corporate Governance Report (continued)

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

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

Robert B Horvath

Chairman

2 February 2023

Directors' Report

The directors present their annual report together with the audited financial statements for the year ended 30 September 2022

Results and Dividends

The profit for the year amounted to £1,185,000 (2021: loss of £22,000). The directors do not recommend the payment of a final ordinary dividend for 2022 (2021: nil p), with no (2021: no) interim dividends paid.

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

The principal risks and uncertainties confronting the Group are set out on page 18 and the key performance indicators used in assessing the progression of the business are set out on page 19.

Principal Activities

The principal activity of the Group continues to be designer, manufacturer and supplier of high reliability, LED based lighting and electronic systems, electro-mechanical systems and a distributor of engineered components. Descriptions of the Group's development and performance during the year, position at the year end and likely future prospects are reviewed in the Strategic Report on pages 3 to 19.

Substantial Shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 01st February 2023 representing three per cent or more of the issued share capital were:

	No of Shares	Percentage
Peter Gyllenhammar AB	3,241,217	24.04%
Peter Pollock	1,000,000	7.44%
Michael Rusch	960,022	7.14%
Marilyn Porter	531,053	3.99%
Stephen Brett	453,000	3.37%

Research and Development

The Group is committed to research and development activities to ensure its position as a market leader in the manufacture of electronic and electrical components, and systems in its market sectors. The costs incurred in 2022 totalled £163k (2021: £167k) and were capitalised as development costs.

Directors and their Interests

The current directors of the Company and brief biographical details are given on page 35. During the year two Directors resigned Len Porter on 31 December 2021 and Chris Buckenham on 31 August 2022 (2021: two appointments and one resignation). A statement of their remuneration and interests in the ordinary shares of the Company and share options are set out in the Remuneration Report. The Company has made qualifying third-party indemnity provisions for the benefit of its directors. The Group maintained insurance cover during the year for its Directors and Officers and those of subsidiary companies under a Directors and Officers liability insurance policy against liabilities which may be incurred by them while carrying out their duties. No director had any material interest in any contract with the Group.

Directors' Report (continued)

Directors' Responsibilities Statement

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

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

The group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with the UK-adopted International Accounting Standards;
- for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The directors confirm that:

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

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

Directors' Report (continued)

Directors Biographies

Robert B Horvath – Independent Chairman, born 1956, has a BSc degree in Economics from the University of Wales and is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Fellow of Gray's Inn. He served Articles with Price Waterhouse and spent twelve years with the firm including two years in the US. He has over thirty years' experience in senior financial and general management posts in Manufacturing Industry. He joined LPA Group on 1 February 2021 as Chair elect and was appointed Chairman on 9 August 2021. Previous appointments include Chairman of Sigmat Group, Chief Executive of Tenfore Holdings, Group Managing Director of Interior Services Group Plc and Group Financial Director of Higgins Group Plc and A&P Appledore Ship Builders Ltd. Other public appointments include Advisor to and Chairman of Worth Abbey, NED at Defence Infrastructure Organisation and advisor to HM Treasury on PFI contracts.

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

Stuart Stanyard - Chief Financial Officer (CFO) and Company Secretary, born 1967, holds a BSc in Accounting and Economics from Lancaster University and is a Fellow of the Institute of Chartered Accountants England and Wales having qualified with Price Waterhouse. Stuart is an experienced Chief Financial Officer having held several senior finance leadership positions in Rolls-Royce Civil Aerospace, both within the UK and Hong Kong. More recently Stuart has worked for a PE backed business, Eley Group, where he concluded the successful sale of the business to an overseas buyer. Other appointments include main board trustee of Archway Learning Trust, where he is also chair of the Finance and General Purposes Committee and a member of the Audit and Risk and Remuneration committees. Stuart will join LPA in March 2023.

Andrew Jenner – Senior Independent Director (SID), born 1969, holds a BSc in Accounting with First Class Honours from the University of Hull and is a Member of the Institute of Chartered Accountants England and Wales. Andrew is an experienced Chief Financial Officer and Non-Executive Director having held senior positions in a number of FTSE100, 250 and privately held companies and has worked in different sectors including manufacturing, services, engineering, rail and construction. Since February 2018 he has been CFO of Petainer, a manufacturer of sustainable plastic packaging for the drinks industry worldwide. Petainer is owned by Ara Partners, a private equity firm specializing in industrial decarbonization investments. Previous appointments include NED and Audit Committee Chair of Galliford Try Plc, NED at E.W. Beard, CFO at Serco Group Plc and CFO at Global Office Group. Andrew was appointed to LPA Group on 1 September 2021, is the Audit Committee Chair and a member of the Remuneration Committee.

Gordon Wakeford - Independent Director born 1962, formerly Chief Executive Officer of Siemens Mobility Limited UK, joined the board as a Non-Executive Director with effect from 1 April 2020. He holds a First Class Honours Degree in Mechanical Engineering, is a Chartered Engineer and Fellow of the Chartered Institute of Highways and Transportation. He is highly experienced, having worked at very senior levels within industry and with Government. He is a former Chairman of the Railway Industry Association and Chair of the Rail Supply Group. He was a member of the National College for High Speed Rail Industrial Advisory Board and the CBI Manufacturing Council. He is a member of the Board's Audit and Remuneration Committees, was Chair of the Audit Committee from 1 April 2021 to 31 August 2021 and was appointed Chair of the Remuneration Committee from 1 September 2021.

Directors' Report (continued)

Annual General Meeting

The annual general meeting is to be held at 12:00 noon on Thursday 23 March 2023 at the offices of finnCap, 1 Bartholomew Close, London, EC1A 7BL. The Notice of Meeting is set out on pages 102 to 107. Special business includes four resolutions which relate to share capital:

1. an ordinary resolution to renew the authority of the directors to allot shares generally.
2. is a special resolution to give power to the directors to allot equity securities for cash without first offering them to existing shareholders.
3. is a special resolution to permit the Company to make market purchases of its own shares.
4. is an ordinary resolution to increase the Company's authorised share capital to £2,500,000 divided into 25,000,000 ordinary shares of 10 pence each.

Of the four resolutions, the first three 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.

Information in other reports

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

Financial risk management disclosures are detailed in note 17.

Post Balance Sheet Events

The Directors consider there to be no post balance sheet events.

Auditors

RSM UK Audit LLP are willing to continue in office. In accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

By order of the Board



Paul Curtis
Chief Executive Officer
2 February 2023

LPA Group plc is registered in England No 00686429

COMPANY INFORMATION

Company contacts

Directors	Robert B Horvath	Independent Chairman
	Paul Curtis	Chief Executive Officer
	Andrew Jenner	Senior Independent Director
	Gordon Wakeford	Independent Director
Registered Office	Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK	
Registered Number	00686429	
Website	www.lpa-group.com	
Nominated Adviser	finnCap 1 Bartholomew Close London EC1A 7BL	Broker finnCap 1 Bartholomew Close London EC1A 7BL
Auditors	RSM UK Audit LLP 2nd Floor, North Wing East City House, Hills Road Cambridge CB2 1RE	Bankers Barclays Bank Plc Abacus House Castle Park, Castle Hill Cambridge CB3 0AN
Registrars	Link Group 10 th Floor Central Square 29 Wellington Street Leeds, LS1 4DL	Solicitors Eversheds Sutherland (International) LLP 115 Colmore Row Birmingham B3 3AL

Trading subsidiaries

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

Trading addresses:

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

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

LPA Industries Ltd / Haswell Engineers Ltd

- trading as LPA Connection Systems

LPA House, Ripley Drive, Normanton, West Yorkshire, WF6 1QT, UK

Excil Electronics Ltd - trading as LPA Lighting Systems

Bath Road, Thatcham, Berkshire, RG18 3ST, UK

Channel Electric Equipment Ltd - trading as LPA Channel Electric

GROUP FINANCIAL STATEMENTS

Independent Auditor's Report to the Members of LPA Group plc

Opinion

We have audited the financial statements of LPA Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach

Key audit matters	Group • Revenue recognition • Valuation of inventory Parent Company • No key audit matters were identified
Materiality	Group • Overall materiality: £195,000 (2021: £183,000) • Performance materiality: £146,000 (2021: £137,000) Parent Company • Overall materiality: £182,000 (2021: £151,000) • Performance materiality: £136,000 (2021: £113,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

Independent Auditor's Report to the Members of LPA Group plc (continued)

Key audit matters

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

Revenue recognition

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

Valuation of inventory

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

Independent Auditor's Report to the Members of LPA Group plc (continued)

Our application of materiality

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

	Group	Parent company
Overall materiality	£195,000 (2021: £183,000)	£182,000 (2021: £151,000)
Basis for determining overall materiality	1% of revenue	2% of total assets
Rationale for benchmark applied	Revenue was chosen as the group monitors revenue-based metrics in its key performance indicators.	Total assets was chosen as the entity is a non-trading holding company.
Performance materiality	£146,000 (2021: £137,000)	£136,000 (2021: £113,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £9,750 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £9,100 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 5 components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	5	100%	100%	100%
Total	5	100%	100%	100%

Independent Auditor's Report to the Members of LPA Group plc (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- understanding how the cash flow forecasts for the going concern period had been prepared and the assumptions adopted;
- testing the integrity of the forecast model to ensure it was operating as expected;
- challenging the key assumptions within the forecast with agreement to supporting data where possible;
- reviewing the calculation and level of headroom for debt covenants including understanding and evaluating available management actions to cover any shortfall;
- review and consideration of the appropriateness of the sensitivity analysis performed by management and available actions should performance be behind expectations.

Management forecasts adopted by the Board show the ability to operate within existing banking facilities even if sales are significantly below current expectations. We do however note that should there be additional significant delays in project-based work then there is an increased risk of a covenant breach. The Directors expect to be able to mitigate any shortfall by available actions and if required expect to receive continued support from the bank.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of LPA Group plc (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the Members of LPA Group plc (continued)

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS, FRS102 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	Inspection of advice received from external tax advisors Inspection of correspondence with local tax authorities
Health and safety	ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance.

Independent Auditor's Report to the Members of LPA Group plc (continued)

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	See key audit matters above. In addition, we reviewed revenue journals for appropriateness.
Management override of controls	Testing the appropriateness of journal entries and other adjustments. Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Use of our report

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

Neil Stephenson

Neil Stephenson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
2nd Floor, North Wing East
City House, Hills Road
Cambridge
CB2 1RE
2 February 2023

Consolidated Income Statement

For the year ended 30 September 2022

		2022 £000	Restated 2021 £000
	Note		
Continuing operations			
Revenue	2	19,325	18,265
Cost of Sales		(14,925)	(14,558)
Gross Profit		4,400	3,707
Distribution Costs		(1,781)	(1,562)
Administrative Expenses		(2,865)	(2,664)
Administrative Expenses-Exceptional Items	6	1,323	(46)
Other Operating Income	6	7	217
Underlying Operating (Loss)		(226)	(274)
Share Based Payments	3, 20	(13)	(28)
Exceptional Items	6	1,323	(46)
Operating Profit/(Loss)	6	1,084	(348)
Finance Income	4	78	47
Finance Costs	5	(88)	(86)
Profit/(Loss) Before Tax		1,074	(387)
Taxation	7	111	365
Profit/(Loss) for the Year		1,185	(22)
Attributable to:			
- Equity Holders of the Parent		1,185	(22)
Earnings/(Loss) per Share	8		
Basic		8.99p	(0.17)p
Diluted		8.99p	(0.17)p

The comparative financial information has been restated as detailed in note 21.

The notes on pages 51 to 88 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2022

		2022	Restated 2021
	Note	£000	£000
Profit/(Loss) for the Year		<u>1,185</u>	<u>(22)</u>
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial (loss)/gain on pension scheme	21	(219)	1,849
Restriction of pension assets	21	49	(693)
Other Comprehensive Income		<u>(170)</u>	<u>1,156</u>
Total Comprehensive Income for the Year		<u>1,015</u>	<u>1,134</u>
Attributable to:			
- Equity Holders of the Parent		1,015	1,134

The comparative financial information has been restated as detailed in note 21.

The notes on pages 51 to 88 form an integral part of these financial statements.

Consolidated Balance Sheet

At 30 September 2022

Co No: 00686429		2022	Restated 2021	Restated 2020
	Note	£000	£000	£000
Non-Current Assets				
Intangible Assets	9	1,473	1,405	1,386
Tangible Assets	10	4,774	5,188	5,546
Right of Use Assets	11	1,211	1,245	1,438
Retirement Benefits	21	2,471	2,563	1,277
Deferred Tax Assets	18	229	263	-
		<u>10,158</u>	<u>10,664</u>	<u>9,647</u>
Current Assets				
Inventories	12	4,567	4,702	3,968
Trade and Other Receivables	13	5,095	4,111	5,447
Current Tax Receivable		41	55	30
Cash and Cash Equivalents		2,199	1,358	845
		<u>11,902</u>	<u>10,226</u>	<u>10,290</u>
Total Assets		<u>22,060</u>	<u>20,890</u>	<u>19,937</u>
Current Liabilities				
Bank Loan	15	(190)	(191)	(188)
Lease Liabilities	16	(356)	(323)	(406)
Trade and Other Payables	14	(4,584)	(4,180)	(4,193)
		<u>(5,130)</u>	<u>(4,694)</u>	<u>(4,787)</u>
Non-Current Liabilities				
Bank Loan	15	(1,934)	(2,123)	(2,313)
Lease Liabilities	16	(240)	(354)	(584)
Deferred Tax Liabilities	18	-	-	(16)
		<u>(2,174)</u>	<u>(2,477)</u>	<u>(2,913)</u>
Total Liabilities		<u>(7,304)</u>	<u>(7,171)</u>	<u>(7,700)</u>
Net Assets		<u>14,756</u>	<u>13,719</u>	<u>12,237</u>
Equity				
Share Capital	19	1,348	1,345	1,266
Investment in Own Shares	19	(324)	(324)	(324)
Share Premium Account	19	943	929	708
Share Based Payment Reserve	19	49	60	118
Merger Reserve	19	230	230	230
Retained Earnings	19	12,510	11,479	10,239
Equity Attributable to Shareholders of The Parent		<u>14,756</u>	<u>13,719</u>	<u>12,237</u>

The notes on pages 51 to 88 form an integral part of these financial statements. The comparative financial information has been restated as detailed in note 21.

The financial statements were approved by the Board on 2 February 2023 and signed on its behalf by:

P V Curtis
Director

Paul Curtis

Consolidated Statement of Changes in Equity

For the year ended 30 September 2022

	Share Capital £000	Investment in Own Shares £000	Share Premium Account £000	Share Based Payment Reserve £000	Merger Reserve £000	Retained Earnings £000	Total £000
2022							
At 1 October 2021*	1,345	(324)	929	60	230	11,479	13,719
Profit for the Year	-	-	-	-	-	1,185	1,185
Other Comprehensive Income	-	-	-	-	-	(170)	(170)
Total Comprehensive Income	-	-	-	-	-	1,015	1,015
Proceeds from issue of shares	3	-	14	-	-	-	17
Share based payments	-	-	-	13	-	-	13
Tax on share-based payments	-	-	-	-	-	(8)	(8)
Transfer on exercise of share options	-	-	-	(24)	-	24	-
Transactions with Owners	3	-	14	(11)	-	16	22
At 30 September 2022	1,348	(324)	943	49	230	12,510	14,756

	Share Capital £000	Investment in Own Shares £000	Share Premium Account £000	Share Based Payment Reserve £000	Merger Reserve £000	Retained Earnings £000	Total £000
2021							
At 1 October 2020*	1,266	(324)	708	118	230	10,239	12,237
(Loss) for the Year*	-	-	-	-	-	(22)	(22)
Other Comprehensive Income*	-	-	-	-	-	1,156	1,156
Total Comprehensive Income*	-	-	-	-	-	1,134	1,134
Proceeds from issue of shares	79	-	221	-	-	-	300
Share based payments	-	-	-	28	-	-	28
Tax on share-based payments	-	-	-	-	-	20	20
Transfer on exercise of share options	-	-	-	(86)	-	86	-
Transactions with owners	79	-	221	(58)	-	106	348
At 30 September 2021	1,345	(324)	929	60	230	11,479	13,719

* As restated – see note 21.

The notes on pages 51 to 88 form an integral part of these financial statements:

Consolidated Cash Flow Statement

For the year ended 30 September 2022

	2022 £000	2021 £000
Profit/(Loss) Before Tax	1,074	(387)
Finance Costs	88	86
Finance Income	(78)	(47)
Operating Profit/(Loss)	1,084	(348)
<i>Adjustments for:</i>		
Amortisation of Intangible Assets	95	111
Depreciation of Tangible Assets	497	484
Depreciation of Right of Use Assets	202	273
Profit on sale of Land/Plant and Equipment	(1,496)	-
Loss on disposal of Intangible Assets	-	53
Equity Settled Share Based Payments	13	28
Operating cash flow before movements in working capital	395	601
<i>Movements in Working Capital:</i>		
Decrease/(Increase) in Inventories	135	(734)
(Increase)/Decrease in Trade and Other Receivables	(984)	1,336
Increase/(Decrease) in Trade and Other Payables	372	(8)
Cash generated from operations	(82)	1,195
Income Taxes Received	159	77
Defined Benefit Pension Contributions less settlements	-	(83)
Net cash inflow from operating activities	77	1,189
Purchase of Software	-	(16)
Purchase of Property, Plant & Equipment	(88)	(100)
Proceeds from Sale of Property, Plant and Equipment	1,666	-
Expenditure on Capitalised Development Costs	(163)	(167)
Net cash inflow/(outflow) from investing activities	1,415	(283)
Repayment of Bank Loan	(190)	(187)
Principal elements of Lease Liabilities	(390)	(420)
Interest Paid	(88)	(86)
Proceeds from Issue of Share Capital	17	300
Net cash outflow from financing activities	(651)	(393)
Net increase in Cash and Cash Equivalents	841	513
Cash and Cash Equivalents at start of the year	1,358	845
Cash and Cash Equivalents at end of the year	2,199	1,358
Reconciliation of cash and cash equivalents		
Cash and Cash Equivalents in Current Assets	2,199	1,358

Consolidated Cash Flow Statement (continued)

For the year ended 30 September 2022

Net Debt

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

	Bank Loan £000	Lease Liabilities £000	Cash and Cash Equivalents £000	Net Debt £000
At 1 October 2021	2,314	677	(1,358)	1,633
New Lease Obligations	-	309	-	309
Interest Costs	64	24	-	88
Repayment of Borrowings/Lease Liabilities	(254)	(414)	668	-
Other Cash (Generated)	-	-	(1,509)	(1,509)
At 30 September 2022	2,124	596	(2,199)	521

	Bank Loan £000	Lease Liabilities £000	Cash and Cash Equivalents £000	Net Debt £000
At 1 October 2020	2,501	990	(845)	2,646
New Lease Obligations	-	107	-	107
Interest Costs	57	30	(1)	86
Repayment of Borrowings/Lease Liabilities	(244)	(450)	694	-
Other Cash (Generated)	-	-	(1,206)	(1,206)
At 30 September 2021	2,314	677	(1,358)	1,633

The notes on pages 51 to 88 form an integral part of these financial statements.

Notes to the Financial Statements

For the Year ended 30 September 2022

1. Accounting Policies

A. General Information

LPA Group Plc (the "Company") is a public company incorporated, domiciled and registered in England and Wales. The Company's registered number is 00686433 and its registered office address is Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK. The Company operates through its subsidiary trading entities from three locations in the UK as detailed on page 6.

B. Basis of Preparation

The consolidated financial statements have been prepared in accordance with UK – adopted International Accounting Standards (IFRS) and applicable Company Law. The financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value, as disclosed in the accounting policies below. The measurement bases and principal accounting policies of the Group are set out below.

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

C. Going Concern

The Group's business activities and the factors likely to affect its future performance are set out in the Strategic Report (which comprises information about LPA's Business model and strategy, the Chairman's Statement, the Chief Executive Officer's Review, the Financial Review, Key Performance Indicators and Principal Risks and Uncertainties) on pages 3 to 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are included in the Financial Review. In addition, the Group's treasury policy, its approach to the management of financial risk, and its exposure to liquidity and credit risks are outlined in note 17.

In assessing going concern, including impacts of pandemics, supply chain shortages, recession and inflationary pressures seen latterly, the directors note that current economic conditions are continuing to create uncertainty. Such uncertainties have and continue to make forecasting extremely challenging, with these multiple factors causing delays to delivery schedules.

In assessing the Group's going concern the directors also note that (i) despite reporting an underlying operating loss in the current year and anticipating a challenging start to the 2023 year, the Group is expected to return to profitability in the near term; (ii) has in place adequate working capital facilities for its forecast needs and was cash generative through the 2022 financial year, with a positive EBITDA and strong cash management, benefiting from a policy of cash retention at this time; (iii) has a strong order book with significant further opportunities in its market place; and (iv) has proven adaptable in past periods of adversity, as again proven through the 2022 challenges. Therefore, the directors believe that it is well placed to manage its business risks successfully.

Supply chain delays now widely seen, aligned with price pressures in the supply chain, covering commodities, utilities and wage inflation all pose risks to UK manufacturing businesses. Offsetting these, on-shoring opportunities and the supply chain delays and shortages themselves offer new opportunities to the Group to assist offset some of the project delays.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

Going Concern (continued)

The directors recognise that the ongoing support of its bank is a key feature to the Group's success which provides for the funding and working capital facilities as outlined in note 17. We maintain good relationships with our bank and our current facility is in place until March 2024 before which discussions should lead to renewal as the bank remains supportive of our business model.

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

D. Changes in accounting policy

For the purpose of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 October 2021 with no material impact. No new standards are applicable.

New accounting standards and interpretations not yet adopted

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 October 2022, or later periods, have been adopted early.

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

E. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and both its subsidiaries and the Employee Benefit Trust ("EBT"), (together the "Group"). Subsidiaries are those entities over which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. The Company obtains and exercises control through voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

The EBT is established through a third-party Trustee and is not controlled by the Group. However, the Trust's objective is to benefit the Group's employees, activities including acquiring shares in the Company to satisfy the exercise of share options. The Company is required to fund the activities and costs of the EBT and as such is required to consolidate the accounts of the EBT, which are prepared by the Trustee.

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

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

1. Accounting Policies (continued)

Basis of Consolidation (continued)

Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition costs are written off as incurred.

F. Intangible Assets

Goodwill

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

Research and development

Research expenditure is expensed in the income statement as incurred.

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

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

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

Software

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

Software	25% - 33%
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Amortisation has been expensed both within cost of sales and administrative expenses. Subsequent expenditure on the maintenance of computer software is expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement within other profit or loss.

1. Accounting Policies (continued)

G. Impairment of Assets

Goodwill

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired.

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

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

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

Other non-financial assets

The Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine if there has been a triggering event which indicates whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount provided that this does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1. Accounting Policies (continued)

H. Property, Plant and Equipment

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

Freehold Buildings	2%
Plant, Machinery and Equipment	7% - 15%
Motor Vehicles	20%
Furniture, Fittings and Office Equipment	10% - 20%
Computers	20% - 33%

Residual values are reviewed annually.

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

I. Right of Use Assets and Lease Liabilities

Right of Use assets and their associated lease liability are recognised at the lease commencement date. The Right of Use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The Right of Use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's and company's incremental borrowing rate on commencement of the lease is used. Where a modification, including change of lease term or lease payments occurs, an adjustment to the lease liability and the right of use asset is recognised.

Where a finance lease is settled and a Right of Use asset is then acquired, a transfer to Tangible Intangible or Tangible Assets occurs, including the associated depreciation charge.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less or a value, excluding services charged, of \$5,000.

J. Inventories

Inventories are stated at the lower of cost and net realisable value. The costs of ordinarily interchangeable items are based on a first-in, first-out basis. Cost includes direct materials, direct labour and an appropriate proportion of production overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred through to disposal. Provision is made for obsolete, slow-moving and defective items.

1. Accounting Policies (continued)

K. Financial Instruments

Classification and measurement of financial assets

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

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

Recognition and derecognition of financial assets

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

Impairment of financial assets

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

Trade and other receivables

Trade receivables and other receivables are initially measured at fair value and are subsequently measured and carried at amortised cost using the effective interest method, less any impairment. The carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the Income Statement. For trade receivables, the carrying amount is reduced by the expected lifetime losses. To measure expected credit losses, trade receivables have been grouped on shared credit risk characteristics. The historical loss rates are adjusted to reflect current and future looking information. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement.

Cash and Cash Equivalents

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

Equity Instruments

An equity instrument is any contract which evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1. Accounting Policies (continued)

Financial Instruments (continued)

Financial Liabilities

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

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

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

L. Foreign Currencies

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

M. Revenue

IFRS 15 (Revenue from Contracts with Customers) requires that in the normal course, revenues arise from the sale, refurbishment, repair or installation of products, excluding value added tax, trade or volume discounts, or values related to future performance obligations. Product revenues include, design and engineering, certification, testing and specific tooling related to the supply. Depending on the nature of a contract these can have one or more performance obligations which are recognised either at a point in time or over time depending on the nature of the performance obligation. On occasion, particularly in respect of complex or large contracts, design and engineering costs may be a separate performance obligation.

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

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

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

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

1. Accounting Policies (continued)

N. Taxation

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

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

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilised or offset against deferred tax liabilities.

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

O. Employee Benefits

Equity-Settled Share-Based Payments

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

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value of the share options awarded (at the date of grant) and the number of options that are expected to vest. The Group has adopted the Black-Scholes model for the purposes of computing the fair value of options. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve.

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

Short-Term Compensated Absences

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

Defined Contribution Pension Plans

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

1. Accounting Policies (continued)

Employee Benefits (continued)

Defined Benefit Pension Scheme

The Group's defined benefit pension scheme is closed to future accrual. The ongoing net liability or asset is calculated by estimating the amount of future benefit that employees earned in return for their service in prior periods; that benefit is discounted to determine its present value and then deducted from the fair value of plan assets. The discount rate is the yield on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. A full actuarial valuation is carried out every three years and updated at each balance sheet date using the projected unit method.

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

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

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

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

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

P. Exceptional Costs and Non-Underlying Items

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

Underlying Operating Profit/(loss) represents the equivalent IFRS measure but adjusted to exclude items that we consider would prevent comparison of the Group's performance both from one reporting period to another and with other similar businesses.

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

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

1. Accounting Policies (continued)

Q. Grant receipts

Grants received, including the UK Governments Covid Job Retention Scheme grants (CJRS), are credited to the income statement within Other Operating Income when received or the receipt becomes unconditional.

R. Use of Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements on the application of the Group's accounting policies and make estimates about the future. Actual results may differ from these assumptions. The critical judgements made in arriving at the amounts included in the financial statements are detailed below. Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Impairment of Goodwill

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

R&D Expenditure and Tax Credits

Management judgement is required in assessing the fair value of development costs capitalised including the future economic benefit expected to be generated by those assets and in calculating the attributable costs. Management judgement is also required in assessing the useful economic lives of these assets for the purposes of amortisation. Further information is provided in note 9.

The tax credit/charge for the year reflects management's judgements in respect of the application of tax regulations, in particular R&D tax credits available. The Group's estimates maybe different to the final values adopted once the annual tax computations have been finalised with the Group's appointed advisors, resulting in a different tax payable or recoverable from that provided.

Defined Benefit Pension Scheme

The retirement benefit position shown in the balance sheet is sensitive to changes in the assumptions used in the calculation of the defined benefit obligation in particular assumptions about the discount rate, inflation, mortality and future pension increases. The carrying amount of assets and liabilities relating to the defined benefit pension plan and the key assumptions used in the calculation of the defined benefit obligation are disclosed in note 21.

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

1. Accounting Policies (continued)

Use of Judgements, Estimates and Assumptions (continued)

Expected Credit Losses

In accordance with IFRS 9 (Financial Instruments) the Group is required to assess the expected credit losses occurring through the life of its trade receivables. As a result, the Directors have made a judgemental assessment of the credit losses in these financial statements, full provision of which is disclosed in note 17 (F). The expected credit loss provision decreased in the year to £17,000 (2021: £72,000).

Timing and Recognition of Revenue and Cost Recognition

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

The main judgement is whether the design and engineering work should be a separate performance obligation to the supply of products. The design and engineering element is often a separate performance obligation on more complex and bespoke projects where the level of such work is more significant.

Where design and engineering is determined to be a separate performance obligation, there is a further judgement on the level of contractual income to allocate to this work and whether the contractual terms support the recognition of this income over time, as the service is performed, rather than when complete.

Provisions for Slow Moving or Obsolete Inventories

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

Differences between such estimates and actual market conditions may have a material impact on the amount of the carrying value of inventories and may result in adjustments to cost of sales. Note 12 details the inventory provisions and the amounts written off to consolidated income statement in the year.

2. Operating Segments

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom. The CODM does not review segmental assets and liabilities by segment and therefore no reconciliations are disclosed. For management purposes the Group comprises three product groups (in accordance with IFRS 8) - electro-mechanical, lighting & electronics and engineered component distribution (which collectively design, manufacture and market industrial electrical and electronic products) - less corporate costs, which operate across three market segments – Rail; Aerospace & Defence and Other. It is on this basis that the board of directors assess Group performance. The split is as follows:

	2022 £000	2021 £000
Electro-mechanical systems	6,533	7,761
Engineered component distribution	3,342	3,410
Lighting & Electronics systems	9,450	7,094
Operational Revenue	19,325	18,265
	2022 £000	2021 £000
Revenue recognised over time	97	788
Revenue recognised at a point in time	19,228	17,477
	19,325	18,265

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

	2022	2021
Rail	72%	77%
Aerospace and Defence	13%	10%
Other	15%	13%
	100%	100%
	2022 £000	2021 £000
United Kingdom	12,649	12,618
Rest of Europe	4,607	3,500
Rest of World	2,069	2,147
	19,325	18,265

One individual customer (2021: three) represented more than 10% of Group revenue, combined totalling 23% (2021: 38%).

	2022 £000	2021 £000
Operational Profit	768	652
Corporate Costs	(994)	(926)
Underlying Operating (Loss)	(226)	(274)

2. Operating segments (continued)

Corporate costs and operational profit are shown excluding charges levied to subsidiary entities by LPA Group Plc relating to management charges and where the property is held by LPA Group Plc, property rent which combined totalled £594,000 (2021: £426,000).

3. Employee Information

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

	2022 Number	2021 Number
Production	107	114
Sales and Distribution	28	27
Administration	19	23
	<u>154</u>	<u>164</u>

The employee benefit expense for the year amounted to:

	2022 £000	2021 £000
Wages and Salaries	5,203	5,462
Social Security Costs	542	550
Pension Costs - Defined Contribution Arrangements (note 21)	287	277
Share based payments	13	28
	<u>6,045</u>	<u>6,317</u>

Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report. Employee costs included above and capitalised as intangible development cost additions totalled £156,000 (2021: £120,000).

4. Finance Income

	2022 £000	2021 £000
Net Pension Interest Income (note 21)	<u>78</u>	<u>47</u>

5. Finance Costs

	2022 £000	2021 £000
Bank Loan and Overdraft Interest	64	56
Interest on Lease Liabilities	24	30
	<u>88</u>	<u>86</u>

6. Operating Profit/(Loss)

The following items have been charged in arriving at Operating profit/(loss)/profit.

	2022 £000	2021 £000
A. Component costs in arriving at Operating Profit/(Loss)		
Materials (to Added Value)	9,831	9,036
Production Overhead & Direct Labour	5,094	5,522
Cost of Sales	14,925	14,558
Selling & Distribution Costs	1,781	1,562
Administrative Expenses	2,865	2,664
Administration Expenses – Exceptional Items	(1,323)	(46)
Other Operating Income	(7)	(217)
	2022 £000	2021 £000
B. Expenses/(credits) by nature within Underlying Operating Loss		
Amortisation of Intangible Assets	95	111
Depreciation of Tangible Assets	497	484
Depreciation of Right of Use Assets	202	273
Loss on Disposal of Assets	10	53
Lease Rentals / Short Term Hire Charges		
– Plant, Equipment & Motor Vehicles	22	16
Foreign Exchange (Gain)/Loss	(62)	96
Other Operating Income:		
– Covid-19 Job Retention Scheme grants (CJRS)	(7)	(217)
Fees Payable to The Company's Auditor:		
- For the Audit of The Company's Annual Accounts	49	22
- The Audit of The Company's Subsidiaries Pursuant to Legislation	84	71
	2022 £000	2021 £000
C. Within Exceptional Costs		
Sale of land	(1,506)	-
Reorganisation costs / staff changes	173	-
Dual running management costs	10	46
	(1,323)	46

Sale of land relates to the disposal of a piece of surplus land that was valued on the books at £160,000 and realised a net gain of £1,506,000 during the year (2021: £nil).

Reorganisation costs / staff changes of £173,000 in 2022 relate to a Group wide cost base review and loss of office payment. (2021: £nil).

Dual running costs of £10,000 (2021: £46,000) relate to an extended crossover between the appointment and retirement of Board Directors related to the board rejuvenation process commenced in 2018, to be concluded on 31 December 2021. Dual running and reorganisation costs are included within note 3, Employee information, and reflect the exceptional changes that have taken place by comparison to the Group's history. All board members who served at the 2018 AGM retired on, or before, 31 December 2021.

7. Taxation

	2022 £000	Restated 2021 £000
A. Recognised in The Income Statement		
Current Tax Expense		
UK Corporation Tax	(65)	(4)
Adjustment in Respect of Prior Years	(80)	(46)
	<u>(145)</u>	<u>(50)</u>
Deferred Taxation		
Net Origination and (Recognition) / Reversal of Temporary Differences	34	(244)
Net Change as a Result of Rate Increase	-	(71)
	<u>(111)</u>	<u>(365)</u>
Total Corporation Tax (Credit)		

	2022 £000	2021 £000
B. Reconciliation of Effective Tax Rate		
Profit/(loss) Before Tax	<u>1,074</u>	<u>(387)</u>
Tax at The UK Corporation Tax Rate of 19% (2021: 19%)	204	(74)
Effects of:		
- Tax Rate Change	-	(71)
- Enhanced Deduction for Qualifying R&D Expenditure	(102)	(80)
- Prior Period Adjustments	(80)	(46)
- Prior Period Losses Recognised	(71)	(55)
- Other Differences	(62)	(39)
	<u>(111)</u>	<u>(365)</u>
Total Income Tax Credit		

The restatement is covered in note 21 to the accounts.

	2022 £000	2021 £000
C. Current and Deferred Tax Recognised Directly in Equity		
Tax Charge/(Credit) Arising on Share Options	<u>8</u>	<u>(20)</u>

8. Earnings/(Loss) Per Share

The calculation of earnings per share is based upon the profit for the year of £1,185,000 (2021 restated: loss £22,000) and the weighted average number of ordinary shares in issue during the year of 13.472m (2021: 12.89m) less investment in own shares of 0.3m (2021: 0.3m), of 13.172m (2021: 12.59m).

	2022			2021		
	Earnings	Weighted Average No of Shares	Earnings Per Share	(Loss) - restated	Weighted Average No of Shares	Loss Per Share - restated
		Million	Pence		Million	Pence
Basic Earnings/(Loss) Per Share	1,185	13.172	8.99	(22)	12.590	(0.17)
Effect of Share Options	-	0.007	-	-	-	-
Diluted Earnings/(Loss) Per Share	1,185	13.179	8.99	(22)	12.590	(0.17)

Diluted earnings per share has been calculated for the year ended 30 September 2022 as the Group reported a profit (2021: the loss was considered anti-dilutive and was ignored for the calculation). Basic earnings per share for the year ended 30 September 2021 has been restated (see note 21). The impact of the restatement has reduced loss per share by 0.10 pence.

9. Intangible Assets

Goodwill

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

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

Initial cash flows reflect the most recent plans approved by management. They are based on past experience and take into account management expectations of future developments in markets and operations. The initial cash flows covered the first two years of the projections: thereafter cash flow projections were extrapolated into perpetuity at a growth rate of 2% (2021: 2%) which is considered to be consistent with the long term average growth rate for the businesses concerned. The discount rate applied was 13.2% (2021: 10.0%), a pre-tax rate that reflects an assessment of the time value of money and the risks specific to the cash-generating units concerned. No impairment arose in the year. Management believes that the key assumptions on which the recoverable amount is based are appropriate and that any reasonable change in these assumptions would not lead to a materially different conclusion. Key to the assessment of impairment of Goodwill are the achievement of future revenue assumptions. The growth rates assumed are between 12% and 17% for the next 3 years, with 2% growth thereafter.

Were the CGU to not achieve growth assumptions but trade at the levels reported in the 2022 year, the carrying amount would still exceed the recoverable amount of goodwill.

9. Intangible Assets (continued)

	Goodwill £000	Development Costs £000	Software £000	Total £000
Cost				
At 1 October 2020	1,234	278	561	2,073
Additions	-	167	16	183
Disposals	-	(83)	-	(83)
At 1 October 2021	1,234	362	577	2,173
Additions	-	163	-	163
At 30 September 2022	1,234	525	577	2,336
Amortisation and impairment				
At 1 October 2020	85	89	513	687
Charge for the year	-	80	31	111
Disposals	-	(30)	-	(30)
At 1 October 2021	85	139	544	768
Charge for the year	-	77	18	95
At 30 September 2022	85	216	562	863
Net Carrying Amount				
At 30 September 2022	1,149	309	15	1,473
At 30 September 2021	1,149	223	33	1,405

The amortisation charge is recognised across cost of sales and administrative expenses within the consolidated income statement.

10. Tangible Fixed Assets

	Freehold Land and Buildings £000	Plant, Vehicles and Equipment £000	Total £000
Cost			
At 1 October 2020	4,647	6,139	10,786
Additions	-	100	100
Transferred **	-	57	57
Re-presented	13	(13)	-
Disposals	-	(280)	(280)
	4,660	6,003	10,663
At 1 October 2021			
Additions	-	88	88
Transferred **	-	330	330
Disposals	(160)	(99)	(259)
	4,500	6,322	10,822
At 30 September 2022			
Depreciation			
At 1 October 2020	502	4,738	5,240
Charge for the year	91	393	484
Transferred**	-	31	31
Re-presented	(48)	48	-
Disposals	-	(280)	(280)
	545	4,930	5,475
At 1 October 2021			
Charge for the year	42	455	497
Transferred**	-	165	165
Disposals	-	(89)	(89)
	587	5,461	6,048
At 30 September 2022			
Net Carrying Amount			
At 30 September 2022	3,913	861	4,774
At 30 September 2021	4,115	1,073	5,188

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

** Transfers relate to right of use assets which are no long subject to lease obligations.

11. Right of Use Assets

	Plant, Vehicles and Equipment £000
Cost	
At 1 October 2020	1,886
Additions	115
Transferred**	(57)
Disposals	(88)
At 1 October 2021	1,856
Additions	333
Transferred**	(330)
Disposals	(51)
At 30 September 2022	1,808
Depreciation	
At 1 October 2020	448
Charge for the year	273
Transferred**	(31)
Disposals	(79)
At 1 October 2021	611
Charge for the year	202
Transferred **	(165)
Disposals	(51)
At 30 September 2022	597
Net Carrying Amount	
At 30 September 2022	1,211
At 30 September 2021	1,245

The depreciation charge has been recognised across cost of sales and administrative expenses within the Consolidated Income Statement.

** Assets which are no longer subject to lease obligations are transferred to tangible fixed assets (note 10).

12. Inventories

	2022	2021
	£000	£000
Raw Materials and Consumables	2,087	2,051
Work in Progress	949	875
Finished Goods and Goods for Resale	1,531	1,776
	<u>4,567</u>	<u>4,702</u>

Inventories are reported inclusive of the following provisions:

	2022	2021
	£000	£000
Opening provisions	(930)	(839)
Additional provisions	(119)	(119)
Utilised (inventory scrapped/written off)	12	13
Released (inventory utilised/sold)	99	15
Closing provisions	<u>(938)</u>	<u>(930)</u>

13. Trade and Other Receivables

	2022	2021
	£000	£000
Trade Receivables	4,666	3,540
Other Receivables	41	64
Prepayments	323	366
Accrued income	65	141
	<u>5,095</u>	<u>4,111</u>
Trade Receivables are stated after credit losses provided of:	<u>17</u>	<u>72</u>

The directors estimate that the carrying value of financial assets within trade and other receivables approximate their fair value. Details of the Group's exposure to credit and market risk related to trade and other receivables together with an analysis of the movement in the expected credit loss are disclosed in note 17.

Accrued income is recognised in line with the Revenue Recognition policy, taking account of works carried out where a contractual underwriting exists such that in the event of cancellation, the Company is entitled to recover such costs as incurred to that point in time. All amounts are expected to be invoiced within 12 months.

Accrued income has dropped due to the level of ongoing contract activity at the year end.

14. Trade and Other Payables

	2022	2021
	£000	£000
Current		
Trade Payables	2,814	3,009
Other Taxation and Social Security	662	278
Other Payables	32	21
Accruals	740	501
Deferred Income	336	371
	4,584	4,180

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

Deferred income recognised at year end was represented by six contracts (2021: seven), as follows:

	2022	2021
	£000	£000
Deferred Income at 1 October	371	479
Invoiced during the year	398	537
Sales recognised in the year	(433)	(645)
Deferred Income at 30 September	336	371

All deferred income relates to the rail sector, with 20% expected to be recognised within one year (2021: 80%) with the remaining 80% between one and 3 years. The level of Deferred Income is due to the level of activity at the year end with some deferred income carried forward from the previous year due to a large multi-year contract.

15. Borrowings

	2022 £000	2021 £000
Current		
Bank Loan	190	191
Non-Current		
Bank Loan	1,934	2,123
Total Borrowings	2,124	2,314

Bank Loan and Overdraft

The Group's principal banking facilities are with Barclays, comprising a bank loan and an overdraft facility.

The Group's main finance is a bank loan drawn down in 2019 at £2.6m, repayable over 5 years. The loan has a 5 year term and bullet repayment and was drawn to refinance a previous loan with the same profile. As at 30 September 2022 the amount outstanding was £2.1m (2021: £2.3m); the loan is to being repaid from October 2021 through 6 quarterly instalments of £62,000, including interest, with the residual repayable in March 2024. Interest is chargeable at base rate plus 2.25%. The loan has a loan to value and a debt service covenant, measured annually.

The overdraft agreement provides for a facility limited to $\frac{1}{3}$ of the value of eligible trade debtors, up to a maximum of £1.5m. At the year-end and throughout the year the facility was unutilised, with £1.50m of facility available (2021: £1.13m). Interest is payable at base plus 2.0%.

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

16. Lease Liabilities

Right of Use Liabilities

Right of use liabilities, as finance leases, typically have a four-to-five-year term and bear interest fixed at the time of the commitment. The Group's obligations under right of use leases are secured by the finance providers title to the asset held under lease and have an incremental borrowing rate of 3.68% (2021:3.63%) The minimum payments under right of use obligations, fall due as follows:

	2022 £000	2021 £000
Within one year	356	323
Between one and five years	240	354
	596	677
Lease payments - cash outflow in the year	409	450

16. Lease Liabilities (continued)

Lease expenses

Future minimum rentals payable under non-cancellable operating leases or short-term hire contracts, representing short term or minimal value Lease obligations are as follows:

	2022 £000	2021 £000
Within one year	15	1
Operating lease expenses and short-term hire costs – expensed through the Consolidated Income Statement in the year	22	16

17. Financial Instruments

A. Financial Risk Management

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

B. Capital Management

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

The Group's capital structure is as follows:

	2022 £000	2021 £000
Equity	14,756	13,719
Net debt - Borrowings plus Lease Liabilities less cash balances	521	1,633
Overall Financing	15,277	15,352
Gearing (Net Debt as a % of Total Equity)	3.5%	11.9%

Gearing, which is the principal measure used by the Group to monitor its capital structure, reduced to 3.5%, principally through the sale of surplus land in the year and the resulting net gain of £1.5m.

The Board routinely monitors other aspects of financial performance to ensure compliance with bank borrowing requirements. There were no changes in the Group's approach to capital management during the year.

17. Financial Instruments (continued)

C. Currency risk

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

Currency Exposures

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

	2022			2021		
	Cash and Cash Equivalents	Other Net Monetary Assets and Liabilities	Total Net Monetary Assets and Liabilities	Cash and Cash Equivalents	Other Net Monetary Assets and Liabilities	Total Net Monetary Assets and Liabilities
	£000	£000	£000	£000	£000	£000
Euro	338	591	929	395	476	871
US Dollar	82	(16)	66	80	4	84
Aus Dollar	-	27	27	-	33	33
	420	602	1,022	475	513	988

Sterling: forex rates decreased from the start to the end of the year, Euro rates by 2.1%, USD 16.8%. The Group's opening cash and cash equivalents would have increased by £5,100 were the 2022 rates have been in place at 30 September 2021.

Sensitivity

At 30 September 2022 if sterling had weakened / strengthened by 10% against the euro with all other variables held constant the effect would have been to increase / (decrease) pre-tax profit and equity as a result of foreign exchange gains / (losses) on translation by:

	2022		2021	
	Effect on Profit Before Tax	Effect on Equity	Effect on Profit Before Tax	Effect on Equity
	£000	£000	£000	£000
Sterling Weakens By 10% Against the Euro	103	-	97	-
Sterling Strengthens By 10% Against the Euro	(84)	-	(79)	-

17. Financial Instruments (continued)

D. Interest Rate Risk

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

The only financial liabilities of the Group which are subject to interest charges are bank loans, overdrafts, and lease liabilities. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

Interest Rate Risk Profile

Interest rates are managed by using fixed and floating rate borrowings. Floating rate liabilities comprise bank loan and overdraft. During the year their weighted average interest rate was 3.2% (2021: 2.4%). Fixed rate liabilities comprise Lease liabilities which bear interest at the negotiated market rate prevailing at the time the commitment is made. In the year the weighted average interest rate of the fixed rate financial liabilities, was 3.7% (2021: 3.6%). The composite interest rate across fixed and floating borrowings and liabilities was 3.0% (2021: 2.7%).

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

	2022 £000	2021 £000
Floating Rate		
Cash and Cash Equivalents	(2,199)	(1,358)
Bank Loan	2,124	2,314
	<u>(75)</u>	<u>956</u>
Fixed Rate		
Lease Liabilities	<u>596</u>	<u>677</u>

Sensitivity

If market interest rates on floating rate borrowings and cash deposits had been 1% (100 basis points) higher during the year to 30 September 2022, with all other variables held constant the pre-tax profit would have been lower by £21,000 (2021: £11,000).

E. Liquidity Risk

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

The Group's approach is to ensure that, as far as possible, it will have adequate resources to meet its foreseeable financing requirements, with headroom to cope with adverse market conditions. The Group's operations are funded through a combination of retained profits, acquiring an element of its fixed assets under Hire Purchase, medium-term bank loans with short-term flexibility achieved through the use of overdraft facilities. The overdraft facility was unused at the end of 2022 and is a revolving facility. The Group's loan is a secured facility and continues to be regularly monitored to ensure it is not in breach of its covenants. The valuations of the freehold security are regularly discussed with the lender and are moderately geared. The existing facility expires in March 2024 and it is intended that a similar secured facility will be agreed.

17. Financial Instruments (continued)

Un-Drawn Committed Facilities

The Group's un-drawn committed borrowing facilities available at 30 September 2022 comprise its bank overdraft expiring in one year or less at £1.50m (2021: £1.13m), of the total overdraft facility of £1.5m (2021: £1.5m). See note 15 for the terms of the facility.

Maturity Profile of the Group's Financial Liabilities

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

2022	Within 1 Year	Between 1 and 2 Years	Between 2 and 3 Years	Between 3 and 4 Years	Between 4 and 5 Years	Over 5 Years	Total
	£000	£000	£000	£000	£000	£000	£000
Borrowings - Bank Loan	252	1,966	-	-	-	-	2,218
Lease Liabilities	369	181	85	10	-	-	645
Trade and Other Payables	3,586	-	-	-	-	-	3,586
	4,207	2,147	85	10	-	-	6,449

2021	Within 1 Year	Between 1 and 2 Years	Between 2 and 3 Years	Between 3 and 4 Years	Between 4 and 5 Years	Over 5 Years	Total
	£000	£000	£000	£000	£000	£000	£000
Borrowings - Bank Loan	244	244	1,958	-	-	-	2,446
Lease Liabilities	341	285	74	4	-	-	704
Trade and Other Payables	3,531	-	-	-	-	-	3,531
	4,116	529	2,032	4	-	-	6,681

F. Credit Risk

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

Trade Receivables and Contract Assets

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

Cash and Cash Equivalents

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

17. Financial Instruments (continued)

F: Credit Risk (continued)

Exposure to Credit Risk

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. At the end of 2022 these totalled £4.67m (2021: £3.54m). The Group held no collateral as security against any trade receivables.

The concentration of credit risk is sensitive to the timing of larger projects. The Group's most significant customer accounted for 37.5% of trade receivables at 30 September 2022 (2021: 19.0%).

Impairment Losses

In determining the recoverability of trade receivables, the Group considers the ageing of each debtor and any change in the circumstances of the individual customer to determine the expected credit loss. Following adoption of IFRS 9 (Financial Instruments), the expected credit loss reflects a composite judgment of the Group's loss experience and the market conditions at a point in time. The Group has managed its credit facilities and based on previous experience, a provision of £17,000 (circa 0.4%) has been applied.

The ageing of trade receivables at the reporting date was:

	2022		2021	
	Gross £000	Expected credit loss £000	Gross £000	Expected credit loss £000
Not past due	2,736	-	1,913	(38)
Past due 1-30 days	1,171	-	1,239	(25)
Past due 31-90 days	735	-	417	(8)
Past due 91 days to less than a year	41	(17)	43	(1)
	4,683	(17)	3,612	(72)

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

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

	2022 £000	2021 £000
Balance at start of year	72	82
Released to the Income Statement	(55)	(10)
Balance at end of year	17	72

The impairment reduction of £55k (2021: £10k) relates to the Group's assessment of the risk of non-recovery from a range of customers and reference to its historical low level of bad debts.

17. Financial Instruments (continued)

G. Classification and Fair Values of Financial Assets and Liabilities

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

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

2022	Amortised Cost £000	Total Carrying Value £000	Fair Value £000
Financial Assets - Loans and Receivables			
Trade and other receivables	4,707	4,707	4,707
Cash and cash equivalents	2,199	2,199	2,199
	<u>6,906</u>	<u>6,906</u>	<u>6,906</u>
Financial Liabilities - At Amortised Cost			
Borrowings - Bank loan	(2,124)	(2,124)	(2,124)
Lease Liabilities	(596)	(596)	(596)
Trade and other payables	(3,586)	(3,586)	(3,586)
	<u>(6,306)</u>	<u>(6,306)</u>	<u>(6,306)</u>
Net Financial (Liabilities)	<u>600</u>	<u>600</u>	<u>600</u>
 2021	 Amortised Cost £000	 Total Carrying Value £000	 Fair Value £000
Financial Assets - Loans and Receivables			
Trade and other receivables	3,557	3,557	3,557
Cash and cash equivalents	1,358	1,358	1,358
	<u>4,915</u>	<u>4,915</u>	<u>4,915</u>
Financial Liabilities - At Amortised Cost			
Borrowings - Bank loan	(2,314)	(2,314)	(2,314)
Lease Liabilities	(677)	(677)	(677)
Trade and other payables	(3,531)	(3,531)	(3,531)
	<u>(6,522)</u>	<u>(6,522)</u>	<u>(6,522)</u>
Net Financial (Liabilities)	<u>(1,607)</u>	<u>(1,607)</u>	<u>(1,607)</u>

H. Fair Value Hierarchy

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

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

18. Deferred Tax

The assets/(liabilities) recognised are as follows:

	Property, Plant and Equipment £000	Tax Losses £000	Other £000	Total £000
At 1 October 2020*	(149)	97	36	(16)
Recognised in Income Statement*	20	302	(43)	279
At 1 October 2021*	(129)	399	(7)	263
Recognised in Income Statement	(34)	71	(71)	(34)
At 30 September 2022	(163)	470	(78)	229

* As restated – see note 21.

Deferred tax has been provided at 25.0% at 30 September 2022 (2021: 24.9%) in recognition of the UK corporation tax increase to 25% from 1 April 2023. The rate used reflects a composite rate attributed to those assets which are expected to be realised prior to or post the rate increase.

Deferred tax assets have all been recognised in respect of tax losses (2021: £0.71m not recognised). Trading losses, previously excluded as an asset have been recognised as the Directors believe there is reasonable expectation of these being utilised based on the historic and future profits achieved in the related companies.

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

	Property, Plant and Equipment £000	Tax Losses £000	Other £000	Total £000
Deferred Tax Assets	46	470	-	516
Deferred Tax Liabilities	(209)	-	(78)	(287)
At 30 September 2022	(163)	470	(78)	229
Deferred Tax Assets	35	399	22	456
Deferred Tax Liabilities	(164)	-	(29)	(193)
At 30 September 2021*	(129)	399	(7)	263

* As restated – see note 21.

19. Equity

Share Capital

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

Issued and Fully Paid	2022		2021	
	Number	£000	Number	£000
In Issue at the start of the year	13,448,229	1,345	12,658,229	1,266
Allotted Under Share Plans	35,000	3	790,000	79
In Issue at the end of the year	13,483,229	1,348	13,448,229	1,345

During the year 35,000 options were exercised at an average exercise price of 49.0p (2021: 790,000 shares at 38.0p).

The market price of the Company's shares on 30 September 2021 was 75.5p per share (2020: 72.0p) and the price range during the year was 66.5p to 98.2p per share (2020: 64.0p to 114.0p).

Proposed Dividends

No dividends were proposed by the directors during the year or after the balance sheet date (2021: none).

Investment in Own Shares

This reserve records the share capital acquired in the Company including share premium paid, by the Company as Treasury Shares or by the LPA Group Plc Employee Benefit Trust ("EBT"). Shares held at 30 September 2022 by the EBT totalled 300,000 (2021: 300,000).

Share Premium Account

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

Share Based Payment Reserve

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

Merger Reserve

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

Retained Earnings Reserve

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

20. Share Based Payments

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

The 2007 Employee Share Option scheme: During the year 35,000 options were exercised prior to the scheme being closed on the 7 February 2022.

The 2018 Performance Share Plan: The option price for grants under this scheme is nil, or at a discretionary value as specified otherwise in the award certificate or the award agreement. Options will normally be exercisable between three and ten years following grant. Any performance criteria are at the discretion of the Remuneration Committee at each award.

Outstanding options to subscribe for ordinary shares of 10p each at 30 September 2022 are as follows:

Scheme	Date of Grant	Exercise price	Dates when Exercisable	Number of Options	
				2022	2021
2007 Employee Share Option Scheme					
	Feb 2012	49.0p	08/02/15 to 07/02/22	-	35,000
				-	35,000
2018 Performance Share Plan					
	Aug 2018	104.8p	02/08/21 to 01/08/28	60,000	120,000
	Feb 2020	109.3p	20/02/23 to 19/02/30	170,000	220,000
	July 2020	63.2p	23/07/23 to 22/07/30	70,000	110,000
	Mar 2021	83.5p	02/03/24 to 01/03/31	35,000	80,000
				335,000	530,000
Total options				335,000	565,000

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

	2022		2021	
	Weighted Average Exercise Price (P)	Number of Options	Weighted Average Exercise Price (P)	Number of Options
Outstanding at the Beginning of the Year	92.0	565,000	61.4	1,350,000
Granted During the Year	-	-	83.5	80,000
Exercised During the Year	49.0	(35,000)	38.0	(790,000)
Cancelled During the year	71.3	(195,000)	101.4	(75,000)
Outstanding at the End of the Year	96.2	335,000	92.0	565,000
Exercisable at the End of the Year	104.8	60,000	92.2	155,000

No share options have expired during either 2022 or 2021.

20.Share Based Payments (continued)

The options outstanding at the end of the year have an exercise price in the range of 63.2p to 109.33p and a weighted average contractual life of 7.3 years (2021: 7.8 years).

There were 35,000 options exercised during the year with an average exercise price of 49.0p (2021: 790,000 at a price of 38.0p). 195,000 options were cancelled during the year following the awardees leaving the Group's employment, terminating the award agreements, with an average exercise price of 71.3p (2021: 101.4p).

During the year Nil share options (2021: 80,000) were awarded under the Performance Share Plan 2018.

The share-based remuneration expense recognised is calculated using the Black-Scholes valuation model, the principal assumptions being:

	2021
Date of award	02/03/21
Share price at date of award (p)	82.5
Exercise price of option at date of award (p)	83.5
Fair value of option at date of award (p)	22.0
Weighted average vesting period (years)	3
Expected option life (years)	10
Expected forfeitures (%)	5.0
Volatility (%)	42.0
Risk free interest rate (%)	0.14
Dividend yield (%)	1.32

The Group's share-based remuneration expense recognised in the year was £12,500 (2021: £28,000). The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information.

21. Employee Benefits

A. Defined Contribution Scheme

The Group makes contributions to a defined contribution arrangement. The pension cost charged to the income statement for the year in respect of these schemes was £285,000 (2021: £277,000).

B. Defined Benefit Scheme

The Group also sponsors a funded defined benefit pension arrangement. There is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 113 past employees as at 31 March 2022 (2021: 139). The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pension Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. The trustees of the plan are required to act in the best interests of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

The scheme is administered by the Section of the Deloitte Master Trust.

A full actuarial valuation was carried out as at 31 March 2021 in accordance with the scheme funding requirements of the Pension Act 2004, by Mark McClintock of Deloitte Total Reward and Benefits, and the funding of the plan is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation at 31 March 2021 reported a surplus of £2.83m. The Group has agreed with the trustees that it will continue to meet the expenses of the plan and levies to the Pension Protection Fund. The de-risking of the scheme assets, was concluded in January 2022 and as there continues to be a surplus recorded through the period to 30 September 2022, there were no voluntary contributions, (2021: £100,000).

For the purposes of IAS19 the actuarial valuation as at 31 March 2021, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 September 2022. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Amounts included in the Balance Sheet

	2022	Restated 2021	Restated 2020
	£000	£000	£000
Fair Value of Scheme Assets	12,435	17,056	16,596
Present Value of Defined Benefit Obligation	(8,633)	(13,113)	(14,632)
Pension Surplus	3,802	3,943	1,964
Restriction of Pension Surplus	(1,331)	(1,380)	(687)
Asset recognised in the Balance Sheet	2,471	2,563	1,277

Under UK tax legislation a tax deduction of 35% is applied to a refund from a UK pension scheme, before it is passed to the employer. This tax deduction has been applied to restrict the value of the surplus recognised for the pension scheme.

21. Employee Benefits (continued)

B. Defined Benefit Scheme (continued)

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

Reconciliation of the Impact of the Asset Ceiling

The Group has reviewed implications of the guidance provided by IFRIC 14 and has concluded that it is not necessary to make any adjustments to the IAS19 figures in respect of an asset ceiling or Minimum Funding Requirement as at 30 September 2022.

Reconciliation of Opening and Closing Present Value of the Defined Benefit Obligation

	2022 £000	2021 £000
Defined Benefit Obligation at Start of The Year	13,113	14,632
Interest expense	258	241
Actuarial loss/(gain) due to Scheme Experience	303	(1,170)
Actuarial (gain)/loss due to Changes in Demographic Assumptions	(62)	312
Actuarial (gain) due to Changes in Financial Assumptions	(4,515)	(286)
Reduction in obligation following settlements	-	(170)
Past service cost	-	5
Benefits Paid	(464)	(451)
Defined Benefit Obligation at End of The Year	8,633	13,113

Reconciliation of Opening and Closing Values of the Fair Value of Plan Assets

	2022 £000	2021 £000
Fair Value of Scheme Assets at Start of The Year	17,056	16,596
Interest Income	336	288
Return on Plan Assets (Excluding Amounts Included in Interest Income)	(4,493)	705
Assets distributed on settlements	-	(182)
Contributions by the Group	-	100
Benefits Paid	(464)	(451)
Fair Value of Scheme Assets at End of The Year	12,435	17,056

The actual return on the plan assets over the period ending 30 September 2022 was a reduction of £4,157,000 (2021: gain of £993,000).

21. Employee Benefits (continued)

B. Defined Benefit Scheme (continued)

Defined Benefit Income Recognised in Profit or Loss

	2022 £000	2021 £000
Interest Income	336	288
Interest Cost	(258)	(241)
Net Interest Income	78	47

Defined Benefit Costs Recognised in the Statement of Other Comprehensive Income

	2022 £000	2021 £000
Return on Plan Assets (excluding Amounts Included in Interest Income) – (Loss)/Gain	(4,493)	705
Experience (Losses)/Gains arising on the Defined Benefit Obligation	(303)	1,170
Effect of changes in the Demographic Assumptions Underlying the Present Value of the Defined Benefit Obligation – Gain/(Loss)	62	(312)
Effect of changes in the Financial Assumptions Underlying the Present Value of the Defined Benefit Obligations – Gain	4,515	286
Amount Recognised in Other Comprehensive Income – (Loss)/Gain	(219)	1,849

Assets

	2022 £000	2021 £000
Equities	2,835	4,770
Corporate Bonds	4,000	3,937
Government Bonds	5,520	6,472
Diversified Growth Funds	-	1,822
Cash and Net Current Assets	80	55
Total Assets	12,435	17,056

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

It is the policy of the trustees and the Group to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles. The scheme holds some assets in the form of bonds to match off certain liability risks, being interest rate and inflation sensitivity.

21. Employee Benefits (continued)

B. Defined Benefit Scheme (continued)

Significant Actuarial Assumptions

	2022 % Per Annum	2021 % Per Annum
Rate of Discount	5.35	2.00
Inflation (RPI)	3.70	3.50
Inflation (CPI)	3.10	2.80
Allowance for Pension in Payment Increases of RPI or 5% max	3.55	3.35
Allowance for Pension in Payment Increases of CPI or 3% max	2.45	2.30
Allowance for GMP equalisation - % of DBO	2.9%	2.9%
Allowance for Commutation of Pension for Cash at Retirement	75%	75%

The revaluation of non-GMP pensions in deferment is in line with CPI inflation subject to statutory limits. The mortality assumptions adopted at 30 September 2022 are 100% of the standard tables S3PxA, Year of Birth, no age rating for males and females, projected using CMI_2021 converging to 1.25% p.a. (at 30 September 2021 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2022 converging to 1.25% p.a.). These imply the following life expectancies:

	Life Expectancy at Age 65 (years)	
	2022	2021
Male Retiring In 2022:	22.2	22.3
Female Retiring In 2022:	24.5	24.7
Male Retiring In 2042:	23.5	23.6
Female Retiring In 2042:	25.9	26.1

Analysis of the Sensitivity to the Principal Assumptions of the Present Value of the Defined Benefit Obligation

Assumption	Change in Assumption	Change in Liabilities	
		2022 % change	2021 % change
Discount Rate	Increase of 0.10%	Decrease by 1.2%	Decrease by 1.5%
Rate of Inflation	Increase of 0.10%	Increase by 1.1%	Increase by 1.1%
Rate of Mortality	Increase in Life Expectancy Of 1 Year	Increase by 3.3%	Increase by 3.9%
Commutation	Members Commute an Extra 10% of Post A Day Pension on Retirement	Decrease by 0.1%	Decrease by 0.5%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 30 September 2022 is 12 years (2021: 15 years).

21. Employee Benefits (continued)

B. Defined Benefit Scheme (continued)

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

The contributions expected to be paid by the Group to the plan for the period commencing 1 October 2022 are £nil (2021: £Nil).

Prior Year Adjustment

Under UK tax legislation a tax deduction of 35% is applied to a refund from a UK pension scheme, before it is passed to the employer. The prior year accounts have been restated to restrict the pension scheme asset by the 35% tax which is netted off the amounts that would be refunded. Given no further taxes will be payable by the Group, the deferred tax provision held in relation to the pension scheme has also been reversed.

There is no change in the profit before tax reported for the year ended 30 September 2022 as a result of this change however the net assets have reduced by £380,000. There is no impact on the current and prior year cash flow statements.

The impact of the prior year adjustment on the previously reported results and balance sheets is as follows:

Consolidated Income Statement and Statement of Comprehensive Income for the year ended 30 September 2021

	As originally presented £000	Adjustment £000	Restated £000
Loss Before Taxation	(387)	-	(387)
Taxation	353	12	365
Loss for the Year	(34)	12	(22)
Other Comprehensive Income	1,248	(92)	1,156
Total Comprehensive Income for the Year	1,214	(80)	1,134

Balance sheet as at 30 September 2021

	As originally presented £000	Adjustment £000	Restated £000
Pension Scheme Asset	3,943	(1,380)	2,563
Deferred Tax	(723)	986	263
Other Balance Sheet Assets and Liabilities	10,893	-	10,893
Net Assets	14,113	(394)	13,719
Retained Earnings	11,873	(394)	11,479
Share Capital and Other Reserves	2,240	-	2,240
Total Equity	14,113	(394)	13,719

21. Employee Benefits (continued)**B. Defined Benefit Scheme (continued)**

Balance sheet as at 30 September 2020

	As originally presented £000	Adjustment £000	Restated £000
Pension Scheme Asset	1,964	(687)	1,277
Deferred Tax	(389)	373	(16)
Other Balance Sheet Assets and Liabilities	10,976	-	10,976
Net Assets	12,551	(314)	12,237
Retained Earnings	10,553	(314)	10,239
Share Capital and Other Reserves	1,998	-	1,998
Total Equity	12,551	(314)	12,237

22. Financial Commitments**Capital Commitments**

Contracted for but not provided in the accounts amounted to £Nil (2021: £326,000).

Contingent Liabilities

As at 30 September 2022 Group contingent liabilities relating to guarantees in the normal course of business amounted to £109,000 (2021: £109,000).

Related Party Transactions**Remuneration of Key Management Personnel**

The remuneration of the directors, who are considered to be the key management personnel of the Group, is set out below in aggregate for each of the categories required by IAS 24 *Related Party Disclosures* together with dividends received by them. Detailed information about the remuneration of individual directors is disclosed in the Remuneration Report.

	2022 £000	2021 £000
Short-term employee benefits	602	660
Loss of office	93	-
Share based payments	5	14
	700	674

Other Related Party Transactions

The transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. There are no other related party transactions (2021: none).

COMPANY FINANCIAL STATEMENTS

Company number: 00686429

Company Balance Sheet

At 30 September 2022

	Note	2022 £000	2021 £000
Fixed Assets			
Investments	C5	5,411	5,411
Tangible Assets	C6	2,061	2,328
		<u>7,472</u>	<u>7,739</u>
Current Assets			
Debtors	C7	471	475
Cash at Bank and In Hand		1,275	133
		<u>1,746</u>	<u>608</u>
Creditors: Amounts Falling Due Within One Year	C8	(2,221)	(2,119)
Net Current Liabilities		<u>(475)</u>	<u>(1,511)</u>
Total Assets Less Current Liabilities		6,997	6,228
Creditors: Amounts Falling Due After More Than One Year	C9	(2,634)	(2,823)
Net Assets		<u>4,363</u>	<u>3,405</u>
Capital and Reserves			
Called Up Share Capital	C12	1,348	1,345
Investment In Own Shares	C13	(324)	(324)
Share Premium Account	C13	943	929
Share Based Payment Reserve	C13	49	60
Merger Reserve	C13	784	784
Retained Earnings †	C13	1,563	611
Total Equity Shareholders' Funds		<u>4,363</u>	<u>3,405</u>

† The Company has not presented a separate Income statement account as permitted by Section 408 of the Companies Act 2006. The gain dealt within the financial statements of the Company amounted to £0.93m (2021: loss £0.26m).

The financial statements were approved by the Board on 2 February 2023 and signed on its behalf by:



Paul Curtis
Chief Executive Officer

Company Statement of Changes in Equity

For the year ended 30 September 2022

	Share Capital	Investment in own shares	Share Premium Account	Share Based Payment Reserve	Merger Reserve	Retained Earnings	Total
2022	£000	£000	£000	£000	£000	£000	£000
At 1 October 2021	1,345	(324)	929	60	784	611	3,405
Profit for the Year	-	-	-	-	-	928	928
Total Comprehensive Income	-	-	-	-	-	928	928
Proceeds from Issue of shares	3	-	14	-	-	-	17
Share based payments	-	-	-	13	-	-	13
Transfer on exercise of share options	-	-	-	(24)	-	24	-
Transactions with owners	3	-	14	(11)	-	24	30
At 30 September 2022	1,348	(324)	943	49	784	1,563	4,363

	Share Capital	Investment in own shares	Share Premium Account	Share Based Payment Reserve	Merger Reserve	Retained Earnings	Total
2021	£000	£000	£000	£000	£000	£000	£000
At 1 October 2020	1,266	(324)	708	118	784	760	3,312
Loss for the Year	-	-	-	-	-	(255)	(255)
Total Comprehensive Income	-	-	-	-	-	(255)	(255)
Proceeds from Issue of shares	79	-	221	-	-	-	300
Share based payments	-	-	-	28	-	-	28
Tax on share based payments	-	-	-	-	-	20	20
Transfer on exercise of share options	-	-	-	(86)	-	86	-
Transactions with owners	79	-	221	(58)	-	106	348
At 30 September 2021	1,345	(324)	929	60	784	611	3,405

Company Notes to the Financial Statements

For the year ended 30 September 2022

C1. Company Information

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

C2. Basis of Preparation

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

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

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

- The requirements of Section 4 Statement of Financial Position 4.12 (a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 33; Key management and personnel paragraph 33.7 and Related Party Disclosures paragraph 33.3;
- The requirements of Section 11 Basic Financial Instruments; Section 12 Other Financial Instrument Issues; and
- The requirements of Section 26 Share Based Payments.

This information is included in the consolidated financial statements of LPA Group plc as at 30 September 2022.

C3. Accounting Policies

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

A. Tangible Fixed Assets

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

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

Buildings	2%
Plant and Machinery	10%

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

Company Notes to the Financial Statements (continued)

For the year ended 30 September 2022

C3. Accounting Policies (continued)

B. Investments

Investments in subsidiaries are shown at cost less any provision for impairment. The investments are assessed for indications of impairment at each reporting date. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment. If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

C. Taxation

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

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements.

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

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

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

D. Equity-Settled Share-Based Payments

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

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value of the share options awarded (at the date of grant) and the number of options that are expected to vest. The Company has adopted the Black-Scholes model for the purposes of computing the fair value of options. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve.

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

Company Notes to the Financial Statements (continued)

For the year ended 30 September 2022

C3. Accounting Policies (continued)

E. Defined Contribution Pension Schemes

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

F. Significant Judgements and Estimates

The preparation of the financial statements requires management to make judgements on the application of its accounting policies and make estimates about the future. Actual results may differ from these assumptions. There are no key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year. The critical judgements made in arriving at the amounts included in these financial statements are detailed below.

Impairment of investments

The determination of whether investments have been impaired requires an estimate of the value in use of the cash-generating units to which the investment relates. The value in use calculation requires management to make an estimate of the expected future cash flows of the cash-generating units and to choose an appropriate discount rate in order to calculate the present value of those cash flows. The carrying amount of investments are disclosed in note C5.

C4. Employee Information

With the exception of the directors, the number of people employed by the Company was two (2021: one). Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report.

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

	2022 Number	2021 Number
Administration	7	7

The employee benefit expense for the year amounted to:

	2022 £000	2021 £000
Wages and Salaries	631	591
Social Security Costs	68	67
Pension Costs - Defined Contribution Arrangements	47	42
Share Based Payments	13	28
	<u>759</u>	<u>728</u>

Detailed information concerning directors' emoluments, shareholdings and options is shown in the Remuneration Report within the Group Financial Statements. Employee benefits expenses include items contained within exceptional costs of £98,000 (2021: £46,000) see note 6 within the Group Financial Statements including £10,000 (2021: £46,000) of dual running management costs and £88,000 (2021: £nil) of reorganisation costs.

Company Notes to the Financial Statements (continued)

For the year ended 30 September 2022

C5. Investments

Investments in Subsidiary Undertakings

	Cost £000	Provision for Impairment £000	Carrying Amount £000
At 1 October 2021 and 30 September 2022	6,459	(1,048)	5,411

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

Name of Company	Holding	Proportion of Voting Rights and Shares Held	Nature of Business
Subsidiary Undertakings			
Channel Electric Equipment Holdings Limited	Ordinary Shares	100%	Holding Company
Channel Electric Equipment Limited t/a LPA Channel Electric	Ordinary Shares	100%	Electrical Components
LPA Industries Limited t/a LPA Connection Systems	Ordinary Shares	100%	Electro-Mechanical Components
Haswell Engineers Limited t/a LPA Connection Systems	Ordinary Shares	100%	Metal Fabrication
Excil Electronics Limited t/a LPA Lighting Systems	Ordinary Shares	100%	Electrical Components

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

LPA Group plc is the sole member and guarantor of LPA Industries Pension Trustees Limited, a company limited by guarantee, which acts as trustee to the closed defined benefit pension scheme operated within the Group and the Group's Life Assurance Scheme.

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

The Directors have confirmed the carrying value of the investment are suitably supported by the net assets of the subsidiary companies and/or discounted future cash flows.

Company Notes to the Financial Statements (continued)

For the year ended 30 September 2022

C6. Tangible Fixed Assets

	Freehold Land and Buildings £000	Plant and Machinery £000	Total £000
Cost			
At 1 October 2021	2,393	716	3,109
Charge for the year	(160)	-	(160)
At 30 September 2022	2,233	716	2,949
Depreciation			
At 1 October 2021	266	515	781
Charge for the year	34	73	107
At 30 September 2022	300	588	888
Net book value			
At 30 September 2022	1,933	128	2,061
At 30 September 2021	2,127	201	2,328

C7. Debtors

	2022 £000	2021 £000
Amounts falling due within one year		
Amounts due from Subsidiary Undertakings	176	115
Other Receivables	-	32
Prepayments	15	10
Deferred Taxation (note C11)	280	318
	471	475

Amounts due from subsidiary undertakings are interest free and repayable on demand.

C8. Creditors: Amounts Falling Due within One Year

	2022 £000	2021 £000
Bank Loan	190	191
Debt	190	191
Trade Creditors	57	6
Amounts owed to Subsidiary Undertakings	1,440	1,758
Other Taxation and Social Security	329	-
Accruals	205	164
	2,221	2,119

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

Company Notes to the Financial Statements (continued)

For the year ended 30 September 2022

C9. Creditors: Amounts Falling Due after More than One Year

	2022 £000	2021 £000
Debt - Bank Loan	1,934	2,123
Amounts owed to subsidiary undertakings	700	700
	<u>2,634</u>	<u>2,823</u>

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

C10. Borrowings

	2022 £000	2021 £000
Due Within One Year		
Bank Loan	190	191
	<u>190</u>	<u>191</u>
Non-Current		
Bank Loan	1,934	2,123
Total Borrowings	<u>2,124</u>	<u>2,314</u>
Repayable		
Within One Year	190	191
Between One and Two Years	1,934	196
Between Two and Five Years	-	1,927
	<u>2,124</u>	<u>2,314</u>

The following security is provided to Barclays Bank plc in respect of the Company's £2.1m term loan outstanding at 30 September 2022 (2021: £2.3m): (i) a legal charge over the developed freehold property owned by the Company; (ii) a debenture from the Company; and (iii) a cross guarantee by the Company as guarantor on account of the obligations of each Group company to Barclays Bank plc.

See Group Financial Statements Note 0 for the terms of the borrowings.

Company Notes to the Financial Statements (continued)

For the year ended 30 September 2022

C11. Deferred Tax Asset

	£000
At 1 October 2021	318
Charged to profit in the year	38
At 30 September 2022	<u>280</u>

Recognised Deferred Tax Assets and Liabilities

Deferred Taxation Assets recognised in the Accounts are as Follows:

	2022 £000	2021 £000
Accelerated Capital Allowances	43	34
Tax Benefit on Losses	237	262
Tax Benefit on Share-Based Payments	-	22
	<u>280</u>	<u>318</u>

Deferred tax is provided at a composite rate based on enacted rates expected to apply at the year end. The rate provided in the year is 25.0% (2021: 24.9%). Deferred tax assets are disclosed in Note C7.

C12. Share Capital

	2022		2021	
Issued and Fully Paid	Number	£000	Number	£000
In Issue at the Start of the year	13,448,229	1,345	12,658,229	1,266
Allotted Under Share Plans	35,000	3	790,000	79
In Issue at the End of the year	<u>13,483,229</u>	<u>1,348</u>	<u>13,448,229</u>	<u>1,345</u>

During the year 35,000 options were exercised at a weighted average exercise price of 49.0p, (2021: 790,000 at 38.0p). At the year end, 300,000 (2021: 300,000) ordinary shares in the Company were held as Investment in Own Shares, the shares having been acquired by the LPA Group Plc Employee Benefit Trust.

Company Notes to the Financial Statements (continued)

For the year ended 30 September 2022

C13. Reserves

Called-Up Share Capital

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

Investment in Own Shares

This reserve records the share capital acquired in the Company, by the Company as Treasury Shares or by the LPA Group Plc Employee Benefit Trust, at nominal value. As at 30 September 2022, 300,000 ordinary shares of 10p each were held (2021: 300,000).

Share Premium Account

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

Share Based Payment Reserve

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

Merger Reserve

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

Retained Earnings

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

C14. Share Based Payments

Details of the Company's share option schemes, a reconciliation of movements therein and options granted in the year are given in note 20 to the Group Financial Statements. The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The Company recognised a share-based remuneration expense in the year of £13,000 (2021: £28,000).

C15. Related Party Transactions

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

C16. Contingent Liabilities

Security is provided to Barclays Bank plc in respect of the group overdraft facility by way of a cross guarantee between the company and its subsidiaries. As at 30 September 2022 the company's exposure in relation to the overdraft facility was £720,000 (2021: £784,000).

OTHER INFORMATION

Five Year Summary

Unaudited Information

	2018	2019	2020	Restated*	2022
	£000	£000	£000	£000	£000
Summary Income Statement					
Revenue	27,979	19,533	20,711	18,265	19,325
Adjusted EBITDA †	2,908	945	1,613	594	568
Depreciation and Amortisation	(664)	(741)	(830)	(868)	(794)
Underlying Operating Profit/(Loss)	2,244	204	783	(274)	(226)
Share Based Payments / Exceptional Items	(175)	(406)	(167)	(74)	1,310
Net Finance Costs	(45)	(35)	(65)	(39)	(10)
Profit/(Loss) Before Taxation	2,024	(237)	551	(387)	1,074
Taxation	(253)	185	44	365	111
Profit/(Loss) for The Year	1,771	(52)	595	(22)	1,185
				Restated*	
	2018	2019	2020	2021	2022
	£000	£000	£000	£000	£000
Summary Balance Sheet					
Property, Plant and Equipment ^*	7,216	7,006	6,984	6,433	5,985
Intangible Assets – excluding Goodwill ^"	51	210	239	256	324
Net Trading Assets	4,286	4,482	5,252	4,688	5,119
Net Operating Assets ^^	11,553	11,698	12,475	11,377	11,428
Net Debt ^*	(1,971)	(2,420)	(2,646)	(1,633)	(521)
Deferred Taxation	4	42	(18)	263	229
Net Assets before Pension and Goodwill	9,586	9,320	9,811	10,007	11,136
Goodwill	1,149	1,149	1,149	1,149	1,149
Pension Asset (net of Deferred Tax)	1,974	1,855	1,591	2,563	2,471
Net Assets	12,709	12,324	12,551	13,719	14,756
Other Information	2018	2019	2020	2021	2022
Adjusted EBITDA To Sales	10.4%	4.8%	7.8%	3.3%	2.9%
Basic Earnings/(Loss) Per Share	14.34p	(0.43)p	4.82p	(0.17)p	8.99p
Dividends Per Ordinary Share	2.90p	1.10p	-	-	-
Net Assets Per Ordinary Share	102.7p	97.4p	99.2p	108.9p	112.0p
Net Debt/ adjusted EBITDA	0.68	2.56	1.64	2.75	0.92
Gearing (Net Debt as a % of Total Equity) ^^	15.5%	19.6%	21.1%	11.9%	3.5%

Key

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

^^ Net Operating Assets – The total of Inventories and Receivables less Payables, excluding Net Debt and Right of Use liabilities.

^* - Inclusive of Right of Use Assets from 2020, excluding software assets from 2019. Net Debt inclusive of Lease Liabilities from 2020.

^" - Inclusive of software assets from 2019, previously included within Property, Plant and Equipment.

*2021 has been adjusted as detailed in note 21 but the comparative periods for 2018, 2019 and 2020 have not.

OTHER INFORMATION (continued)

Alternative Performance Measures glossary

The Annual report and Accounts include alternative performance measures ("APM's") which are not defined or specified under the requirements of UK-adopted International Accounting Standards ("IFRS"). The Company believes that these APM's provide all readers of the document with relevant additional information on the Group, such measures utilised by the Group's management also.

Order Book

The combined value of all orders received (order intake), representing future revenues less revenue recognised in the period and adjustments for foreign exchange movements.

The measure allows management to assess the future success and visibility of potential earnings.

Order Entry

The value of contractual commitments represented by a purchase order or comparable binding commitment from a customer received during any period for the delivery of the performance obligation / revenue at a point in the future. Order intake excludes framework agreements or contract awards representing a basis, agreement or intention to place future orders and reference only the product specification and basis of agreement, without commitment or definition.

The measure allows management to assess the achievement of its selling activities.

Pipeline

Opportunities identified and targeted to win, generating order intake.

This measure allows management to identify the activities that, with a sensitivity, should result in order intake. Such activities represent defined customer intentions or work streams that are reasonably expected to be awarded to a level that once sensitised, is sufficient to generate adequate Order Intake in future periods.

Funnel

Activities identified that feed the Pipeline, ultimately leading to Order Intake.

This forward looking measure is used by management to ensure sufficient activity and interest is identified within the Company's target markets and across its customer base and those targeted that will feed the Pipeline.

Added Value

The margin generated through the conversion of raw materials.

A standard manufacturing measure utilised by the Group provides management comfort that sufficient margin is available within the manufacturing processes through the conversion of material, to fund overhead and variable cost absorption.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting ("AGM") of LPA Group Plc (the "Company") will be held at the offices of finnCap, 1 Bartholomew Close, London, EC1A 7BL on Thursday 23 March 2023 at 12.00 noon for the following purposes:

Routine Business

- 1) To receive the accounts for the year ended 30 September 2022, together with the reports of the directors and the auditors thereon.
- 2) To re-elect as a director Gordon Wakeford who retires by rotation, in accordance with the Company's Articles of Association.
- 3) To re-appoint as a director Stuart Stanyard, in accordance with the Company's Articles of Association.
- 4) To re-appoint RSM UK Audit LLP as auditors to the Company, to hold office until the end of the next general meeting at which accounts are laid before the Company, and to authorise the directors to fix the auditors' remuneration.

Special Business

Share Capital

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

5. That, the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £151,677 provided that this authority shall expire at the end of the next annual general meeting of the Company after the passing of this resolution or at the close of business on the date falling 15 months after the date of the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or arrangement as if the authority conferred hereby had not expired.

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

6. That subject to the passing of resolution 6 above, the directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the said Act) for cash pursuant to the authority conferred by resolution 6 above and be empowered pursuant to section 573 of the said Act to sell ordinary shares (as defined in section 560 of the said Act) held by the Company as treasury shares (as defined in section 724 of the said Act) for cash, as if section 561(1) of the said Act did not apply to any such allotment or sale provided that this power shall be limited to the allotment of equity securities or the sale of treasury shares:
 - a. in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and

Notice of Meeting (continued)

- b. (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £134,832 (representing 10% of the issued share capital excluding treasury shares), such authority to expire at the end of the next annual general meeting of the Company after the passing of this resolution or the close of business on the date falling 15 months after the date of the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted (and treasury shares to be sold) after such expiry and the directors may allot equity securities (and sell treasury shares) in pursuance of such an offer or arrangement as if the power conferred hereby had not expired.

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

- 7. That subject to and in accordance with the Company's Articles of Association and pursuant to section 701 of the Companies Act 2006, the Company is hereby generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Companies Act 2006) of any of its Ordinary Shares on such terms and in such manner as the directors of the Company may from time to time determine, provided that:
 - a. The maximum number of Ordinary Shares hereby authorised to be purchased is 1,348,323 representing 10% of the issued share capital of the Company;
 - b. The minimum price (excluding expenses) which may be paid for an Ordinary Share is 10p;
 - c. The maximum price (excluding expenses) which may be paid for an Ordinary Share shall not be more than the higher of (i) five per cent above the average middle market quotation for Ordinary Shares as derived from the AIM appendix to London Stock Exchange Daily Official List for the five business days before the date on which the contract for the purchase is made, and (ii) an amount equal to the higher of the price of the last independent trade and highest current independent bid as derived from the trading venue where the purchase was carried out;
 - d. The authority hereby conferred shall, unless renewed prior to such time, expire at the end of the annual general meeting of the Company to be held in 2023 or on 24 March 2023, whichever is earlier, provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred had not expired.

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

- 8. That the Company's authorised share capital be and is hereby increased to £2,500,000 divided into 25,000,000 ordinary shares of 10 pence each.

By order of the Board
Paul Curtis
18 February 2023

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

Notes:

Entitlement to Attend and Vote

1. To be entitled to attend and vote at the Meeting (and for the purposes of the determination by the Company of the votes that may be cast in accordance with Regulation 41 of the Uncertified Securities Regulations 2001), only those members registered in the Company's register of members at close of business on 21 March 2023 (or, if the Meeting is adjourned, close of business on the date which is two business days before the adjourned Meeting) shall be entitled to attend and vote at the Meeting. Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

Website Giving Information Regarding the Meeting

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

Attending in Person

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

Appointment of Proxies

4. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can appoint a proxy only using the procedures set out in these notes and the notes to the proxy form.
5. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please indicate on your proxy submission how many shares it relates to.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of Proxy Using Hard Copy Proxy Form

8. A form of proxy has been included, but you can also request a form of proxy, directly from the registrars Link Group's general helpline team on Tel: **0371 664 0300**. Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Or via email at shareholderenquiries@linkgroup.co.uk or via postal address at Link Group, 10th Floor, Central Square, 29 Wellington St, Leeds LS1 4DL. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. In the case of an individual, the form of proxy must be signed by the individual or their attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. For the purposes of determining the time for delivery of proxies, no account has been taken of any part of a day that is not a working day.

Notice of Meeting (continued)

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

Appointment of a Proxy Online

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

Appointment of Proxies via Proximity

Proximity Voting - if you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to www.proximity.io. Your proxy must be lodged by [time] on [date] in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proximity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

Appointment of Proxies Through Crest

11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 10.30 am on 21 March 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST

Notice of Meeting (continued)

member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

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

Appointment of Proxy by Joint Members

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

Changing Proxy Instructions

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

Termination of Proxy Appointments

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

Issued Shares and Total Voting Rights

Corporate Representatives

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

Notice of Meeting (continued)

Issued Share Capital

16. As at 27 January 2023, the Company's issued share capital comprised 13,483,229 Ordinary Shares of 10p each (nil held in Treasury). Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company on 27 January 2022 is 13,483,229. The website referred to in note 2 will include information on the number of shares and voting rights.

Documents on Display

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

LPA Group PLC – Form of Proxy

For use at the Annual General Meeting to be held at 12.00 noon on Thursday 23 March 2023 at the offices of finnCap, 1 Bartholomew Close, London, EC1A 7BL.

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 2023

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

Resolution	For	Against	Vote withheld	Discretionary
1. To receive the accounts for the year ended 30 September 2022.				
2. To re-elect Gordon Wakeford as a director of the Company				
3. To re-appoint Stuart Stanyard as a director of the Company				
4. To re-appoint as RSM UK Audit LLP auditors and to authorise the directors to fix the auditor's remuneration.				
5. To authorise the directors to allot shares (as defined in section 551 of the Companies Act 2006) in the Company.				
6. To authorise the directors (pursuant to section 570 of the Companies Act 2006) to allot shares in the Company for cash.				
7. To authorise the Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.				
8. That the Company's authorised share capital be and is hereby increased to £2,500,000 divided into 25,000,000 ordinary shares of 10 pence each.				

Notes:

1. If you wish to appoint as your proxy any person(s) other than the Chairman of the meeting, please insert the full name(s) of the proxy or proxies (in block capitals) in the space above. A proxy need not be a member of the Company and may attend the meeting in person and vote on a show of hands and on a poll.
2. To be effective a form of proxy must be in writing and signed by the member or his duly authorised attorney or, if the member is a corporation under its common seal or signed by a duly authorised officer or attorney. A corporation may appoint a representative to attend and vote at the meeting.
3. To be valid this proxy, together with any power of attorney under which it is signed, must be received at at Link Group, 10th Floor, Central Square, 29 Wellington St, Leeds LS1 4DL not less than 48 hours (excluding any part of a day that is a non-working day) before the time fixed for the meeting.
4. In the case of joint holdings the vote of the first-named holder in the register will be accepted to the exclusion of the other joint holders.
5. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
6. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.
7. If two or more valid forms of proxy are delivered in respect of the same share, the one which was delivered last (regardless of its date or the date of its execution) will be valid.
8. Appointment of a proxy will not preclude a member from attending and voting in person should he subsequently decide to do so.
9. Any alterations made in this form of proxy should be initialled.

Group Directory

LPA Group Plc

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

Tel: +44 (0)1799 512800 Email: enquiries@lpa-group.com Website: www.lpa-group.com

Electro-mechanical systems

LPA Connection Systems

Light & Power House

Shire Hill

Saffron Walden

CB11 3AQ, UK

Tel: +44 (0)1799 512800

Email: enquiries@lpa-connect.com

- Hybrid / battery control boxes and systems
- Control panels & boxes
- Enclosures, fabrications, laser cut, form & weld
- Rail, aircraft, ship & industrial connectors
- Shore supply systems
- Transport turnkey engineering and manufacturing services

Engineered component distribution

LPA Channel Electric

Bath Road

Thatcham

Berkshire

RG18 3ST, UK

Tel: +44 (0)1635 864866

Email: enquiries@lpa-channel.com

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

LED lighting and electronic systems

LPA Lighting Systems

LPA House

Ripley Drive

Normanton

West Yorkshire

WF6 1QT, UK

Tel: +44 (0)1924 224100

Email: enquiries@lpa-light.com

- Electronic control systems
- Electronic monitoring systems
- Fluorescent lamp Inverters
- Complete rolling stock interior lighting systems.
- Rolling stock interior and exterior door status indication systems
- Rolling stock seat electronics solutions