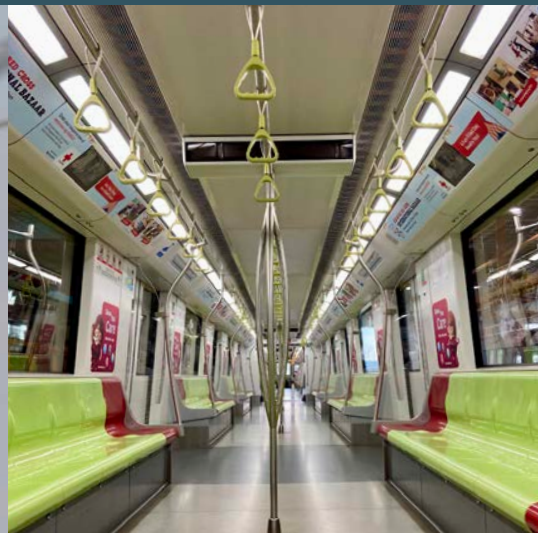




Long Life Reliability  
does not cost the earth

# LPA GROUP PLC

## Annual Report & Accounts 2023





# LPA Group Plc

# Manufacturing the future

## LPA GROUP

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Is an innovation-led engineering specialist in electronic and electro-mechanical components and systems

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Employs approximately 140 people at three locations in the UK

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Is focused on rail, aviation, defence, infrastructure and industrial markets

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Has developed a successful export capability and global distribution network. Around a third of turnover is exported to over 50 countries

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Is known for innovating cost-effective engineering solutions in hostile and challenging applications, to improve product reliability, reduce maintenance and life cycle costs

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Supplies to a wide range of leading organisations including Alstom, Avanti, BAA, BAE Systems, CAF, Compin, CRRC, Downer EDI, First Group, Grammer, Heathrow Airport, Hitachi, ITW GSE, Kinki Sharyo, Knorr Bremse, Leonardo, Shanghai Pudong Airport, Siemens, SNCF, Stadler, Spirit Aerospace, Taiwan Rolling Stock Company, Transport for London, Unipart Rail and Wabtec

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# Financial & Operational Highlights

For the Year ended 30 September 2023

	2023 £000	2022 £000
Order Entry	25,511	19,689
Order Book	31,561	27,762
Revenue	21,712	19,325
Underlying Operating Loss*	(69)	(226)
Share Based Payments, Negative Goodwill and Exceptional Items	776	1,310
Profit before Tax	759	1,074
Basic Earnings Per Share	6.52p	8.99p
Proposed Dividend	1p	–
Gearing **	7.7%	3.5%

\* Operating Profit before Share Based Payments, Negative Goodwill and Exceptional Items

\*\* Net Debt as a % of Total Equity

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**Through the year to 30 September 2023, the year included the following highlights and operational developments.**

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Successful acquisition and integration of competitor's range of inter-car jumper products. This gives access to approximately 2,000 vehicles across the UK where we can now offer product support.

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Strong order entry leading to a year end record orderbook of £31.6m.

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Continued expansion of sales partner network around the world.

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Continued development of standard products across the Group to reduce dependence on large projects.

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First sales from LPA Lighting Systems to aviation sector with USB charging products designed and supplied to prototype build.

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# Chairman's Statement

## Overview

We have witnessed a much improved business, a growth in our sales line and a return to profitability in the last 6 months of the year. The individual business plans for the members of the Group are beginning to deliver on the Group's strategy. We have long recognised our need to broaden our offering as some of our operations have become too reliant on a few large customers. We have ended the year with a strong order book replacing most of what has been delivered this year, strengthened by aftercare work rather than large new projects.

LPA Connection Systems set out to have a more transformative year. Now, with its stronger focus on the aftercare market and at the same time further investment in aviation products, the strategy is starting to bear fruit. It is looking for additional markets and products away from rail that it can make and deliver to build resilience into its overhead recovery, an example of this being our recently announced entry into the battery charging market for the aviation industry.

LPA Lighting Systems will deliver over the next 18 months a lot of the extant projects that were in development, and in some cases deferred. Our challenge thereafter is to ensure we seek out other product lines for what is a first class electronic engineering design and manufacturing facility.

The completion of the executive team at LPA Channel Electric has been a welcome shift for this business as its order book increases to previous levels, and the prospects for the business are back to better than pre-pandemic levels. We are consciously looking for further opportunities in aerospace, defence and niche industrial products.

As I reported last year, we have had a very good response to our customer and relationship management programmes and the signing up of new distributor partners across the globe. Our sales and marketing team have been busy at a number of exhibitions in Europe and North America; a good example was a strong presence at Inter Airport in Munich this year. We have recently attended AusRail Plus in Australia and International Ground Support Expo in the US. This is leading to discussions with potential partners to make and deliver products for them in the UK.



Our new Group CFO, Stuart Stanyard, joined the Board in Spring and we continue to recruit heavily into our Sales teams and into engineering competency generally. We are an innovative group and in order to remain so we must continually strive to look for talented people and where possible recruit them, even if it means buying their nascent business opportunities. Our innovation committee is developing connections with academia, having already established relationships with universities and colleges, and this will continue. To get the balance right we will rebase our reward mechanisms to retain more moderate salaries and to increase the performance related element of our remuneration packages.

As an innovation-led engineering specialist in electronic and electro-mechanical components and systems we will continue to invest in our capabilities. We have a programme of recruitment especially of apprentices and young engineers. Operationally, the manufacturing facilities remain first class but we need to be more agile as the Group expands and grows. We will need to react even quicker to the data flows from the manufacturing processes to be able to improve productivity in every sense. We have begun an investment in a new enterprise resource planning tool ("ERP") to give our leaders better control of our outputs; to know the cost of every process, to get it right on time first time and to deliver a quality experience to our customers. To compete on a global stage, as we do, we must invest in continuous improvement.



The sale of some surplus land in 2022 gave us plenty of working capital to carry us through what we knew would be a difficult 18 months of trading. It also enabled us to do a small acquisition during the year that we announced in March 2023. As our turnover grows we will need working capital to fund higher stock levels and debtors and we planned for this. The Bank facilities have been renewed with our Bankers and with planned profitability I am pleased to be able to report that we will pay a dividend this year and restore our policy of paying dividends going forward.

### 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 Board will continue to meet its key shareholders where possible in person and work closely with its Brokers and advisers to ensure regular and open dialogue.

The Group exports widely and this needs to be reflected in our stakeholder relationships which must be proactive, long term, visible and embedded into our

corporate culture. We have stakeholders, in the wider sense, all over the world and it is heartening that the exec team are now able to visit them and travel freely; much of what we do is solutions based and flows from personal interactions.

### Dividends and Pension Fund

A small final dividend of 1p per share (2022: nil) has been declared for the year ended 2023. The Board believes in a progressive dividend so will endeavour to set a reasonable expectation of growth over the coming years.

Included in our Balance sheet is an asset representing the actuarial valuation, as at 31 March 2023, and the consequent accounting adjustment, for our (closed) defined benefit pension scheme. I originally took over as Chair of the scheme in the short term whilst we transferred to new Managers, refocused our investment policies and endeavoured to maintain our surplus. This ensured our CEO could stay focused on the core business. The rebalanced investment portfolio has put the scheme in a very strong position and I intend to step down as Chair leaving it to our Group CFO to govern the



**LPA Group Board**



day to day running of the scheme. This will allow me to be more objective as your Chairman concerning the overall strategy of the scheme on our balance sheet including the timing of any exit way from the fund and when are we best placed to consider the timing of a buyout process.

## Employees

Our people and our investment in them remains 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. We still have some work to do but our more recently appointed subsidiary directors are clearly committed to these values and we will see the impact of this in the coming years.

We pride ourselves on our engineering skills and our factory operations and are committed to investment to maintain this capability. We do maintain flexibility through use of agency and temporary contracts, but we have no zero-hour contracts. The general health, and well-being of our employees personally, cannot be underestimated. Senior management time on people issues, managing our employee numbers and the cost base remains part of daily routine. Recruiting young people into a traditional engineering business and more importantly its workspace is not easy; therefore communication with our staff, engagement with their aspirations and progressive investment in their well-being will distinguish us.

We continue our communication programme including a comprehensive newsletter to our Employees, this is published twice a year. Induction programmes and the Board's belief in instilling our corporate values and engagement remains a priority.

I should like to thank all our employees, past and present, for their hard work and diligence during 2023 and for their commitment to our future as we start to look ahead at what I hope will be more encouraging times across our worldwide markets.

## Board

Board members' biographies and relevant experience are set out within Company Information on pages 36-37 of the Annual Report and are published on the Group's website [www.lpa-group.com](http://www.lpa-group.com).

Paul Curtis (CEO) heads up the Executive Team and he and our recently appointed Group CFO Stuart Stanyard comprise the group Board Executive Directors. 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.

## ESG

We have reported on our Group ESG commitments for a number of years now and we are committed as we move forward to ensuring that we stay in the forefront of best practice for a leading engineering company. We actively manage our carbon footprint, support greener practices and manage waste in an environmentally transparent way. We encourage good health and wellbeing in our staff and drive safety, innovation, as well as inclusion and diversity into our day to day activities.

## Outlook

The Executive team have an even stronger order book to work with than last year, a solid balance sheet with renewed facilities in place, positive operating cash flow and a clear vision. The Board has a process for looking at identified opportunities and enhancing capability in line with the strategy and it will consider each one on its merits. The Group has undergone significant change in its leadership recently, and whilst there is a slight lag in seeing measurable profit impact, there is discernible shift in momentum. I am pleased to say that our outlook is now stronger with a bright future that will be built on our innovation, capability and great customer relationships.

## Robert B Horvath

Chairman

24 January 2024



# Business Model and Strategy

The LPA Group plc is a quoted Small and Medium-sized Enterprise (SME), admitted to trading on the AIM market of the London Stock Exchange, and industry classified in the Electronic and Electrical Equipment FTSE sector.

The Group is an innovation-led engineering specialist in electronic and electro-mechanical components and systems, supplying markets operating within high dependency, hostile and benign environments which focuses on the market segments of rail, rail infrastructure, aviation (aircraft and infrastructure), industrial markets 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
<b>LPA Connection Systems</b> Light & Power House Shire Hill Saffron Walden CB11 3AQ, UK Tel: +44 (0)1799 512800 enquiries@lpa-connect.com	<b>Electro-mechanical systems</b> A designer and manufacturer of electro-mechanical systems and components to the rail, rail infrastructure, aerospace infrastructure and industrial markets.	<ul style="list-style-type: none"> <li>Hybrid / battery control boxes and systems</li> <li>Control panels &amp; boxes</li> <li>Enclosures, fabrications, laser cut, form &amp; weld</li> <li>Rail, aircraft, ship &amp; industrial connectors</li> <li>Shore supply systems</li> <li>Transport turnkey engineering and manufacturing services</li> </ul>
<b>LPA Channel Electric</b> Bath Road Thatcham Berkshire RG18 3ST, UK Tel: +44 (0)1635 864866 enquiries@lpa-channel.com	<b>Engineered component distribution</b> High value, high level service distributor and added value solutions provider to the rail, aerospace, aircraft and defence markets.	<ul style="list-style-type: none"> <li>Circuit breakers</li> <li>Connectors</li> <li>Fans &amp; motors</li> <li>Relays &amp; contactors</li> <li>Switches</li> <li>USB charging units</li> </ul>
<b>LPA Lighting Systems</b> LPA House Ripley Drive Normanton West Yorkshire WF6 1QT, UK Tel: +44 (0)1924 224100 enquiries@lpa-light.com	<b>LED lighting and electronic systems</b> A designer and manufacturer of LED lighting and electronic systems which serve the rail and other high reliability markets.	<ul style="list-style-type: none"> <li>Electronic control systems</li> <li>Electronic monitoring systems</li> <li>Fluorescent lamp inverters</li> <li>Complete rolling stock interior lighting systems</li> <li>Rolling stock interior and exterior door status indication systems</li> <li>Rolling stock seat electronics solutions</li> </ul>



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.

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](http://www.lpa-group.com).

### 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 CO<sub>2</sub> outputs are minimised. Two out of the three sites now have ISO 14001 certification and one is carbon neutral. Our remaining site is working towards both of these.

**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 mental health, animal welfare, 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 best practise 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 Group's social responsibility falls under two categories: compliance and proactiveness. Compliance refers to our Group'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/](http://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

The vision for LPA is being realised. A much more positive second half and a real impetus in both LPA Channel Electric and LPA Connection Systems enabled us to turn around the first half loss, delivering an improved second half. LPA Lighting Systems still suffers from delays, not least, from HS2, Central Line as well as other key projects.

Stronger trading in H2 fell short of full recovery from the slower trading experienced during H1, resulting in an underlying operating loss for the full year slightly ahead of prior year at £0.1m (2022: loss £0.2m). Within the period we successfully integrated the acquisition of a competitor's intercar-jumper product line, leading to negative goodwill of £0.9m, resulting in a final profit before tax for the year of £0.8m (2022: £1.1m).

Order entry improved significantly in the period to £25.5m (2022: £19.7m) with strong contributions by LPA Channel Electric and LPA Connection Systems offsetting a lower intake from LPA Lighting Systems which was caused primarily by the delay in award of the HS2 scopes of work. It is envisaged that these awards will happen during the coming year and we remain well placed to compete for this work.

Revenues increased to £21.7m (2022: £19.3m) with LPA Connection Systems performing strongly in the period, benefitting from increased aviation product sales and the newly acquired product line coming on stream.

The strong order entry achieved during the year resulted in the order book increasing by £3.8m, ending the year at £31.6m (2022: £27.8m).

Added Value ("AV") for the year remained broadly in line with expectation and slightly up on the prior year at 50.3% (2022: 49.1%).



## 2023 Summary

Order book increased to £31.6m (2022: £27.8m)

Order entry at £25.5m (2022: £19.7m)

Revenue at £21.7m (2022: £19.3m)

Underlying operating loss of £0.1m (2022: loss of £0.2m)

Profit before tax at £0.8m (2022: £1.1m)

Net cash inflow from operating activities £0.3m (2022: £0.1m).

## Markets

**Aerospace (aircraft)** was steady for the period with main manufacture build rates remaining at similar levels to the prior year. Airbus did however make some progress with the A350 programme in the latter part of the period, increasing rates from 5 to 6 aircraft per month. Aspirations for this programme are for a build rate of 9 aircraft per month by the end of 2025.

The A220 programme maintained an average build rate of 4 aircraft per month against aspirations of 6. Efforts by Airbus / Spirit to streamline and improve their production process are ongoing and there is confidence from them that build rates can be increased to 14 aircraft per month by the end of 2025. There is also talk of a new longer version of the aircraft which





would compete against the Boeing 737-8. This however is many years in the future but shows that confidence in this new aircraft family is growing.

Work has continued on targeting new aviation platforms with good progress being made on projects including helicopters and EVTOL (Electric Vertical Take-off and Landing) aircraft. These aircraft are from a new breed of aviation companies and enjoy orderbooks of 900+ and 1,000+ aircraft respectively. These programmes have the potential to significantly increase LPA Channel Electric revenues once certification is received and production commences in the coming years.

**Aerospace (infrastructure)** continued to deliver on its strategy with another excellent year being achieved. The focus over the last few years of developing our worldwide sales channels led to order entry significantly increasing by 46% and revenues subsequently increasing 78% in the period. This renewed range of products continue to impress our customers and are now included in many of the busiest airports around the world. Building on this success our engineers continue development of the range and it is envisaged several new products will be released in the coming year.

In support of this sector the Group participated at the Inter Airport show in Munich and also took its first steps into the American market with a stand at the International GSE Expo show. Both shows resulted in good interest for the range and confirmed the strategy for this market segment is starting to deliver tangible results.

**Rail** – aftercare was strong in the period offsetting a slowdown in new build activity in some areas of the Group. The recent product line acquisition by LPA Connection

Systems has been smoothly integrated and is delivering in all aspects of expectations. This acquisition is an important product line for our aftercare business and will continue to contribute for many years to come.

The legislation across the EU banning the sale of fluorescent tubes from September 2023 is a strong positive for us, driving much interest in our LED alternative. The Group, in preparation for this change, has been active in this area for the last few years and, as such, enjoys good technical experience, active sales channels and a good product offering aimed at serving this new requirement.

The legislation mandating the use of USB-C on all phones has also recently been agreed within the EU and UK, with all new devices needing to adhere by the end of 2024. The Group has been a leader in providing USB-A charging across the UK rail market and is well placed to serve its customers requirements as they move to update their vehicles in compliance with this new requirement.

Newbuild projects in the UK have slowed from their peak and a quieter period is predicted as we await new funding decisions and subsequent investment. It is pleasing however to see some of the existing projects won finally moving into production, and output for the coming years will enjoy revenues from the prestigious Siemens Victoria Line and Alstom TGV projects amongst others.

Export remains an important part of the Group's business at 39%. In support of this we continue our efforts in building our sales channels around the world and in the development of products suited to this type of sales model.

**Industrial** market progression was mostly achieved through our Niphan range of specialist electrical connectors, with considerable work undertaken to update the approvals of this range and to re-establish contact with historical customers. As such, the range saw enhanced revenues for the period and further progress is expected as we move forward. LPA Channel Electric also put in place the first foundations of its entry into the industrial marketplace and will look to enhance this further in the coming year.

## Operational Review

The achievement of the Aviation quality standard AS9100 by our LPA Connection Systems business in the period means that all sites now run with enhanced certification and customer opportunity. Achieving these levels of quality are key to ensuring our skilled and invested facilities continue to deliver at the standards our customers are demanding of their supply chain.

The acquisition, announced in March 2023, of the inter-car jumper product line has been successful. The range is now fully incorporated within our design and manufacturing departments, and we have provided a near perfect delivery record to our customers. This is the Group's first acquisition for 20 years and the experience has been invaluable in assessing and growing our ability to undertake such projects. It is envisaged that these skills will be used again as we progress with our growth plans over the coming years.

The year saw continued investment in people as we look to build the skills and abilities to take the Group to the next level. This is now mostly complete and other than flexing direct labour to support increased revenues we expect headcount to remain broadly flat over the coming period.

Capex whilst higher than last year remains relatively low. It is apparent however that the ERP systems in some of our facilities are now struggling to keep up as we progress with our drive on efficiency and growth. As such, the coming year will see investment in new ERP systems at our two manufacturing facilities.

The proceeds of the sale of surplus land in 2022 has been used wisely to enable our Capex, restore some of our working capital and, pay for a small acquisition. As detailed in the Chief Financial Officer's report the Group banking facilities have been renewed, and our overall cash position supports our longer-term plans.

## Outlook

The Group has ambitious plans for the coming years and is committed to providing growth, opportunity and returns for shareholders as well as its wider stakeholders. In support of these plans the following activities are key.

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Rebalancing the business with a more favourable mix of standard products versus projects

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Organic growth across all businesses

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Development of new market segments, diversifying away from its dependence on Rail

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Continued development and management of worldwide sales channels

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Implementation of planned strategic acquisitions

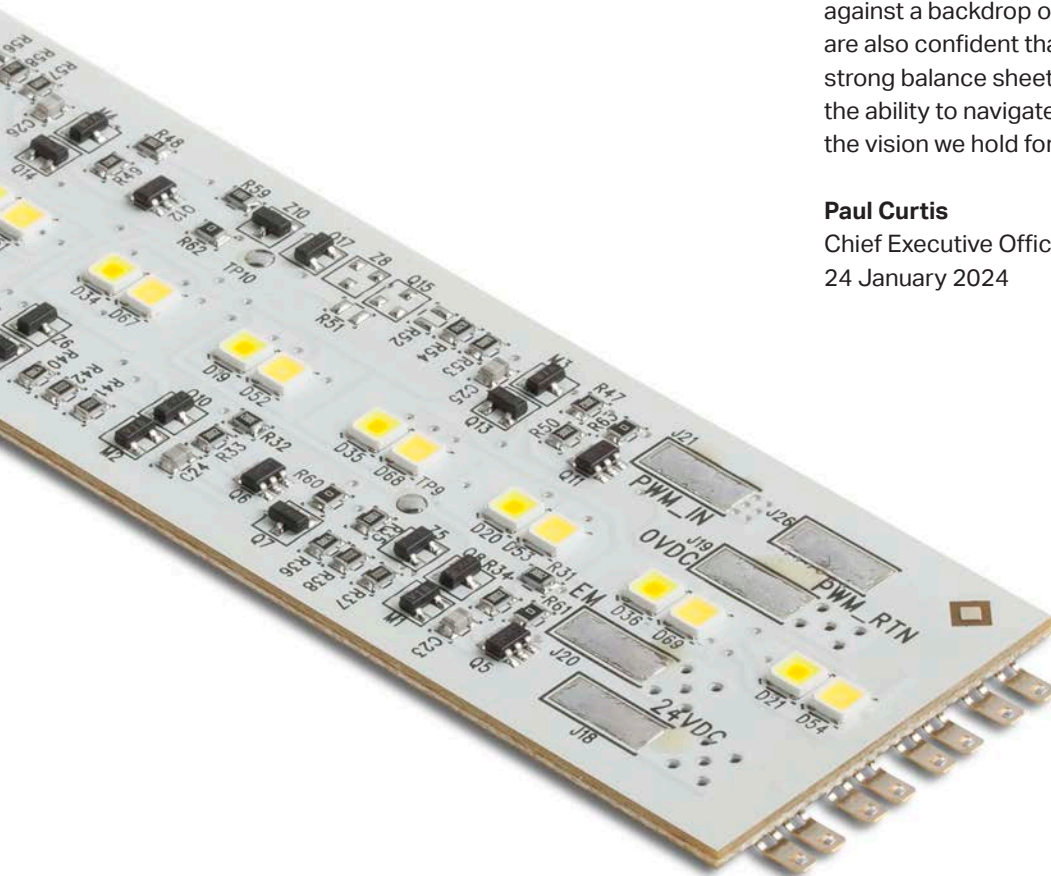
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Enhancing the LPA brand worldwide.

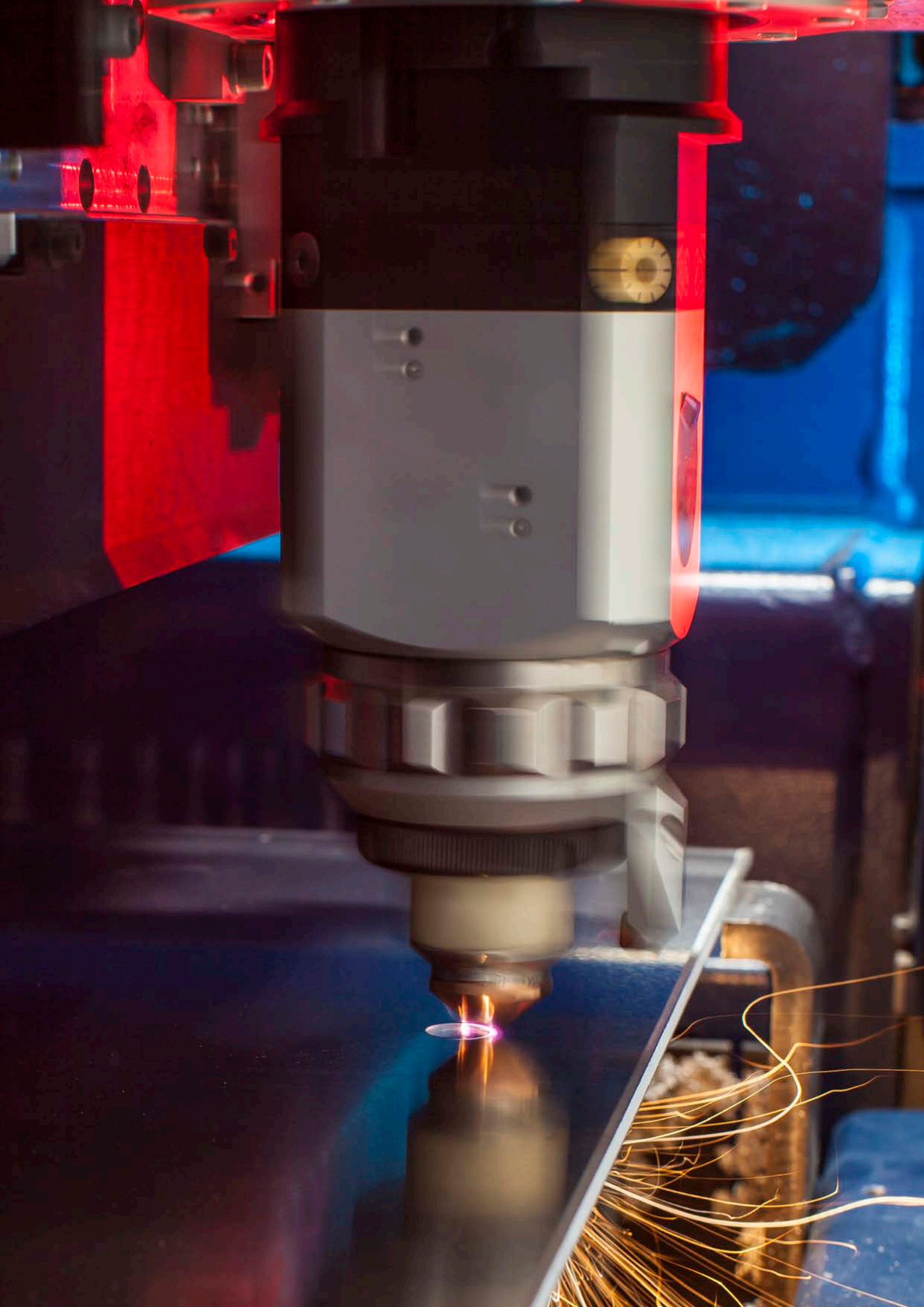
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Excellent progress has already been made in many of these areas. And, although we remain cautious against a backdrop of world unrest and challenges, we are also confident that our people, invested facilities, strong balance sheet and clear strategic goals, give us the ability to navigate these uncertain times, and deliver the vision we hold for the Group.

**Paul Curtis**  
Chief Executive Officer  
24 January 2024







# Financial Review

The key drivers related to the business performance in the year and position at 30 September 2023, together with explanation of the financial Key Performance Indicators as summarised on page 22.

## Trading Performance

### Macro-economic factors

During 2023, we saw a further improvement in the overall economy, evidenced by a significant improvement in order entry of 30%, part of this being driven by our acquisition of a competitor's product line. Our Lighting Systems business continued to see some projects move to the right, but some of these projects, the London Underground Central line in particular, have now started to deliver. 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 slightly ahead of expectations and is broadly expected to remain at this level as we move forward.

There has been some improvement in the supply chain and employment, although the latter remains tight. The Group completed some key appointments in the year.



### Headlines

- Order entry exceeded sales at £25.5m (2022: £19.7m) resulting in the order book growing further to £31.6m (2022: £27.8m), an increase of 13.5%;
- Revenue of £21.7m up 12.4% (2022: £19.3m) with LPA Connection Systems revenues up £1.9m and LPA Channel Electric revenues up £0.7m, LPA Lighting Systems down £0.2m;
- Added Value increased by 1.2% at 50.3% (2022: 49.1%); and
- Gross margins 22.6% (2022: 22.8%), was slightly lower because of product mix.



By comparison to 2022, H1 2023 revenues increased by 5.8% to £9.1m (2022: £8.6m), delivering an underlying operating loss of £0.6m (2022: loss of £0.6m). H2 revenues were anticipated to accelerate as customer production recovered from delayed projects. H2 delivered revenues of £12.6m (2022: £10.7m), representing an increase of 17.6% against H2 2022 sales. This resulted in an H2 underlying profit of £0.5m (2022: profit of £0.3m).

Distribution costs and administrative expenses increased by 11% to £5.1m (2022: £4.6m). The main contributors to this were the wider economic cost pressures seen across the industry. Group employment costs increased by £0.5m to £6.7m (2022: £6.2m). The increase was primarily due to strengthening management teams at LPA Connection Systems and LPA Channel Electric.

During the year 255,000 share options were awarded to Directors as one award at an exercise price of 50p subject to three increasingly targeted performance hurdles which are related to earnings per share and market capitalisation. No value has been attributed to these options in the accounts in line with current assumptions (2022: Nil options awarded).

### Exceptional Items and Negative Goodwill

Exceptional items and negative goodwill in the year totalled a gain of £0.8m (2022: gain of £1.3m). Key items comprised:

- i. Negative goodwill following a fair value adjustment on the acquisition of a product line and associated trade of £0.9m (2022: £nil)
- ii. Write off of obsolete inventory from discontinued product line of £0.2m (2022: £nil)
- iii. Profit on sale of surplus land of £nil (2022: £1.3m).

### Finance Costs

Within finance costs, the interest on borrowings increased to £0.15m (2022: £0.09m). The weighted average interest rate increased by 2.9% from 3.2% to 6.1%. 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 2.25% to 5.25%.

### Profit Before Tax, Taxation and Earnings Per Share

After net finance income of £0.05m (2022: net cost £0.01m) a profit before tax of £0.8m was recorded (2022: profit before tax of £1.1m). A tax credit of £0.1m (2022: £0.1m) is recognised, reporting a profit after tax of £0.9m (2022: £1.2m). This resulted in a basic earnings per share of 6.52p (2022: 8.99p).

The average UK corporation tax rate for the year was 22% (2022: 19%). The main differences to the standard rate of corporation tax are due to non-taxable negative goodwill and R&D tax credits.

### 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

- Gearing (net debt as a % of total equity) increased to 7.7% (2022: 3.5%);
- Net debt increased by £0.7m to £1.2m (2022: £0.5m);
- Working capital, as defined as inventory, trade & other receivables less trade & other payables, increased 7% to £5.4m (2022: £5.1m); and
- Pension asset surplus recognised increased by 8.6% to £2.7m (2022: £2.5m).

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, the fair value of the intellectual property purchased in the year of £1.7m, capitalised development costs and software purchases were £3.2m (2022: £1.5m). After assessment for impairment the goodwill on the Group's investment in Excil Electronics remains unchanged at £1.1m. Development costs capitalised in the year, representing the continued development of the Group's technologies and new product development ("NPD"), were £0.1m (2022: £0.2m).

The net book value of property, plant and equipment as at 30 September 2023, including Right of Use Assets, totalled £5.8m (2022: £6.0m), of which property represented £3.8m (2022: £3.9m), plant, equipment and motor vehicles £1.9m (2022: £2.1m). Additions in the year increased slightly following the low level in the previous year of capital investment, at £0.5m (2022: £0.4m). Disposals in the year totalled £0.9m with a net book value of £Nil including Right of Use lease terminations (2022: £0.3m with a net book value of £0.2m). The depreciation charge remained flat at £0.7m (2022: £0.7m).



## 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. This is shown as due within one year as the facility is due to be refinanced by March 2024. This has recently been refinanced and no repayment in full is expected in the current year, but this remains shown as due within one year as reflective of the position at the year end. Repayments are quarterly over the term with a bullet repayment in March 2029 of £2.0m (quarterly repayments calculated at draw down on a 15-year repayment term). As at 30 September 2023 the amount outstanding was £1.9m (2022: £2.1m). Interest is payable at base rate plus 2.25%.

## Cash Flow

Net cash inflow from operating activities was £0.3m (2022: £0.1m) made up of a trading cash inflow of £0.7m (2022: £0.4m); an increase in working capital of £0.4m (2022: £0.5m) and tax refunds of £Nil (2022: £0.2m). Overall, there was a net reduction in the Group's cash position of £1.0m (2022: increase £0.8m).

During the year £0.25m (2022: £Nil) was spent on the acquisition of a new product line, the balance of £0.25m will be spent next year. Capital expenditure outflows on property, plant and equipment increased to £0.2m (2022: £0.1m), excluding assets financed through lease arrangements. Capitalised development expenditure amounted to £0.1m (2022: £0.2m), primarily further product developments focused on smart lighting and electronic systems, including rail seat electronics. Note that in 2022, the Group benefited from a £1.7m cash receipt from the sale of land.

In the year new leasing arrangements led to right of use additions of £0.3m (2022: £0.3m). Interest at 5.3% was charged on fixed rate borrowings (2022: 3.7%). Interest on the Group's overdraft facility is payable at base rate plus 2.0%. The facility was unutilised as at 30 September 2023 and 2022. The composite interest rate across both borrowings and lease liabilities was 5.6% (2022: 3.1%).

Capital loan repayments of £0.2m were made in the year (2022: £0.2m). Outflows repaying the principal elements of lease liabilities were £0.4m (2022: £0.4m). Interest payments on borrowings amounted to £0.2m (2022: £0.1m).

## Defined Benefit Pension Asset

The LPA Industries Limited Defined Benefit Scheme was part of the ISIO (previously Deloitte Pensions Master Plan) throughout the entire year under review. The costs of running the scheme have been shared between the Company and the scheme. Costs borne by the Group this year amounted to £0.1m (2022: £0.2m).



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 2023 an actuarial report indicated that this had risen to 146% 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.

The Trustees, under advice, did not seek any voluntary employer contributions during the year from the Group (2022: £Nil). The IAS 19 position shown in the note 21 to these accounts reflects the impact of rising interest rates on the present value of the liability to pay pensions in the future.

## Going Concern

In assessing going concern, the main considerations have been trading, new financing and to a lesser extent supply chain shortages and inflationary pressures. The Group continues to witness some 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.

In assessing the Group's going concern the directors also note that (i) despite reporting a small underlying operating loss in the current year, the Group is expected to return to profitability in 2024; (ii) has in place adequate

working capital facilities for its forecast needs and was cash generative on an operational level through the 2023 financial year, with a positive EBITDA and strong cash management; (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 2023 challenges. Therefore, the directors believe that it is well placed to manage its business risks successfully.

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 was due to expire in March 2024. This has recently been extended for a further 5 years on the same terms.

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.

**Stuart Stanyard**

Chief Financial Officer

24 January 2024



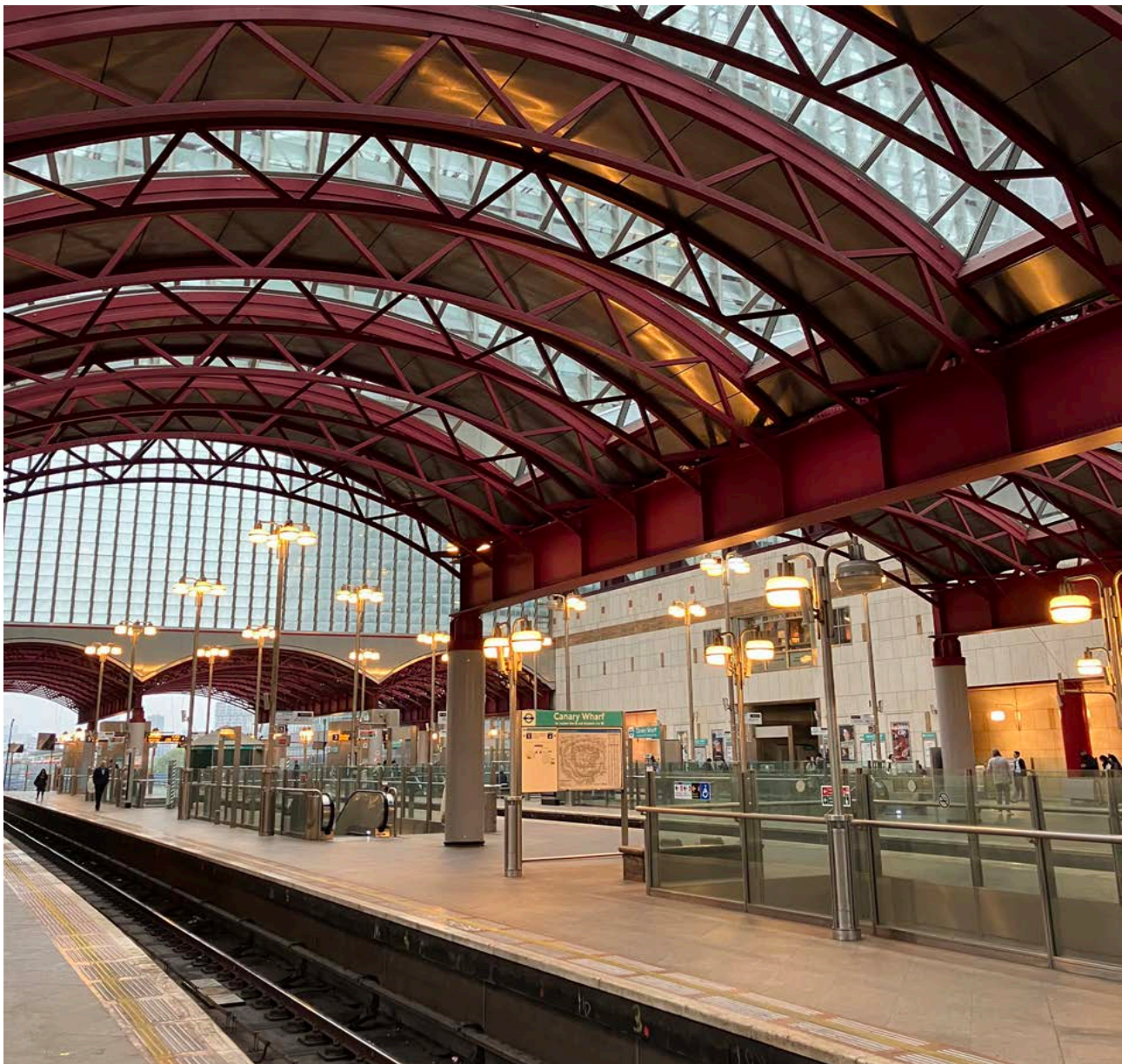
# Principal Risks and Uncertainties

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.	<ul style="list-style-type: none"> <li>The Group maintains close working dialogue with its customers, suppliers and government agencies.</li> <li>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.</li> <li>The Group continues to focus on non-project work to alleviate the effects of project delays and underpin routine workflows.</li> </ul>
Inflationary pressures.	<ul style="list-style-type: none"> <li>Sales prices of products are frequently reviewed against cost pressures and market dynamics to ensure appropriate levels of return are achieved.</li> <li>Management of our supply chain relationships is a key activity.</li> <li>Automation is used where possible.</li> <li>Process reviews to improve efficiency are an ongoing activity.</li> </ul>
Certain activities benefit from long standing commercial relationships with key customers and suppliers.	<ul style="list-style-type: none"> <li>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.</li> <li>Senior level relationships are encouraged with suppliers and customers throughout the Group.</li> </ul>
The Group activities operate in competitive markets which are subject to product innovation, technical advances and intensive price competition.	<ul style="list-style-type: none"> <li>The Group invests in research and development to establish new technologies and products to sustain its competitive position.</li> <li>Continuous efforts for cost down and efficiencies.</li> <li>Good relationships with customers are forged to ensure accurate market intelligence is gleaned to help shape policy and practice.</li> </ul>
The Group is exposed to several financial market risks including liquidity and credit risk, and through movements in foreign exchange and interest rates.	<ul style="list-style-type: none"> <li>Forex exposure, predominantly Euros, is mitigated where possible through natural hedging across the Group.</li> <li>Excess forward predicted currency inflows are covered, where appropriate, by fixed exchange contracts.</li> <li>Further detail as to the Group's approach to managing this risk is described in note 17 to the financial statements.</li> </ul>
Poor investment returns and longer life expectancy may result in an increased cost of funding the Group's defined benefit pension arrangement.	<ul style="list-style-type: none"> <li>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.</li> </ul>



Principal Risk or Uncertainty	Mitigation
The Group is exposed to supply chains across the globe which can cause delays to product supply and inflationary pressures.	<ul style="list-style-type: none"> <li>• Additional stocks have been held through 2023 to minimise inflationary impact and to safeguard against short term supply issues. This will continue through 2024 to a lesser amount.</li> <li>• The Group maintains a portfolio of suppliers and continues to work closely with all, to ensure continuance of supplies.</li> <li>• Products, particularly electronic systems, are subject to redesign to ensure compatibility with suitable alternative components is achieved.</li> </ul>
The ability to attract and retain skills and staff.	<ul style="list-style-type: none"> <li>• The Group monitors staff movements closely whilst seeking to upskill roles to automate areas where the labour pool is challenged.</li> <li>• Personal development is encouraged. The Group supports continuous training and development of its staff.</li> <li>• Communication is done at individual and Group level, incorporating, appraisals, announcements and Group wide newsletters.</li> </ul>



# 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 5 to 19 with an Additional Performance Measures glossary on page 105.

KPI	Basis of measurement	2023	2022
<b>Health &amp; Safety</b>			
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	21	25
Near misses	• events that occurred which have not caused an accident <sup>(1)</sup>	126	21
<b>Financial</b>			
Orders to revenue	• orders for the year expressed as a multiple of revenue as a measure of prospective growth	1.18	1.02
Order entry	• order intake confirmed	£25.5m	£19.7m
Order book	• the measure of opening order book, plus order entry, less revenue	£31.6m	£27.8m
Revenue growth	• Increase year-on-year as a percentage of prior year	12.4%	5.8%
Added value	• the margin generated on revenue after deduction of material costs but before other costs of sale and conversion	50.3%	49.1%
Gross margin	• as a percentage of revenue	22.6%	22.8%
Profitability	• Underlying operating (loss) as a return on trading activities to revenue	(0.3%)	(1.2%)
Cash generation	• net (decrease) / increase in cash and cash equivalents before financing activities	(£0.3m)	£1.5m
Gearing	• the measure of net debt being borrowings and lease liabilities less cash balances, to net assets	7.7%	3.5%

<sup>(1)</sup> As per best practice and a reinvigorated Health and Safety process, a high number of near misses indicates an open culture of reporting possible accidents which can be appropriately actioned.

The Strategic Report on pages 5 to 22 was approved by the Board on 24 January 2024 and signed on its behalf by:

**Paul Curtis**  
Chief Executive Officer

# BOARD REPORTS

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# 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 four 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. 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

24 January 2024

# 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 2024 his annual salary was £193,325 (January 2023: £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.

Stuart Stanyard was appointed CFO and Company Secretary on the 1 March 2023 with a notice period 6 months. As at 1 January 2024 his annual salary was £125,000 (March 2023: £125,000), he receives 10% employer pension contributions to the Group's defined contribution scheme enhanced by NI savings, private health insurance, an accommodation relocation allowance and he is entitled to the provision of a car, or car allowance with insurance and break down cover. Included within his salary he receives a fee of £5,000 per annum as Director of LPA Industries Pension Trustees Limited. 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.

### Non-Executive Directors' Remuneration and Terms of Appointment

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

Robert B Horvath, Non-Executive Chairman from 9 August 2021, was appointed on 1 February 2021 as a Non-Executive Director and Chair elect. The Chairman will stand for re-election at the forthcoming AGM under resolution 2, with one further triennial extension. As at 1 January 2024 he receives a fee of £60,000 per annum (January 2023: £60,000).

Andrew Jenner was appointed on 1 September 2021 as Senior Non-Executive 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 2024 he receives a fee of £37,000 per annum (January 2023: £37,000).

held on 23 March 2023 and expires on 1 April 2026 with one further triennial extension. As at 1 January 2024 he receives a fee of £35,000 per annum (January 2023: £35,000). He also holds the position of Chair of the Remuneration Committee.

Gordon Wakeford has a term of office, as set out in his letter of appointment dated 3 February 2020, which was renewed at the Company's annual general meeting

## Information Subject to Audit

### Directors' Remuneration

Directors' remuneration for the year was as follows:

	Salaries and Fees £000	Bonus £000	Benefits £000	LTIP* £000	Pension £000	Total 2023 £000	Total 2022 £000
Paul Curtis	193	50	15	10	25	293	248
Stuart Stanyard ( <i>from 1/3/23</i> )	73	16	14	-	7	110	-
Chris Buckenham ( <i>to 31/08/22</i> )	-	-	-	-	-	-	245
<b>Executive Directors</b>	<b>266</b>	<b>66</b>	<b>29</b>	<b>10</b>	<b>32</b>	<b>403</b>	<b>493</b>
Robert B Horvath	60	-	-	-	-	60	58
Andrew Jenner	37	-	-	-	-	37	37
Gordon Wakeford	35	-	-	-	-	35	35
Len Porter ( <i>to 31/12/21</i> )	-	-	-	-	-	-	10
<b>Non-Executive Directors</b>	<b>132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132</b>	<b>140</b>
<b>Total</b>	<b>398</b>	<b>66</b>	<b>29</b>	<b>10</b>	<b>32</b>	<b>535</b>	<b>633</b>

\*LTIP (Long Term Incentive Plan): 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. Note: no valuation has been attributed to the share option awards under the PSP 2023 scheme.

There was no exercise of share options by Directors during the year (2022: Nil).

### Directors' Pension Arrangements

During the year ending 30 September 2023, Paul Curtis and Stuart Stanyard received employer contributions to the Group's defined contribution scheme under a salary sacrifice arrangement.



## Directors' Shareholdings

Shareholdings of those serving at 30 September 2023:

	Number of Ordinary Shares	
	30 September 2023	30 September 2022
Paul Curtis	50,000	38,300
Stuart Stanyard	20,000	-
Robert B Horvath	100,000	100,000
Gordon Wakeford	28,000	21,700
Andrew Jenner	20,000	20,000
	<b>218,000</b>	<b>180,000</b>

## Directors' Interests in Share Options

The Company operates two share option schemes, the Performance Share Plan 2018 (PSP 2018) which was established during 2018 and the Performance Share Plan 2023 which was established during 2023. 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 2023	At 30 September 2022
<b>Paul Curtis</b>						
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
PSP 2023	July 23	50.00	25/07/26	25/07/33	130,000	-
					<b>300,000</b>	<b>170,000</b>
<b>Stuart Stanyard</b>						
PSP 2023	July 23	50.00	25/07/26	25/07/33	125,000	-
					<b>125,000</b>	<b>-</b>
					<b>425,000</b>	<b>170,000</b>

During the year 255,000 share options were awarded to Directors as one award at an exercise price of 50p subject to three increasingly targeted performance hurdles which are related to earnings per share and market capitalisation (2022: Nil options awarded).

### Gordon Wakeford

Chair of Remuneration Committee

24 January 2024

# 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	<ul style="list-style-type: none"> <li>• Company purpose</li> <li>• Business model and strategy</li> <li>• Longer term viability</li> <li>• Dividend policy</li> <li>• Risk appetite and risk management</li> <li>• Pension obligations</li> </ul>	<ul style="list-style-type: none"> <li>• 8, 9</li> <li>• 8, 9, 29</li> <li>• 7, 14, 18</li> <li>• 6</li> <li>• 20, 30</li> <li>• 6, 18</li> </ul>
b. The interests of the company's employees	<ul style="list-style-type: none"> <li>• Health, wellbeing and safety of our people</li> <li>• Engaging our people</li> <li>• Developing our people</li> <li>• Board employee engagement</li> <li>• Diversity and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• 7, 10</li> <li>• 7, 9, 10</li> <li>• 7, 9, 32</li> <li>• 9</li> <li>• 9, 11</li> </ul>
c. The need to foster the company's business relationships with suppliers, customers and others	<ul style="list-style-type: none"> <li>• Business ethics &amp; code of conduct</li> <li>• Corporate culture and ethical values</li> </ul>	<ul style="list-style-type: none"> <li>• 9, 33</li> <li>• 7, 9-11, 33</li> </ul>
d. The impact of the company's operations on the community and the environment	<ul style="list-style-type: none"> <li>• Environmental responsibility</li> <li>• Emission and energy management</li> <li>• Supporting our communities</li> </ul>	<ul style="list-style-type: none"> <li>• 7, 10, 30</li> <li>• 10</li> <li>• 10, 30</li> </ul>
e. The desirability of the company maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"> <li>• Stakeholder propositions</li> <li>• Sustainability of our business model</li> <li>• Values statements and our culture</li> <li>• Our approach to a sustainable business</li> <li>• Internal controls</li> </ul>	<ul style="list-style-type: none"> <li>• 30</li> <li>• 29</li> <li>• 9</li> <li>• 8, 10</li> <li>• 10, 30, 31, 33</li> </ul>
f. The need to act fairly between members of the company	<ul style="list-style-type: none"> <li>• Investor engagement</li> <li>• Annual General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>• 6, 29, 30, 33</li> <li>• 37</li> </ul>

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 28-34 of this report and on the website [www.lpa-group.com](http://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](http://www.lpa-group.com).

## 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. 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 5 to 22.

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.

## 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 43% of our shares are owned by 4 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 on 30



September. Copies of all announcements are published on the website: [www.lpa-group.com](http://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 few 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.

### 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 periodically 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 pages 20-21. Each trading entities monthly report outlines significant opportunities and threats to its business. Risk registers for entities identify key risks. Risk is considered at each Executive Meetings comprising the Managing Directors 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.

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, 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 Non-Executive Directors all served throughout the year.

Paul Curtis as Executive Director, also served throughout the year. Stuart Stanyard joined as Chief Financial Officer on 1 March 2023 with a remit to contribute more to the Board's overall commercial and operational governance within its subsidiaries.

## Board Composition and Responsibility

As of 1 January 2024, the Board comprises three Non-Executive Directors and two Executive Directors. There is a clear division of responsibility between the Non-Executive Directors, including the Chairman and the Executive Directors.

Robert B Horvath, Andrew Jenner and Gordon Wakeford are regarded as Non-Executive directors. They are from varied backgrounds and bring with them a range of skills and experience in commerce and industry. The Non-Executive 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 Non-Executive directors who served through the year. Andrew Jenner served as Chair of the Audit Committee and Senior Non-Executive Director; Gordon Wakeford served as Chair of the Remuneration Committee.

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 non-executive 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. Having liaised with key shareholders the committee has started to rebase the reward mechanisms to retain more moderate salaries and to increase the performance related element of our remuneration packages.

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 2023	Board meetings	Audit committee	Remuneration committee	AGM 2023
<b>No of meetings</b>	<b>9</b>	<b>4</b>	<b>2</b>	<b>1</b>
<b>Executive Directors</b>				
P V Curtis	9/9	n/a	n/a	1/1
S R Stanyard (from 01/03/23)	5/5	n/a	n/a	1/1
<b>Non-Executive Directors</b>				
R B Horvath	9/9	4/4	2/2	1/1
A Jenner	9/9	4/4	2/2	1/1
G Wakeford	9/9	4/4	2/2	1/1

Attendance at meetings by invitation is not shown, however each site MD is invited to present their business at least once a year.

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. The CFO performs the role of the Company Secretary, and 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.

## 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.

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 these 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 independent 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 Non-Executive 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 Non-Executive Director ("SNED") to ensure the skills available within the Board remain appropriate. This process was reviewed at the Board meeting on 20 December 2023 and deemed appropriate. 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 and Chief Financial Officer'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 Director teams.

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

The Chair's Corporate Governance statement in the Annual Reports comments upon how the culture is consistent with the Group's objectives, strategy and business model contained in the strategic report, the principal risks and uncertainties, how these are monitored and how a healthy corporate culture is promoted and assessed. Group values are promoted around the Group as outlined on page 9.

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.

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](http://www.lpa-group.com).

**Robert B Horvath**

Chairman

24 January 2024



# Directors' Report

The directors present their annual report together with the audited financial statements for the year ended 30 September 2023.

## Results and Dividends

The profit for the year amounted to £0.9m (2022: £1.2m). The directors recommend the payment of a final ordinary dividend for 2023 of 1p (2022: Nil), with Nil (2022: Nil) interim dividend 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 pages 20-21 and the key performance indicators used in assessing the progression of the business are set out on page 22.

## 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 5 to 22.



## Substantial Shareholdings

As far as the directors are aware the only shareholders with a beneficial interest as at 8 January 2024 representing three per cent or more of the issued share capital were:

	No of Shares	Percentage
Peter Gyllenhammar AB	3,362,015	24.93%
Peter Pollock	1,000,000	7.42%
Michael Rusch	960,022	7.12%
Marilyn Porter	524,153	3.89%

## 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 2023 totalled £0.1m (2022: £0.2m) and were capitalised as development costs. Research and development costs expensed during the year £Nil (2022: Nil).

## Directors and their Interests

The current directors of the Company and brief biographical details are given on pages 36-37. During the year one Director was appointed, Stuart Stanyard, on 1 March 2023 and there were no resignations (2022: two resignations). 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' 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 Biographies

**Robert B Horvath – Non-Executive 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 was appointed Chief Financial Officer and Company Secretary on 1 March 2023.

**Andrew Jenner – Senior Non-Executive 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 an 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 specialising 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 – Non-Executive Director** born 1962, formerly Chief Executive Officer of Siemens Mobility Limited UK, joined the board as an 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.

**Annual General Meeting**

The Annual General Meeting is to be held at 12:00 noon on Wednesday 27 March 2024 at the offices of Cavendish, 1 Bartholomew Close, London, EC1A 7BL. The Notice of Meeting is set out on pages 106 to 109.

**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 Group acquired the 100% share capital of Red Box International Holdings Ltd on 4 January 2024 for a total consideration of £1.1m, of which £275,000 is being satisfied on completion, and £825,000 payable post-completion.

Red Box is a leading UK manufacturer of aviation ground power equipment with global reach and an established presence in the USA market. The Acquisition will provide a strong addition to LPA Connection Systems, the Group's Saffron Walden-based division, that designs, manufactures and supplies high quality specialist products for the aviation, rail, and infrastructure markets. This acquisition supports our long-term growth strategy whilst also lessening the Group's dependence on rail projects.

Red Box revenues for the year ended 31 December 2022 were £1,677,000, with adjusted EBIT of £81,000. Net assets as at 31 December 2023 were around £750,000.

**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

**Stuart Stanyard**

Company Secretary  
24 January 2024

LPA Group plc is registered in England No 00686429





# COMPANY INFORMATION



# Company Information

## Company contacts

<b>Directors</b>	Robert B Horvath	Non-Executive Chairman
	Paul Curtis	Chief Executive Officer
	Stuart Stanyard	Chief Finance Officer and Company Secretary
	Andrew Jenner	Senior Non-Executive Director
	Gordon Wakeford	Non-Executive Director
<b>Registered Office</b>	Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK	
<b>Registered Number</b>	00686429	
<b>Website</b>	www.lpa-group.com	
<b>Nominated Adviser &amp; Broker</b>	Cavendish 1 Bartholomew Close London EC1A 7BL	<b>Public Relations</b> Hudson Sandler 25 Charterhouse Square London EC1M 6AE
<b>Auditors</b>	RSM UK Audit LLP Blenheim House Newmarket Road Bury St Edmunds IP33 3SB	<b>Bankers</b> Barclays Bank Plc Abacus House Castle Park, Castle Hill Cambridge CB3 0AN
<b>Registrars</b>	Link Group 10th Floor Central Square 29 Wellington Street Leeds, LS1 4DL	<b>Solicitors</b> 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 – trading as LPA Connection Systems

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

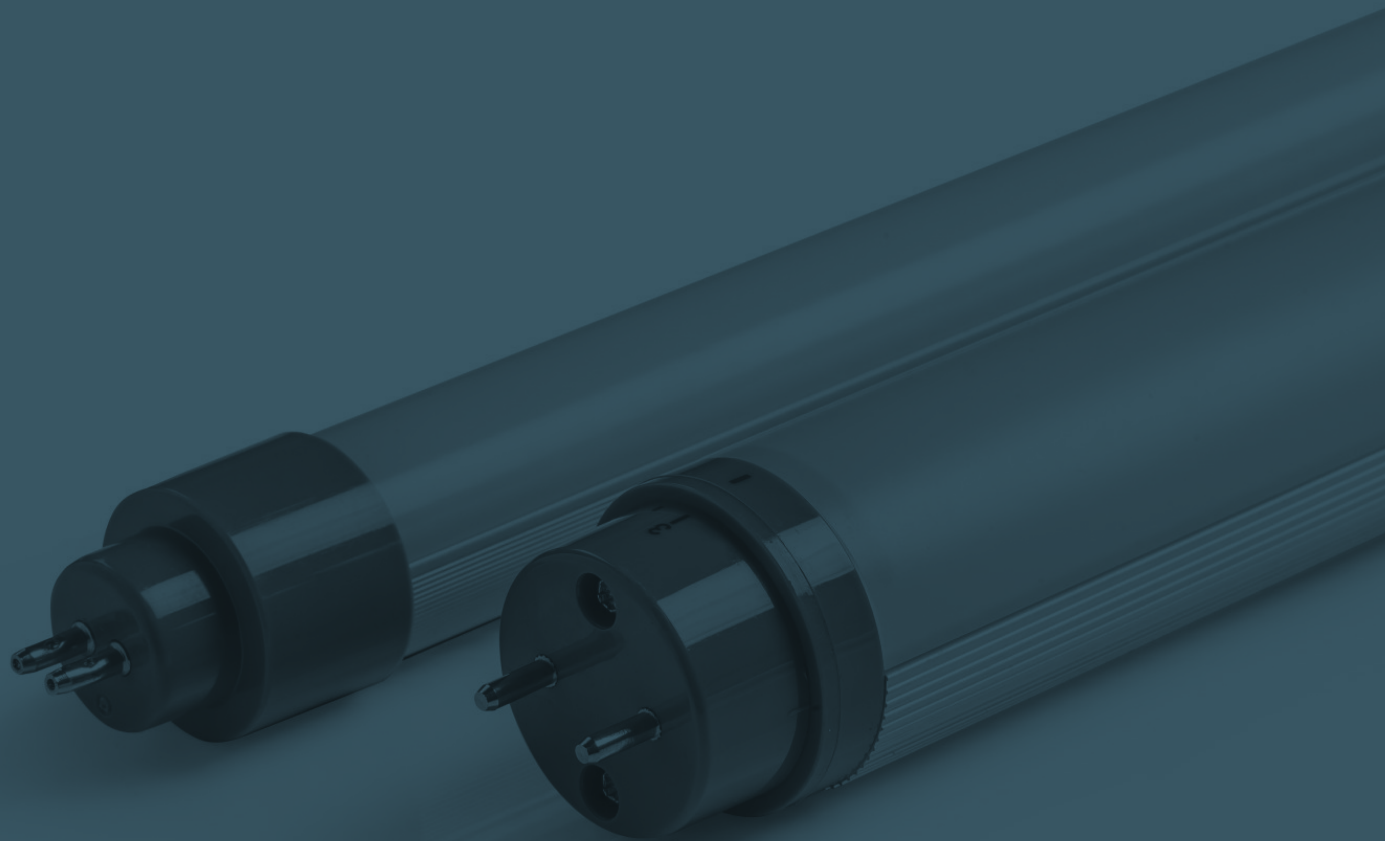
Excil Electronics Ltd – trading as LPA Lighting Systems

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

Channel Electric Equipment Ltd – trading as LPA Channel Electric

# GROUP FINANCIAL STATEMENTS

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# 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 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. 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 2023 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
- Acquisition accounting

#### Parent Company

- No key audit matters were identified

### Materiality

#### Group

- Overall materiality: £217,000 (2022: £195,000)
- Performance materiality: £162,000 (2022: £146,000)

#### Parent Company

- Overall materiality: £126,000 (2022: £182,000)
- Performance materiality: £94,600 (2022: £136,000)

### Scope

Our audit procedures covered 100% of revenue, 100% of total assets and 98% of profit before tax.

## Key audit matters

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

## 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 also ensured that subsequent variations to contracts were suitably treated.

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 the inventory provisions in note 1R and note 12.



## Acquisition accounting

<b>Key audit matter description</b>	<p>During the year the group purchased the trade and intellectual property relating to a competitor's product line. This transaction falls under the scope of IFRS 3 "Business Combinations" which required management judgement in determining the fair value of the intangible assets acquired.</p> <p>The transaction resulted in negative goodwill of £941,000 which has been recognised in the income statement.</p>
<b>How the matter was addressed in the audit</b>	<p>We reviewed and challenged the reasonableness of the methodology and inputs used to determine the acquired intangible asset value of £1,754,000 and ensured reflective of the terms of the sale and purchase agreement. This involved the use of valuation specialists and testing the mathematical accuracy of the valuation model to ensure it was operating as expected.</p> <p>We also considered the adequacy of the group's intangible assets accounting policy as disclosed in note 1F, the key judgement disclosures in relation to acquisition intangibles in note 1R and the disclosure in note 24.</p>

## 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
<b>Overall materiality</b>	£217,000 (2022: £195,000)	£126,000 (2022: £182,000)
<b>Basis for determining overall materiality</b>	1% of total revenue	1.6% of total assets
<b>Rationale for benchmark applied</b>	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.
<b>Performance materiality</b>	£162,000 (2022: £146,000)	£94,600 (2022: £136,000)
<b>Basis for determining performance materiality</b>	75% of overall materiality	75% of overall materiality
<b>Reporting of misstatements to the Audit Committee</b>	Misstatements in excess of £11,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £6,000 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	2	81%	77%	60%
Targeted audit procedures	2	19%	23%	38%
<b>Total</b>	<b>4</b>	<b>100%</b>	<b>100%</b>	<b>98%</b>

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. In addition to performing work at a component level our audit procedures included testing of the consolidation. All full scope and targeted audit procedures were performed by the group engagement team. Analytical procedures at the group level were performed for the remaining component.

## 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 have 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 the 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; and
- Agreeing that the bank loan had been refinanced in the post balance sheet period.

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.

### **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 pages 35-36, 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.

### **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:

<b>Legislation / Regulation</b>	<b>Additional audit procedures performed by the Group audit engagement team included:</b>
<b>UK-adopted IAS, FRS 102 and the Companies Act 2006</b>	Review of the financial statement disclosures and testing to supporting documentation Completion of disclosure checklists to identify areas of non-compliance
<b>Tax compliance regulations</b>	Inspection of advice received from external tax advisors
<b>Health and safety</b>	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

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

<b>Risk</b>	<b>Audit procedures performed by the audit engagement team:</b>
<b>Revenue recognition</b>	See key audit matter above.
<b>Management override of controls</b>	Testing the appropriateness of journal entries and other adjustments Assessing whether the judgements made in making accounting estimates are indicative of a potential bias 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 (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Blenheim House  
Newmarket Road  
Bury St Edmunds  
Suffolk  
IP33 3SB

24 January 2024

# Consolidated Income Statement

For the year ended 30 September 2023

	Note	2023 £000	2022 £000
<b>Continuing operations</b>			
<b>Revenue</b>	2	21,712	19,325
Cost of Sales		(16,646)	(14,925)
Cost of Sales – Exceptional Items	6	(152)	-
<b>Gross Profit</b>		4,914	4,400
Distribution Costs		(1,910)	(1,781)
Administrative Expenses		(3,238)	(2,865)
Administrative Expenses-Exceptional Items	6	-	1,323
Negative Goodwill	24	941	-
Other Operating Income		-	7
<b>Underlying Operating Loss</b>		(69)	(226)
Share Based Payments	3, 20	(13)	(13)
Negative Goodwill	24	941	-
Exceptional Items	6	(152)	1,323
<b>Operating Profit</b>	6	707	1,084
Finance Income	4	201	78
Finance Costs	5	(149)	(88)
<b>Profit Before Tax</b>		759	1,074
Taxation	7	100	111
<b>Profit for the Year</b>		859	1,185
Attributable to:			
- Equity Holders of the Parent		859	1,185
<b>Earnings per Share</b>	8		
Basic		6.52p	8.99p
Diluted		6.51p	8.99p

The notes on pages 56 to 88 form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 30 September 2023

	Note	2023 £000	2022 £000
<b>Profit for the Year</b>		859	1,185
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gain/(loss) on pension scheme	21	198	(219)
Restriction of pension assets	21	(113)	49
<b>Other Comprehensive Income</b>		85	(170)
<b>Total Comprehensive Income for the Year</b>		944	1,015
Attributable to:			
- Equity Holders of the Parent		944	1,015

The notes on pages 56 to 88 form an integral part of these financial statements.



# Consolidated Balance Sheet

At 30 September 2023

Company Registered Number: 00686429

	Note	2023 £000	2022 £000
<b>Non-Current Assets</b>			
Intangible Assets	9	3,156	1,473
Tangible Assets	10	5,083	4,774
Right of Use Assets	11	672	1,211
Retirement Benefits	21	2,683	2,471
Deferred Tax Assets	18	-	229
		11,594	10,158
<b>Current Assets</b>			
Inventories	12	4,303	4,567
Trade and Other Receivables	13	5,870	5,095
Derivative Asset	17c	28	-
Current Tax Receivable		30	41
Cash and Cash Equivalents		1,202	2,199
		11,433	11,902
<b>Total Assets</b>		23,027	22,060
<b>Current Liabilities</b>			
Bank Loan	15	(1,949)	(190)
Lease Liabilities	16	(214)	(356)
Trade and Other Payables	14	(4,743)	(4,584)
		(6,906)	(5,130)
<b>Non-Current Liabilities</b>			
Bank Loan	15	-	(1,934)
Deferred Tax Liabilities	18	(165)	-
Lease Liabilities	16	(243)	(240)
		(408)	(2,174)
<b>Total Liabilities</b>		(7,314)	(7,304)
<b>Net Assets</b>		15,713	14,756
<b>Equity</b>			
Share Capital	19	1,348	1,348
Investment in Own Shares	19	(324)	(324)
Share Premium Account	19	943	943
Share Based Payment Reserve	19	62	49
Merger Reserve	19	230	230
Retained Earnings	19	13,454	12,510
<b>Equity Attributable to Shareholders of The Parent</b>		15,713	14,756

The notes on pages 56 to 88 form an integral part of these financial statements.

The financial statements were approved by the Board on 24 January 2024 and signed on its behalf by:

**Stuart Stanyard** Director

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2023

	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
<b>2023</b>							
At 1 October 2022	1,348	(324)	943	49	230	12,510	14,756
Profit for the Year	-	-	-	-	-	859	859
Other Comprehensive Income	-	-	-	-	-	85	85
Total Comprehensive Income	-	-	-	-	-	944	944
Share based payments	-	-	-	13	-	-	13
Transactions with Owners	-	-	-	13	-	-	13
<b>At 30 September 2023</b>	<b>1,348</b>	<b>(324)</b>	<b>943</b>	<b>62</b>	<b>230</b>	<b>13,454</b>	<b>15,713</b>

	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
<b>2022</b>							
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
<b>At 30 September 2022</b>	<b>1,348</b>	<b>(324)</b>	<b>943</b>	<b>49</b>	<b>230</b>	<b>12,510</b>	<b>14,756</b>

The notes on pages 56 to 88 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 30 September 2023

	2023 £000	2022 £000
Profit Before Tax	759	1,074
Finance Costs	149	88
Finance Income	(201)	(78)
Operating Profit	707	1,084
<i>Adjustments for:</i>		
Amortisation of Intangible Assets	192	95
Depreciation of Tangible Assets	404	497
Depreciation of Right of Use Assets	285	202
Loss on Sale of Plant and Equipment/(Profit) on Sale of Land	4	(1,496)
Negative Goodwill	(941)	-
Equity Settled Share Based Payments	13	13
<b>Operating cash flow before movements in working capital</b>	664	395
<i>Movements in Working Capital:</i>		
Decrease in Inventories	264	135
Increase in Trade and Other Receivables	(775)	(984)
Increase in Trade and Other Payables	87	372
<b>Cash generated from operations</b>	240	(82)
Income Taxes Received	45	159
<b>Net cash inflow from operating activities</b>	285	77
Purchase of Business (Note 24)	(250)	-
Purchase of Property, Plant & Equipment	(196)	(88)
Proceeds from Sale of Property, Plant and Equipment	-	1,666
Expenditure on Capitalised Development Costs	(120)	(163)
<b>Net cash (outflow) / inflow from investing activities</b>	(566)	1,415
Repayment of Bank Loan	(175)	(190)
Principal elements of Lease Liabilities	(392)	(390)
Interest Paid	(149)	(88)
Proceeds from Issue of Share Capital	-	17
<b>Net cash outflow from financing activities</b>	(716)	(651)
Net (Decrease)/Increase in Cash and Cash Equivalents	(997)	841
Cash and Cash Equivalents at start of the year	2,199	1,358
<b>Cash and Cash Equivalents at end of the year</b>	1,202	2,199

## Net Debt

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

	<b>Bank Loan</b>	<b>Lease</b>	<b>Cash and Cash</b>	<b>Net Debt</b>
	<b>£000</b>	<b>Liabilities</b>	<b>Equivalents</b>	<b>£000</b>
		<b>£000</b>	<b>£000</b>	
At 1 October 2022	2,124	596	(2,199)	521
New Lease Obligations	-	253	-	253
Interest Costs	131	18	-	149
Repayment of Borrowings/Lease Liabilities	(306)	(410)	716	-
Other Cash Expenditure	-	-	281	281
At 30 September 2023	1,949	457	(1,202)	1,204

	<b>Bank Loan</b>	<b>Lease</b>	<b>Cash and Cash</b>	<b>Net Debt</b>
	<b>£000</b>	<b>Liabilities</b>	<b>Equivalents</b>	<b>£000</b>
		<b>£000</b>	<b>£000</b>	
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

The notes on pages 56 to 88 form an integral part of these financial statements.



# Notes to the Financial Statements

For the Year ended 30 September 2023

## 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 8.

### 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 5 to 22. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are included in the Financial Review. In addition, the Group's treasury policy, its approach to the management of financial risk, and its exposure to liquidity and credit risks are outlined in note 17.

In assessing going concern, the main considerations have been trading, new financing and to a lesser extent supply chain shortages and inflationary pressures. The Group continues to witness some 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.

In assessing the Group's going concern the directors also note that (i) despite reporting a small underlying operating loss in the current year, the Group is expected to return to profitability in 2024; (ii) has in place adequate working capital facilities for its forecast needs and was cash generative on an operational level through the 2023 financial year, with a positive EBITDA and strong cash management; (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 2023 challenges. Therefore, the directors believe that it is well placed to manage its business risks successfully.

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 was due to expire in March 2024. This has recently been extended for a further 5 years on the same terms.

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 2022 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 2023, 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.

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. In the case of the fair value of assets acquired exceeding the fair value of consideration, negative goodwill arises which is recognised as a gain in the Income Statement.

##### **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.

##### **Other Intangible Assets**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is provided on intangible assets as to write off the cost, less estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Intellectual Property	15 years straight line
Software	25% - 33% straight line

Amortisation has been expensed both within cost of sales and administrative expenses. Subsequent expenditure on the maintenance of computer software is expensed as incurred.

## 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.

## 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 US \$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.

## **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 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.

## **Derivatives**

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value with changes in value recognised in profit or loss. The Group does not currently apply hedge accounting.

## **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.

### 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. LPA Lighting Systems is the only division that has performance obligations as part of its revenue recognition.

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.

### 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.

### **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 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.

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.

#### **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.

##### **Key Estimate – 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.

##### **Key Judgement – Acquisition Intangibles**

Management judgement is required in deriving a number of assumptions which are used in assessing the fair value of each acquisition intangible including the timing and amount of future incremental cash flows expected to be generated by the asset and in calculating an appropriate cost of capital.

##### **Key Judgement – R&D Expenditure**

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.

##### **Key Estimate – 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.

##### **Key Judgement – Recognition of Defined Benefit Pension Scheme Surplus**

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.

##### **Key Judgement – 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.

**Key Estimate – 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 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 divisions / product groups (in accordance with IFRS 8) – LPA Connection Systems (electro-mechanical), LPA Lighting Systems (lighting & electronics) and LPA Channel Electric (engineered component distribution), which collectively design, manufacture and market industrial electrical and electronic products. They operate across three market segments – Rail; Aerospace & Defence and Other. It is on this basis that the board of directors assess Group performance.

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
LPA Connection Systems	8,393	6,533
LPA Channel Electric	4,070	3,342
LPA Lighting Systems	9,249	9,450
	<b>21,712</b>	<b>19,325</b>
	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Revenue recognised over time	166	97
Revenue recognised at a point in time	21,546	19,228
	<b>21,712</b>	<b>19,325</b>

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

	<b>2023</b>	<b>2022</b>
Rail	75%	72%
Aerospace and Defence	20%	13%
Other	5%	15%
	<b>100%</b>	<b>100%</b>
	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	13,266	12,649
Rest of Europe	5,598	4,607
Rest of World	2,848	2,069
	<b>21,712</b>	<b>19,325</b>

One individual customer (2022: one) represented more than 10% of Group revenue, combined totalling 24% (2022: 23%).

### 3. Employee Information

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

	2023 Number	2022 Number
Production	103	107
Sales and Distribution	34	28
Administration	17	19
	<u>154</u>	<u>154</u>

The employee benefit expense for the year amounted to:

	2023 £000	2022 £000
Wages and Salaries	5,772	5,203
Social Security costs	585	542
Reorganisation costs / staff changes	-	172
Pension costs - Defined Contribution Arrangements (note 21)	315	287
Share based payments	13	13
	<u>6,685</u>	<u>6,217</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 £120,000 (2022: £156,000).

### 4. Finance Income

	2023 £000	2023 £000
Net Pension Interest Income (note 21)	201	78
	<u>201</u>	<u>78</u>

### 5. Finance Costs

	2023	2022
Bank Loan and Overdraft Interest	131	64
Interest on Lease Liabilities	18	24
	<u>149</u>	<u>88</u>

## 6. Operating Profit

	2023	2022
	£000	£000
<b>A. Component costs in arriving at Cost of Sales</b>		
Materials (to Added Value)	10,790	9,831
Cost of Sales - Exceptional Item (see note 6c)	152	-
Production Overhead & Direct Labour	6,122	5,094
Cost of Sales	17,064	14,925

	2023	2022
	£000	£000
<b>B. Expenses/(credits) by nature within Underlying Operating Loss</b>		
Amortisation of Intangible Assets	192	95
Depreciation of Tangible Assets	404	497
Depreciation of Right of Use Assets	285	202
Loss on Disposal of Assets	4	10
Lease Rentals / Short Term Hire Charges		
– Plant, Equipment & Motor Vehicles	33	22
Foreign Exchange (Gain)	(27)	(62)
Other Operating Income:		
– Covid-19 Job Retention Scheme grants (CJRS)	-	(7)
Fees Payable to The Company's Auditor:		
– For the Audit of The Company's Annual Accounts	57	150
– The Audit of The Company's Subsidiaries Pursuant to Legislation	96	84

	2023	2022
	£000	£000
<b>C. Within Exceptional Items</b>		
Write-off of obsolete inventory	152	-
Sale of land	-	(1,506)
Reorganisation costs / staff changes	-	173
Dual running management costs	-	10
	152	(1,323)

Write-off of obsolete inventory relates to a review of inventory held in LPA Connection Systems which was no longer able to be sold due to relating to a discontinued product line.

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 2022.

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

Dual running costs of £10,000 in 2022 relate to an extended crossover between the appointment and retirement of Board Directors related to the Board rejuvenation process commenced in 2018 and concluded in 2022.

## 7. Taxation

	2023	2022
	£000	£000
<b>A. Recognised in The Income Statement</b>		
<b>Current Tax Expense</b>		
UK Corporation Tax	(30)	(65)
Adjustment in Respect of Prior Years	(151)	(80)
	(181)	(145)
<b>Deferred Taxation</b>		
Origination and Reversal of Temporary Differences	81	34
Total Corporation Tax Credit	(100)	(111)
	2023	2022
	£000	£000
<b>B. Reconciliation of Effective Tax Rate</b>		
Profit Before Tax	759	1,074
Tax at The Average UK Corporation Tax Rate of 22% (2022: 19%)	167	204
Effects of:		
- Tax Rate Change	21	-
- Enhanced Deduction for Qualifying R&D Expenditure	(48)	(102)
- Prior Period Adjustments	(151)	(80)
- Non-Taxable Negative Goodwill	(192)	-
- Losses Not Recognised	103	-
- Prior Period Losses Recognised	-	(71)
- Other Differences	-	(62)
Total Income Tax Credit	(100)	(111)
	2023	2022
	£000	£000
<b>C. Current and Deferred Tax Recognised Directly in Equity</b>		
Tax Charge Arising on Share Options	-	8



## 8. Earnings Per Share

The calculation of earnings per share is based upon the profit for the year of £859,000 (2022: £1,185,000) and the weighted average number of ordinary shares in issue during the year of 13,483m (2022: 13.472m) less investment in own shares of 0.3m (2022: 0.3m), of 13.183m (2022: 13.172m).

	2023			2022		
	Earnings £000	Weighted Average No of Shares '000	Earnings Per Share Pence	Earnings £000	Weighted Average No of Shares '000	Earnings Per Share Pence
Basic Earnings Per Share	859	13,183	6.52	1,185	13,172	8.99
Effect of Share Options		21	(0.01)		7	-
Diluted Earnings Per Share	859	13,204	6.51	1,185	13,179	8.99

## 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 LPA Lighting Systems 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% (2022: 2%) which is considered to be consistent with the long-term average growth rate for the businesses concerned. The discount rate applied was 12.5% (2022: 13.2%), 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 2023 year, the carrying amount would still exceed the recoverable amount of goodwill.

	Goodwill	Intellectual Property	Development Costs	Software	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 October 2021	1,234	-	362	577	2,173
Additions	-	-	163	-	163
<b>At 1 October 2022</b>	<b>1,234</b>	<b>-</b>	<b>525</b>	<b>577</b>	<b>2,336</b>
Additions	-	1,754	120	-	1,874
Reclassification	-	-	-	(2)	(2)
<b>At 30 September 2023</b>	<b>1,234</b>	<b>1,754</b>	<b>645</b>	<b>575</b>	<b>4,208</b>
<b>Amortisation and impairment</b>					
At 1 October 2021	85	-	139	544	768
Charge for the year	-	-	77	18	95
<b>At 1 October 2022</b>	<b>85</b>	<b>-</b>	<b>216</b>	<b>562</b>	<b>863</b>
Charge for the year	-	58	121	13	192
Reclassification	-	-	-	(3)	(3)
<b>At 30 September 2023</b>	<b>85</b>	<b>58</b>	<b>337</b>	<b>572</b>	<b>1,052</b>
<b>Net Carrying Amount</b>					
<b>At 30 September 2023</b>	<b>1,149</b>	<b>1,696</b>	<b>308</b>	<b>3</b>	<b>3,156</b>
At 30 September 2022	1,149	-	309	15	1,473

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

The intellectual property addition in this financial year represents the fair value of the competitor's intellectual property of a product line acquired on 24 March 2023. See Note 24 for further details.

**10. Tangible Fixed Assets**

	<b>Freehold Land and Buildings £000</b>	<b>Plant, Vehicles and Equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 October 2021	4,660	6,003	10,663
Additions	-	88	88
Transferred **	-	330	330
Disposals	(160)	(99)	(259)
<b>At 1 October 2022</b>	<b>4,500</b>	<b>6,322</b>	<b>10,822</b>
Additions	-	196	196
Transferred **	-	969	969
Disposals	-	(825)	(825)
Reclassification	5	(3)	2
<b>At 30 September 2023</b>	<b>4,505</b>	<b>6,659</b>	<b>11,164</b>
<b>Depreciation</b>			
At 1 October 2021	545	4,930	5,475
Charge for the year	42	455	497
Transferred**	-	165	165
Disposals	-	(89)	(89)
<b>At 1 October 2022</b>	<b>587</b>	<b>5,461</b>	<b>6,048</b>
Charge for the year	84	320	404
Transferred**	-	450	450
Disposals	-	(824)	(824)
Reclassification	20	(17)	3
<b>At 30 September 2023</b>	<b>691</b>	<b>5,390</b>	<b>6,081</b>
<b>Net Carrying Amount</b>			
<b>At 30 September 2023</b>	<b>3,814</b>	<b>1,269</b>	<b>5,083</b>
At 30 September 2022	3,913	861	4,774

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

	<b>Plant, Vehicles and Equipment £000</b>
<b>Cost</b>	
<b>At 1 October 2021</b>	1,856
Additions	333
Transferred**	(330)
Disposals	(51)
<b>At 1 October 2022</b>	<b>1,808</b>
Additions	265
Transferred**	(969)
Disposals	(104)
<b>At 30 September 2023</b>	<b>1,000</b>
<b>Depreciation</b>	
<b>At 1 October 2021</b>	611
Charge for the year	202
Transferred**	(165)
Disposals	(51)
<b>At 1 October 2022</b>	<b>597</b>
Charge for the year	285
Transferred **	(450)
Disposals	(104)
<b>At 30 September 2023</b>	<b>328</b>
<b>Net Carrying Amount</b>	
<b>At 30 September 2023</b>	<b>672</b>
At 30 September 2022	1,211

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**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Raw Materials and Consumables	2,078	2,087
Work in Progress	958	949
Finished Goods and Goods for Resale	1,267	1,531
	<b>4,303</b>	<b>4,567</b>

Inventories are reported inclusive of the following provisions:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Opening provisions	(938)	(930)
Additional provisions	(167)	(119)
Exceptional provision	(152)	-
Utilised (inventory scrapped/written off)	258	12
Released (inventory utilised/sold)	93	99
	<b>(906)</b>	<b>(938)</b>

**13. Trade and Other Receivables**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Trade Receivables	5,451	4,666
Other Receivables	35	41
Prepayments	356	323
Accrued income	28	65
	<b>5,870</b>	<b>5,095</b>
Trade Receivables are stated after credit losses provided of:	<b>-</b>	<b>17</b>

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

	2023	2022
	£000	£000
Trade Payables	3,277	2,814
Other Taxation and Social Security	446	662
Other Payables	79	32
Accruals	253	740
Deferred Income	438	336
Deferred Consideration (Note 24)	250	-
	<b>4,743</b>	<b>4,584</b>

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 one contract (2022: six), as follows:

	2023	2022
	£000	£000
Deferred Income at 1 October	336	371
Invoiced during the year	268	398
Sales recognised in the year	(166)	(433)
Deferred Income at 30 September	<b>438</b>	<b>336</b>

All deferred income relates to the rail sector, with 33% expected to be recognised within one year (2022: 20%) with the remaining 67% between one and three 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

	2023	2022
	£000	£000
<b>Current</b>		
Bank Loan	1,949	190
<b>Non-Current</b>		
Bank Loan	-	1,934
	<b>1,949</b>	<b>2,124</b>

### 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 2023 the amount outstanding was £1.9m (2022: £2.1m). The loan was refinanced at £2.5m on a further five-year term in January 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 one-third 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 (2022: £1.5m). 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 5.2% (2022: 3.68%) The minimum payments under right of use obligations, fall due as follows:

	2023 £000	2022 £000
Within one year	214	356
Between one and five years	243	240
	<hr/> 457	<hr/> 596
Lease payments - cash outflow in the year	<hr/> 410	<hr/> 414

### 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:

	2023 £000	2022 £000
Within one year	15	15
Operating lease expenses and short-term hire costs – expensed through the Consolidated Income Statement in the year	<hr/> 33	<hr/> 22

## 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:

	2023 £000	2022 £000
Equity	15,713	14,756
Net debt – Borrowings plus Lease Liabilities less cash balances	1,204	521
	<hr/> 16,917	<hr/> 15,277
Overall Financing	<hr/> 16,917	<hr/> 15,277
Gearing (Net Debt as a % of Total Equity)	<hr/> 7.7%	<hr/> 3.5%

Gearing, which is the principal measure used by the Group to monitor its capital structure, increased to 7.7%, principally due to the growth in the business during the year and acquisition of intellectual property rights.

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

### C. Currency risk

Currency exposure arises on sale or purchase transactions in currencies other than sterling, the functional currency of the companies within the Group. It is the Group's policy to 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:

	2023			2022		
	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	1,123	799	1,922	338	591	929
US Dollar	2	(52)	(50)	82	(16)	66
Aus Dollar	-	60	60	-	27	27
	1,125	807	1,932	420	602	1,022

Sterling: forex rates strengthened from the start to the end of the year, Euro rates by 1.2%, USD 9.2%. The Group's opening cash and cash equivalents would have decreased by £23,000 were the 2023 rates have been in place at 30 September 2022.

### Forward Currency Contracts

The Group has forward foreign exchange contracts covering of €4.0 m (2022: nil) of Euro income at the year end. The contracts all expire by 30 September 2024 with an average rate of 1.1433. At the year-end these have been fair valued at £28,000 and an asset has been recognised.

### Sensitivity

At 30 September 2023 if sterling had weakened / strengthened by 10% against the euro with all other variables held constant the effect on pre-tax profit and equity as a result of foreign exchange gains/ (losses) on translation would be:

	2023		2022	
	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	192	-	103	-
Sterling Strengthens By 10% Against the Euro	(192)	-	(84)	-

The above does not cover US Dollars and Australian Dollars where the impact is not significant.

## 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 6.1% (2022: 3.2%). 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 5.2% (2022: 3.7%). The composite interest rate across fixed and floating borrowings and liabilities was 5.6% (2022: 3.0%).

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

	2023 £000	2022 £000
<b>Floating Rate</b>		
Cash and Cash Equivalents	(1,202)	(2,199)
Bank Loan	1,949	2,124
	<u>747</u>	<u>(75)</u>
<b>Fixed Rate</b>		
Lease Liabilities	<u>457</u>	<u>596</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 2023, with all other variables held constant the pre-tax profit would have been lower by £21,000 (2022: £21,000).

## 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 2023 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 facility was renewed in January 2024 and expires in March 2029.

### Un-Drawn Committed Facilities

The Group's un-drawn committed borrowing facilities available at 30 September 2023 comprise its bank overdraft expiring in one year or less at £1.5m (2022: £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:

	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
<b>2023</b>							
Borrowings - Bank Loan	2,009	-	-	-	-	-	2,009
Lease Liabilities	216	146	84	20	-	-	466
Trade and Other Payables	3,859	-	-	-	-	-	3,859
	6,084	146	84	20	-	-	6,334
	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
<b>2022</b>							
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

### 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.

#### 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 2023 these totalled £5.5m (2022: £4.7m). 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 38.2% of trade receivables at 30 September 2023 (2022: 37.5%).



### 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 £nil (2022 £17k) has been applied.

The ageing of trade receivables at the reporting date was:

	2023		2022	
	Gross	Expected credit loss	Gross	Expected credit loss
	£000	£000	£000	£000
Not past due	2,663	-	2,736	-
Past due 1-30 days	1,603	-	1,171	-
Past due 31-90 days	900	-	735	-
Past due 91 days to less than a year	285	-	41	(17)
	5,451	-	4,683	(17)

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:

	2023	2022
	£000	£000
Balance at start of year	17	72
Released to the Income Statement	(17)	(55)
Balance at end of year	-	17

The impairment reduction of £17k (2022: £55k) 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.

## 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.

2023	Amortised Cost £000	Total Carrying Value £000	Fair Value £000
<b>Financial Assets – Loans and Receivables</b>			
Trade and other receivables	5,486	5,486	5,486
Derivative Asset	-	28	28
Cash and cash equivalents	1,202	1,202	1,202
	6,688	6,716	6,716
<b>Financial Liabilities – At Amortised Cost</b>			
Borrowings – Bank loan	(1,949)	(1,949)	(1,949)
Lease Liabilities	(457)	(457)	(457)
Trade and other payables	(3,859)	(3,859)	(3,859)
	(6,265)	(6,265)	(6,265)
Net Financial Assets	423	451	451

2022	Amortised Cost £000	Total Carrying Value £000	Fair Value £000
<b>Financial Assets – Loans and Receivables</b>			
Trade and other receivables	4,707	4,707	4,707
Cash and cash equivalents	2,199	2,199	2,199
	6,906	6,906	6,906
<b>Financial Liabilities – At Amortised Cost</b>			
Borrowings – Bank loan	(2,124)	(2,124)	(2,124)
Lease Liabilities	(596)	(596)	(596)
Trade and other payables	(3,586)	(3,586)	(3,586)
	(6,306)	(6,306)	(6,306)
Net Financial Assets	600	600	600

## 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	Acquired Intangibles £000	Other £000	Total £000
At 1 October 2021	(129)	399	-	(7)	263
Recognised in Income Statement	(34)	71	-	(71)	(34)
At 1 October 2022	(163)	470	-	(78)	229
Acquired in period	-	-	(313)	-	(313)
Recognised in Income Statement	57	(154)	15	1	(81)
<b>At 30 September 2023</b>	<b>(106)</b>	<b>316</b>	<b>(298)</b>	<b>(77)</b>	<b>(165)</b>

Deferred tax has been provided at 25% at 30 September 2023 (2022: 25%) in recognition of the UK corporation tax increase from 19% to 25% from 1 April 2023. The rate used in prior years reflected 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. 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	Acquired Intangibles £000	Other £000	Total £000
Deferred Tax Assets	76	316	-	-	392
Deferred Tax Liabilities	(182)	-	(298)	(77)	(557)
<b>At 30 September 2023</b>	<b>(106)</b>	<b>316</b>	<b>(298)</b>	<b>(77)</b>	<b>(165)</b>
Deferred Tax Assets	46	470	-	-	516
Deferred Tax Liabilities	(209)	-	-	(78)	(287)
<b>At 30 September 2022</b>	<b>(163)</b>	<b>470</b>	<b>-</b>	<b>(78)</b>	<b>229</b>

## 19. Equity

### Share Capital

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

	2023		2022	
	Number	£000	Number	£000
<b>Issued and Fully Paid</b>				
In Issue at the start of the year	13,483,229	1,348	13,448,229	1,345
Allotted Under Share Plans	-	-	35,000	3
In Issue at the end of the year	13,483,229	1,348	13,483,229	1,348

During the year no options were exercised (2022: 35,000 shares at an average exercise price of 49.0p).

The market price of the Company's shares on 30 September 2023 was 80.5p per share (2022: 75.5p) and the price range during the year was 72.5p to 101.5p per share (2022: 66.5p to 98.2p).

### Proposed Dividends

A final dividend of 1p (2022: nil) per ordinary share is proposed by the directors.

### 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 2023 by the EBT totalled 300,000 (2022: 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 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.

**The 2023 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 2023 are as follows:

Scheme	Date of Grant	Exercise price	Dates when Exercisable	Number of Options	
				2023	2022
2018 Performance Share Plan					
	Aug 2018	104.8p	02/08/21 to 01/08/28	60,000	60,000
	Feb 2020	109.3p	20/02/23 to 19/02/30	170,000	170,000
	July 2020	63.2p	23/07/23 to 22/07/30	70,000	70,000
	Mar 2021	83.5p	02/03/24 to 01/03/31	35,000	35,000
				335,000	335,000
2023 Performance Share Plan					
	Jul 2023	50p	26/07/26 to 25/07/33	255,000	-
				255,000	-
				590,000	335,000

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

	2023		2022	
	Weighted Average Exercise Price (P)	Number of Options	Weighted Average Exercise Price (P)	Number of Options
Outstanding at the Beginning of the Year	96.2	335,000	92.0	565,000
Granted During the Year	50.0	255,000	-	-
Exercised During the Year	-	-	49.0	(35,000)
Cancelled During the year	-	-	71.3	(195,000)
Outstanding at the End of the Year	76.2	590,000	96.2	335,000
Exercisable at the End of the Year	97.6	300,000	104.8	60,000

No share options have expired during either 2023 or 2022.

The options outstanding at the end of the year have an exercise price in the range of 63.2p to 109.3p and a weighted average contractual life of 7.1 years (2022: 7.3 years)

There were no options exercised during the year (2022: 35,000 at an average exercise price of 49.0p).

During the year 255,000 share options (2022: Nil) were awarded under the Performance Share Plan 2023.



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

During the year 255,000 share options were awarded to Directors as one award at an exercise price of 50p subject to three increasingly targeted performance hurdles which are related to earnings per share and market capitalisation (2022: Nil options awarded).

Note: no valuation has been attributed to the share options awarded in 2023 under IFRS2 in line with current assumptions.

The Group's share-based remuneration expense recognised in the year was £13,000 (2022: £13,000).

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 £315,000 (2022: £287,000). The liability to the scheme at the balance sheet date is £Nil (2022: £Nil).

### 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 110 past employees as at 31 March 2023 (2022: 113). 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 Pensions Master Plan managed by ISIO.

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 to pick up statutory costs of running the scheme, with all other costs being borne by the scheme itself. 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 2023, there were no voluntary contributions, (2022: £Nil).

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 2023. 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

	2023 £000	2022 £000
Fair Value of Scheme Assets	12,219	12,435
Present Value of Defined Benefit Obligation	(8,092)	(8,633)
Pension Surplus	4,127	3,802
Restriction of Pension Surplus	(1,444)	(1,331)
Asset recognised in the Balance Sheet	2,683	2,471

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. The recent budget announcement noted that there is a planned decrease in this rate to 25% which may reduce the level of the current restriction in future periods should this change be substantively enacted into law.

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 2023.

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

	2023 £000	2022 £000
Defined Benefit Obligation at Start of The Year	8,633	13,113
Interest expense	450	258
Actuarial loss due to Scheme Experience	115	303
Actuarial gain due to Changes in Demographic Assumptions	(244)	(62)
Actuarial gain due to Changes in Financial Assumptions	(397)	(4,515)
Benefits Paid	(465)	(464)
Defined Benefit Obligation at End of The Year	8,092	8,633

**Defined Benefit split by membership category**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Deferred pensioners	3,257	3,328
Unsecured pensioners	4,602	5,057
Additional liability from GMP equalisation	233	248
Defined Benefit Obligation at the End of the Year	8,092	8,633

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Fair Value of Scheme Assets at Start of The Year	12,435	17,056
Interest Income	651	336
Return on Plan Assets (Excluding Amounts Included in Interest Income)	(328)	(4,493)
Expenses	(74)	-
Benefits Paid	(465)	(464)
Fair Value of Scheme Assets at End of The Year	12,219	12,435

The actual return on the plan assets over the period ending 30 September 2023 was a gain of £323,000 (2022: reduction of £4,157,000).

**Defined Benefit Income Recognised in Profit or Loss**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Interest Income	651	336
Interest Cost	(450)	(258)
Net Interest Income	201	78

**Defined Benefit Costs Recognised in the Statement of Other Comprehensive Income**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Return on Plan Assets (excluding Amounts Included in Interest Income) – Loss	(328)	(4,493)
Experience Losses arising on the Defined Benefit Obligation	(115)	(303)
Effect of changes in the Demographic Assumptions Underlying the Present Value of the Defined Benefit Obligation – Gain	244	62
Effect of changes in the Financial Assumptions Underlying the Present Value of the Defined Benefit Obligations – Gain	397	4,515
Amount Recognised in Other Comprehensive Income – Gain/(Loss)	198	(219)

**Assets**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Equities	3,008	2,835
Corporate Bonds	3,367	4,000
Government Bonds	4,880	5,520
Cash and Net Current Assets	964	80
<b>Total Assets</b>	<b>12,219</b>	<b>12,435</b>

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.

**Significant Actuarial Assumptions**

	<b>2023</b>	<b>2022</b>
	<b>% Per Annum</b>	<b>% Per Annum</b>
Rate of Discount	5.50	5.35
Inflation (RPI)	3.35	3.70
Inflation (CPI)	2.75	3.10
Allowance for Pension in Payment Increases of RPI or 5% max	3.15	3.55
Allowance for Pension in Payment Increases of CPI or 3% max	2.15	2.45
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 2023 are 100% of the standard tables S3PxA, Year of Birth, no age rating for males and females, projected using CMI\_2022 converging to 1.25% p.a. (at 30 September 2022 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI\_2021 converging to 1.25% p.a.). These imply the following life expectancies:

	<b>Life Expectancy at Age 65 (years)</b>	
	<b>2023</b>	<b>2022</b>
Male Retiring In 2023:	21.2	22.2
Female Retiring In 2023:	23.7	24.5
Male Retiring In 2042:	22.2	23.5
Female Retiring In 2042:	24.8	25.9

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

Assumption	Change in Assumption	Change in Liabilities	
		2023 % change	2022 % change
Discount Rate	Increase of 0.10%	Decrease 1.0%	Decrease by 1.2%
Rate of Inflation	Increase of 0.10%	Increase 0.5%	Increase by 1.1%
Rate of Mortality	Increase in Life Expectancy Of 1 Year	Increase 3.5%	Increase by 3.3%
Commutation	Members Commute an Extra 10% of Post A Day Pension on Retirement	Decrease 0.1%	Decrease by 0.1%

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 2023 is 11 years (2022: 12 years).

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

The contributions expected to be paid by the Group to the plan for the period commencing 1 October 2023 are £Nil (2022: £Nil).

## 22. Financial Commitments

### Capital Commitments

Contracted for but not provided in the accounts amounted to £379,000 (2022: £Nil).

### Contingent Liabilities

As at 30 September 2023 Group contingent liabilities relating to guarantees in the normal course of business amounted to £109,000 (2022: £109,000).

## 23. Related Party Transactions

The remuneration of the directors and the subsidiary Managing Directors, who are considered to be the key management personnel of the Group, is set out below. Detailed information about the remuneration of individual directors is disclosed in the Remuneration Report.

	2023 £000	2022 £000
Short-term employee benefits	937	729
Loss of office	-	93
Share based payments	10	5
	<u>947</u>	<u>827</u>

### 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 (2022: none).



## 24. Purchase of Business

The Group purchased trade and the intellectual property relating to a competitor's product line on 24 March 2023. The book value of assets acquired was £nil and a valuation exercise was performed using the relief from royalty method to determine the fair value of the intellectual property acquired. The fair value of assets acquired along with the related deferred tax adjustment is as follows:

	Fair value £000
Intangible Assets – Intellectual Property	1,754
Deferred Tax Liability on Intangible Asset Uplift	(313)
	1,441
Cash Consideration	(500)
Negative Goodwill	941

The cost of the acquisition was £500,000, of which £250,000 was paid during the year and £250,000 is outstanding at the year end. The negative goodwill arose as the competitor would have had to undertake major investment to support the long-term viability of the product line.

The acquisition has contributed £1,478,000 to revenues and has delivered profit in line with expectations.

## 25. Post Balance Sheet Event

### Acquisition of Red Box International Holdings

The Group acquired the 100% share capital of Red Box International Holdings Ltd on 4 January 2024 for a total consideration estimated and capped at £1.1m, of which £275,000 is being satisfied on completion, and £825,000 payable post-completion.

Red Box is a leading UK manufacturer of aviation ground power equipment with global reach and an established presence in the USA market. The Acquisition will provide a strong addition to LPA Connection Systems, the Group's Saffron Walden-based division, that designs, manufactures and supplies high quality specialist products for the aviation, rail, and infrastructure markets. This acquisition supports our long-term growth strategy whilst also lessening the Group's dependence on rail projects.

Red Box revenues for the year ended 31 December 2022 were £1,677,000, with adjusted EBIT of £81,000. Net assets as at 31 December 2023 were around £750,000.











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# Company Balance Sheet

At 30 September 2023

	Note	2023 £000	2022 £000
<b>Fixed Assets</b>			
Investments	C5	5,166	5,411
Tangible Assets	C6	1,965	2,061
		<hr/> 7,131	<hr/> 7,472
<b>Current Assets</b>			
Debtors	C7	576	471
Cash at Bank and In Hand		-	1,275
		<hr/> 576	<hr/> 1,746
<b>Creditors: Amounts Falling Due Within One Year</b>	C8	(4,316)	(2,221)
<b>Net Current Liabilities</b>		<hr/> (3,740)	<hr/> (475)
<b>Total Assets Less Current Liabilities</b>		3,391	6,997
<b>Creditors: Amounts Falling Due After More Than One Year</b>	C9	-	(2,634)
<b>Net Assets</b>		<hr/> 3,391	<hr/> 4,363
<b>Capital and Reserves</b>			
Called Up Share Capital	C12	1,348	1,348
Investment In Own Shares	C13	(324)	(324)
Share Premium Account	C13	943	943
Share Based Payment Reserve	C13	62	49
Merger Reserve	C13	784	784
Retained Earnings †	C13	578	1,563
<b>Total Equity Shareholders' Funds</b>		<hr/> 3,391	<hr/> 4,363

† 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 loss of £0.99m (2022: gain of £0.93m).

The financial statements were approved by the Board on 24 January 2024 and signed on its behalf by:

**Stuart Stanyard**  
Chief Financial Officer



# Company Statement of Changes in Equity

For the year ended 30 September 2023

	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
<b>2023</b>							
At 1 October 2022	1,348	(324)	943	49	784	1,563	4,363
Loss for the Year	-	-	-	-	-	(985)	(985)
Total Comprehensive Income	-	-	-	-	-	(985)	(985)
Share based payments	-	-	-	13	-	-	13
Transactions with owners	-	-	-	13	-	-	13
<b>At 30 September 2023</b>	1,348	(324)	943	62	784	578	3,391
	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
<b>2022</b>							
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
<b>At 30 September 2022</b>	1,348	(324)	943	49	784	1,563	4,363

# Company Notes to the Financial Statements

For the year ended 30 September 2023

## 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 2023.

## 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.

**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. 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. Prepayments and cash and cash equivalents are subsequently measured at amortised cost.

**Derivatives**

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value with changes in value recognised in profit or loss. The Group does not currently apply hedge accounting.

**Financial Liabilities**

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company'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.

**D. 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.

**E. 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).

#### **F. 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.

#### **G. Defined Contribution Pension Schemes**

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

#### **H. 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.

##### **Key Judgement – Impairment of investments**

The determination of whether an impairment trigger arises requires a judgment by management. If triggered an estimate of the value in use of the cash-generating units to which the investment relates is required. 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 (2022: two). 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:

	2023 Number	2022 Number
Administration	7	7

The employee benefit expense for the year amounted to:

	2023 £000	2022 £000
Wages and Salaries	565	631
Social Security Costs	56	68
Pension Costs - Defined Contribution Arrangements	34	47
Share Based Payments	13	13
	668	759

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 £Nil (2022: £98,000) see note 6 within the Group Financial Statements including £Nil (2022: £10,000) of dual running management costs and £Nil (2022: £88,000) of reorganisation costs.

## C5. Investments

### Investments in Subsidiary Undertakings

	Cost £000	Provision for Impairment £000	Carrying Amount £000
At 1 October 2022	6,459	(1,048)	5,411
Disposals	(245)	-	(245)
At 30 September 2023	6,214	(1,048)	5,166

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
<b>Subsidiary Undertakings</b>			
Channel Electric Equipment Limited t/a LPA Channel Electric	Ordinary Shares	100%	Engineered component distribution
LPA Industries Limited t/a LPA Connection Systems	Ordinary Shares	100%	Electro-mechanical Systems
Excil Electronics Limited t/a LPA Lighting Systems	Ordinary Shares	100%	LED lighting and electronic Systems

Channel Electric Equipment Holdings Limited and Haswell Engineers Limited were subsidiaries during the year but are currently in the process of being liquidated.

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.



Channel Electric Equipment Limited (company no. 00919987), LPA Industries Limited (company no. 00629433) and Excil Electronics Limited (company no.01675128) have applied the subsidiary company exemption from audit by virtue of S479A of the Companies Act 2006.

## C6. Tangible Fixed Assets

	Freehold Land and Buildings £000	Plant and Machinery £000	Total £000
<b>Cost</b>			
At 1 October 2022	2,233	716	2,949
Additions	-	10	10
At 30 September 2023	2,233	726	2,959
<b>Depreciation</b>			
At 1 October 2022	300	588	888
Charge for the year	34	72	106
At 30 September 2023	334	660	994
<b>Net book value</b>			
At 30 September 2023	1,899	66	1,965
At 30 September 2022	1,933	128	2,061

## C7. Debtors

	2023 £000	2022 £000
<b>Amounts falling due within one year</b>		
Amounts due from Subsidiary Undertakings	186	176
Prepayments	72	15
Deferred Taxation (note C11)	318	280
	576	471

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

## C8. Creditors: Amounts Falling Due within One Year

	2023 £000	2022 £000
Bank Loan (Note 10)	1,949	190
Bank Overdraft	1,606	-
Trade Creditors	37	57
Amounts owed to Subsidiary Undertakings	413	1,440
Other Taxation and Social Security	-	329
Accruals	311	205
	4,316	2,221

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

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Debt - Bank Loan (Note C10)	-	1,934
Amounts owed to Subsidiary Undertakings	-	700
	-	2,634

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**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Due Within One Year</b>		
Bank Loan	1,949	190
	1,949	190
<b>Non-Current</b>		
Bank Loan	-	1,934
<b>Total Borrowings</b>	1,949	2,124
<b>Repayable</b>		
Within One Year	1,949	190
Between One and Two Years	-	1,934
Between Two and Five Years		-
	1,949	2,124

The following security is provided to Barclays Bank plc in respect of the Company's £1.9m term loan outstanding at 30 September 2023 (2022: £2.1m): (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.

This facility was renewed in January 2024. See Group Financial Statements note 15 for the terms of the borrowings.

**C11. Deferred Tax Asset**

	<b>£000</b>
At 1 October 2022	280
Charged to profit in the year	38
At 30 September 2023	<u>318</u>

**Recognised Deferred Tax Assets and Liabilities**

Deferred Taxation Assets recognised in the Accounts are as Follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Accelerated Capital Allowances	73	43
Tax Benefit on Losses	245	237
	<u>318</u>	<u>280</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% (2022: 25%). Deferred tax assets are disclosed in Note C7.

**C12. Share Capital**

	<b>2023</b>	<b>£000</b>	<b>2022</b>	<b>£000</b>
<b>Issued and Fully Paid</b>	<b>Number</b>		<b>Number</b>	
In Issue at the Start of the year	13,483,229	1,348	13,448,229	1,345
Allotted Under Share Plans	-	-	35,000	3
In Issue at the End of the year	<u>13,483,229</u>	<u>1,348</u>	<u>13,483,229</u>	<u>1,348</u>

During the year no options were exercised (2022: 35,000 at a weighted average of 49.0p). At the year end, 300,000 (2022: 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.

**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 2023, 300,000 ordinary shares of 10p each were held (2022: 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 (2022: £13,000).

**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 2023 the Company's exposure in relation to the overdraft facility was £nil (2022: £720,000).







# OTHER INFORMATION









# 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 Sixty Second Annual General Meeting ("AGM") of LPA Group Plc (the "Company") will be held at the offices of Cavendish, 1 Bartholomew Close, London, EC1A 7BL on Wednesday 27 March 2024 at 12.00 noon for the following purposes:

## Routine Business

1. To receive the accounts for the year ended 30 September 2023, together with the reports of the directors and the auditors thereon.
2. To re-elect as a director Robert Horvath who retires by rotation, in accordance with the Company's Articles of Association.
3. To declare a final dividend of 1p per ordinary share of 10p each ("Ordinary Share") for the year ended 30 September 2023, payable on 12 April 2024 to shareholders on the register at the close of business on 15 March 2024 (record date) and an ex-dividend date of 14 March.
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 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 2025 or the close of business on the date falling 15 months after the date of the passing of this resolution, 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.

By order of the Board  
**Stuart Stanyard**  
 24 January 2024

**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 25 March 2024 (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](http://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](mailto:shareholderenquiries@linkgroup.co.uk) or via postal address at Link Group, 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.
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 notorially 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](http://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](mailto:shareholderenquiries@linkgroup.co.uk).

### Appointment of Proxies via Proxymity

Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 12.00 noon on 25 March 2024 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 Proxymity'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 Proxymity 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 12.00 noon on 25 March 2024. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

### Appointment of Proxy by Joint Members

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

### Changing Proxy Instructions

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

appointment received last before the latest time for the receipt of proxies will take precedence.

### Termination of Proxy Appointments

14. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group, at the address shown in note 8. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed, or a duly certified copy of such power or authority, must be included with the revocation notice. The revocation notice must be received by Link Group no later than 48 hours before the Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

### Issued Shares and Total Voting Rights

#### Corporate Representatives

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

#### Issued Share Capital

16. As at 24 January 2024, 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 24 January 2024 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.

# 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](mailto:enquiries@lpa-group.com)

Website: [www.lpa-group.com](http://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](mailto: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](mailto:enquiries@lpa-channel.com)

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Circuit breakers

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Connectors

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Fans & motors

---

Relays & contactors

---

Switches

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USB charging

---

## LED lighting and electronic systems

### LPA Lighting Systems

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

Tel: +44 (0)1924 224100

Email: [enquiries@lpa-light.com](mailto:enquiries@lpa-light.com)

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Electronic control systems

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Electronic monitoring systems

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Fluorescent lamp Inverters

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Complete rolling stock interior lighting systems.

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Rolling stock interior and exterior door status  
indication systems

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Rolling stock seat electronics solutions

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# LPA Group PLC – Form of Proxy

For use at the Annual General Meeting to be held at 12.00 noon on Wednesday 27 March 2024 at the offices of Cavendish, 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 \_\_\_\_\_ 2024

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.

☐ Please tick here if this proxy appointment is one of multiple proxies being made (and refer to Note 5 below)

If this is one of multiple proxies being made please insert the number of shares to which this form relates and see Note 5 below

Resolution	For	Against	Vote withheld	Discretionary
1. To receive the accounts for the year ended 30 September 2023.				
2. To re-elect Robert Horvath as a director of the Company.				
3. To declare a final dividend of 1p per Ordinary Share for the year ended 30 September 2023.				
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 Company to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its own shares.				



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**Notes:**

1. If you wish to appoint as your proxy any person(s) other than the Chairman of the meeting, please insert the full name(s) of the proxy or proxies (in block capitals) in the space above. A proxy need not be a member of the Company and may attend the meeting in person and vote on a show of hands and on a poll.
2. To be effective a form of proxy must be in writing and signed by the member or his duly authorised attorney or, if the member is a corporation under its common seal or signed by a duly authorised officer or attorney. A corporation may appoint a representative to attend and vote at the meeting.
3. To be valid this proxy, together with any power of attorney under which it is signed, must be received at Link Group, 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 if the proxy instruction is one of multiple instructions being given by ticking the box. Please also 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). 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.







Long Life Reliability  
does not cost the earth

**LPA Group Plc**  
Light & Power House  
Shire Hill  
Saffron Walden  
CB11 3AQ UK  
**+44 (0) 1799 512800**