

COMPANY NO 1675128

Excil Electronics Limited

Annual Report

Year ended 30 September 2007

THURSDAY



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Company Information

Directors	Peter G Pollock Stephen K Brett John Hesketh Nigel S Orme
Secretary	Stephen K Brett
Registered office	Tudor Works Debden Road Saffron Walden Essex CB11 4AN
Registered number	1675128
Auditors	Grant Thornton UK LLP Chartered Accountants Byron House Cambridge Business Park CB4 0WZ
Bankers	Bank of Scotland 123 St Vincent Street Glasgow G2 5EA

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 September 2007

Results and dividends

The profit on ordinary activities after taxation amounted to £236,000 (2006 £17,000) The directors do not recommend the payment of a dividend (2006 £Nil)

Business review

The principal activities of the Company continue to be the design, development and manufacture of electronic, electrical and mechanical products, assemblies, systems and projects Results for the current financial year were much improved with sales up 56.3% to £3.46 million, producing an operating profit of £217,000 (2006 loss of £11,000) Gross margins increased from 17.2% to 19.1%, and cash generation remained positive Low rail project order intake meant, however, that order entry both weakened year-on-year, and also fell behind sales as a consequence the directors expect progress to be restricted in the coming year Tendering levels remain high, which together with the satisfactory resolution of various rail project delays, could lead to significant contracts for the Company in the medium term The Company holds a strong position in LED's for rail lighting applications, and is focusing its efforts on the development of products for both rail and other markets, which are seen to have large growth potential

The business review has been prepared solely for the shareholders of the Company as a body To the extent permitted by law the Company, its directors, officers and employees disclaim liability to any other persons in respect of the information contained in this report Sections may include statements containing risks and uncertainties facing the Company, and other forward-looking statements, which by their nature involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated The Company undertakes no obligation to update any forward-looking statements

Principal risks and uncertainties

The principal risks confronting the Company, where adverse changes could impact results, are

- The Company's sales dependence upon the rail sector in general, and UK rail in particular
- Certain activities benefit from long standing commercial relationships with key customers and suppliers
- The Company operates in competitive markets which are subject to product innovation, technical advances and intensive price competition

Key performance indicators

The Company uses the following key performance indicators to assess the progression in its business - (i) Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth being 0.89 in the current year (2006 1.50, 2005 0.78), (ii) Sales growth (the increase in year on year sales as a percentage of prior year sales) as a measure of current growth being 56.3% for the current year (2006 -19.6%, 2005 -5.2%), (iii) Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 19.1% in the current year (2006 17.2%, 2005 19.5%), and (iv) Net cash flow (net cash inflow before financing) as a measure of cash generation being £28,000 for the current year (2006 £45,000 and 2005 £222,000)

Directors and their interests

The directors who served during the year are set out on page 1

The directors had no interest in the share capital of the Company, which is a wholly owned subsidiary of LPA Group plc The interests of Peter Pollock and Stephen Brett in the share capital of LPA Group plc are disclosed in the financial statements of that company The interests of the other directors in the share capital of LPA Group plc are as follows

Report of the Directors (continued)

Directors and their interests (continued)

Interests in 10p ordinary share options

a - 1997 Unapproved Share Option Scheme

	At 1 October 2006	Granted / (lapsed) in year	At 30 September 2007	Option price	Earliest exercise date	Latest exercise date
John Hesketh	5,000	(5,000)	-	56 Op	1 Aug 2004	31 Jul 2011
John Hesketh	5,000	-	5,000	13 Op	20 Feb 2006	19 Feb 2013
John Hesketh	5,000	-	5,000	19 Op	20 Feb 2009	19 Feb 2016
John Hesketh	-	20,000	20,000	39 Op	8 Mar 2010	7 Mar 2017
Nigel S Orme	5,000	(5,000)	-	56 Op	1 Aug 2004	31 Jul 2011
Nigel S Orme	-	10,000	10,000	39 Op	8 Mar 2010	7 Mar 2017

b - 2007 Employee Share Option Scheme

	At 1 October 2006	Granted in year	At 30 September 2007	Option price	Earliest exercise date	Latest exercise date
John Hesketh	-	70,000	70,000	36 Op	31 Jul 2010	30 Jul 2017

Details of the share option schemes are provided in the financial statements of LPA Group plc

Donations

The Company made charitable donations in the year of £Nil (2006 £Nil)

Statement of directors' responsibilities for the financial statements

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

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

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

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

Report of the Directors (continued)

Disclosure of information to auditors

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

- so far as each director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

Auditors

Grant Thornton UK LLP are willing to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approval

The report of the directors was approved by the Board on 22nd April 2008 and signed on its behalf by



Stephen Brett
Secretary

Independent Auditors' Report to the Shareholders of Excil Electronics Limited

We have audited the financial statements of Excil Electronics Limited for the year ended 30 September 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 2 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Cambridge, England
9 June 2008

Profit and Loss Account

for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Turnover	2	3,462	2,215
Cost of sales		(2,800)	(1,835)
Gross profit		662	380
Sales and distribution costs		(207)	(185)
Administrative expenses		(238)	(206)
Operating profit / (loss)	3	217	(11)
Net interest receivable	4	28	26
Profit on ordinary activities before taxation		245	15
Tax on profit on ordinary activities	7	(9)	2
Profit on ordinary activities after taxation and retained profit for the financial year	15	236	17

All activities are continuing

There were no gains or losses in either year other than those recognised in the profit and loss account and as a result no statement of total recognised gains and losses is presented

The only movement in shareholders' funds is the profit for the financial year

Balance Sheet

at 30 September 2007

	Note	2007 £'000	2008 £'000
Fixed assets			
Tangible assets	8	459	492
		<hr/>	<hr/>
Current assets			
Stocks	9	556	400
Debtors	10	830	561
Cash at bank and in hand		391	366
		<hr/>	<hr/>
		1,777	1,327
Creditors: Amounts falling due within one year	11	(648)	(462)
		<hr/>	<hr/>
Net current assets		1,129	865
		<hr/>	<hr/>
Total assets less current liabilities		1,588	1,357
Creditors: Amounts falling due after more than one year	12	(690)	(695)
		<hr/>	<hr/>
Net assets		898	662
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	1,254	1,254
Share premium account	15	104	104
Revaluation reserve	15	83	83
Profit and loss reserve	15	(543)	(779)
		<hr/>	<hr/>
Equity shareholders' funds		898	662
		<hr/>	<hr/>

The financial statements were approved by the Board on 22nd April 2008 and signed on its behalf by



P G Pollock
Director

Notes to the Financial Statements

for the year ended 30 September 2007

1. Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain freehold properties, and in accordance with the Companies Act 1985 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice)

Turnover

Turnover is the revenue arising from the sales of goods and services. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

Revenue from services provided by the Company is recognised when the Company has performed its obligations and in exchange obtained the right to consideration.

Research and development

Research and development expenditure is charged to profits in the period in which it is incurred.

Tangible fixed assets and depreciation

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

Depreciation is calculated to write down the cost or valuation, 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:

Freehold buildings	2%
Plant and equipment	10%
Fixtures and fittings	10%
Computer equipment	25%

The transitional provisions of FRS15 were adopted in 2000 and accordingly the property valuation has not been updated. The date of the last revaluation was 1988.

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

Hire purchase agreements

Where the Company enters into an agreement that transfers substantially all the risks and rewards of ownership of an asset to the lessee, the agreement is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset at the present value of the minimum agreement payments and is depreciated over the asset's useful economic life. Future instalments under such agreements, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element, which reduces the outstanding obligation.

Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

Notes to the Financial Statements

for the year ended 30 September 2007

1. Accounting Policies (continued)

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by-category basis

The cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis. The cost of work in progress and finished goods is based on the cost of direct materials and labour plus attributable overheads based on a normal level of activity, on a first-in, first-out basis. Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution.

Current tax

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

Deferred taxation

Deferred tax is recognised in respect of all timing differences (which arise because of differences between the treatment of certain items for accounting and taxation purposes) that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

LPA Group plc and its subsidiary undertakings are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of this Group that such losses will be paid for by the recipient company. Where there is reasonable certainty that taxable losses can be relieved the group relief receivable or payable is included in the taxation charge or credit for the period.

Defined contribution pension schemes

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

Government grants

Grants that relate to specific capital expenditure are treated as deferred income, which is then credited to the profit and loss account over the related assets' useful life. Other grants are credited to the profit and loss account when received.

Notes to the Financial Statements

for the year ended 30 September 2007

1. Accounting Policies (continued)

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except where the transaction is covered by a related or matching forward contract, in which case that contract rate is used. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, except where there are related or matching forward contracts, in which case the rate in that contract is used.

Foreign exchange gains and losses are credited or charged to the profit and loss account as they arise.

Cash flow statement

The Company is exempt from publishing a cash flow statement as it is a wholly owned subsidiary of LPA Group plc which publishes a consolidated cash flow statement.

2. Turnover

The analysis of turnover by geographical market is as follows:

	2007 £'000	2006 £'000
United Kingdom	2,507	1,777
Rest of Europe	502	302
Rest of World	453	136
	<hr/>	<hr/>
	3,462	2,215
	<hr/>	<hr/>

Notes to the Financial Statements

for the year ended 30 September 2007

3. Operating Profit / (Loss)

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

	2007 £'000	2006 £'000
Depreciation on owned assets	53	54
Depreciation on assets held under hire purchase contracts	3	10
Profit on disposal of fixed assets	-	(1)
Operating lease rentals - plant and machinery (incl motor vehicles)	36	39
Fees payable to the Company's auditor for the audit of the Company's annual accounts	8	7
Fees payable to the Company's auditor and its associates for tax services	2	2
	<u> </u>	<u> </u>

4. Net Interest Receivable

	2007 £'000	2006 £'000
Interest payable - hire purchase contracts	(1)	(1)
Interest receivable - bank	29	27
	<u> </u>	<u> </u>
Net interest receivable	28	26
	<u> </u>	<u> </u>

There is no interest charged on the inter-group loan

5. Employees

Average monthly number of employees, including directors	2007 No	2006 No
Production	38	33
Sales and distribution	3	3
Administration	5	5
	<u> </u>	<u> </u>
	46	41
	<u> </u>	<u> </u>
Staff costs, including directors	2007 £'000	2006 £'000
Wages and salaries	855	729
Social security costs	84	73
Other pension costs - defined contribution arrangements	28	25
Other pension costs - life assurance contributions	6	6
	<u> </u>	<u> </u>
	973	833
	<u> </u>	<u> </u>

Notes to the Financial Statements

for the year ended 30 September 2007

6. Directors Remuneration

	2007 £'000	2006 £'000
Emoluments	105	131
Company contributions paid to money purchase pension schemes	7	7
	<u>112</u>	<u>138</u>

	2007 No	2006 No
Number of directors accruing retirement benefits under defined contribution schemes	2	2

7. Tax on Profit on Ordinary Activities

	2007 £'000	2006 £'000
United Kingdom corporation tax		
Group relief payable	9	-
Adjustments in respect of prior years	-	(2)
	<u>9</u>	<u>(2)</u>
Current taxation	9	(2)
Deferred taxation		
Net origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>9</u>	<u>(2)</u>

Current tax reconciliation

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	245	15
	<u>245</u>	<u>15</u>
Theoretical tax at UK corporation tax rate of 30% (2006 30%)	74	5
Effects of		
- Accelerated capital allowances	1	(1)
- Current profits set-off against brought forward losses	(74)	(6)
- Other expenditure that is not tax deductible	1	2
- Other differences	7	-
- Adjustments in respect of prior years	-	(2)
	<u>9</u>	<u>(2)</u>
Actual current taxation charge	<u>9</u>	<u>(2)</u>

At 30 September 2007 the Company had tax losses to carry forward against profits chargeable to corporation tax amounting to £217,000 (2006 £462,000) subject to agreement with the Inland Revenue

Notes to the Financial Statements

for the year ended 30 September 2007

8. Tangible Fixed Assets

	Freehold land and buildings £ '000	Plant and machinery £ '000	Fixtures, fittings and Equipment £ '000	Total £ '000
Cost or valuation				
At 1 October 2006	320	601	210	1,131
Additions	-	13	10	23
Disposals	-	-	(24)	(24)
At 30 September 2007	320	614	196	1,130
Represented by:				
Valuation - 1988	300	-	-	300
Cost	20	614	196	830
	320	614	196	1,130
Depreciation				
At 1 October 2006	89	365	185	639
Charged in period	4	44	8	56
Disposals	-	-	(24)	(24)
At 30 September 2007	93	409	169	671
Net book value				
At 30 September 2007	227	205	27	459
At 1 October 2006	231	236	25	492

Included within plant and machinery are assets with a net book value of £19,000 (2006 £22,000), which are held under hire purchase contracts

The Company's freehold land and buildings were professionally valued on an existing use basis in February 1988. On an historical cost basis freehold land and buildings would have been included at the following amounts

	£'000
Cost	241
Accumulated depreciation	(97)
At 30 September 2007	144
At 1 October 2006	147

Notes to the Financial Statements

for the year ended 30 September 2007

9. Stocks

	2007 £'000	2006 £'000
Raw materials	417	332
Work in progress	139	68
	<u>556</u>	<u>400</u>

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

10. Debtors

	2007 £'000	2006 £'000
Trade debtors	807	540
Prepayments and accrued income	23	21
	<u>830</u>	<u>561</u>

11. Creditors: Amounts Falling Due Within One Year

	2007 £'000	2006 £'000
Obligations under hire purchase contracts	4	3
Trade creditors	364	292
Amounts owed to group undertakings	27	30
Other taxation and social security	65	27
Other creditors	20	20
Accruals and deferred income	168	90
	<u>648</u>	<u>462</u>

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

	2007 £'000	2006 £'000
Obligations under hire purchase contracts	12	16
Amounts owed to group undertakings inter-group loan	650	650
Government grants	28	29
	<u>690</u>	<u>695</u>

Notes to the Financial Statements

for the year ended 30 September 2007

12. Creditors: Amounts Falling Due After More Than One Year (continued)

Government grants	£'000
At 1 October 2006	29
Amortisation in the year	(1)
	<hr/>
At 30 September 2007	28
	<hr/> <hr/>

13. Provisions for Liabilities and Charges

	Deferred taxation £'000
At 1 October 2006	-
Utilised in the period	-
	<hr/>
At 30 September 2007	-
	<hr/> <hr/>

Deferred taxation

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

	Provided		Not available for set-off till future periods	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Accelerated capital allowances	40	51	-	-
Other timing differences	(13)	(7)	-	-
Unutilised losses	(27)	(44)	(34)	(95)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	(34)	(95)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 30 September 2007 there are unrecognised timing differences in respect of unrelieved trading losses of £119,000 (2006 £316,000)

14. Share Capital

	2007 £'000	2006 £'000
Authorised, issued and fully paid 1,254,000 ordinary shares of £1 each	1,254	1,254
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

for the year ended 30 September 2007

15. Reserves

	Revaluation reserve £'000	Share premium account £'000	Profit and loss reserve £'000
At 1 October 2006	83	104	(779)
Profit for the year	-	-	236
	<hr/>	<hr/>	<hr/>
At 30 September 2007	83	104	(543)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. Financial Commitments

Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Plant and machinery 2007 £'000	2006 £'000
Operating leases which expire		
Within one year	2	1
Within two to five years	33	34
	<hr/>	<hr/>
	35	35
	<hr/> <hr/>	<hr/> <hr/>

Capital commitments

Contracted for but not provided in the accounts amounted to £Nil (2006 £Nil)

17. Pension Arrangements

The Company makes contributions to several defined contribution arrangements for its employees

18. Contingent Liabilities

The following security is provided to the Bank of Scotland in respect of LPA Group plc's £1.5m term loan facility (i) first and only legal charge over each freehold and leasehold property owned by the Company, (ii) first debenture from the Company, and (iii) a composite guarantee by the Company (as guarantor) in favour of the Bank of Scotland

At the year-end the Company had outstanding performance bonds to customers of £Nil (2006 £Nil)

At 30 September 2007 the Company had commitments under non-cancellable forward foreign exchange contracts totalling £79,000 (2006 £60,000)

19. Ultimate Parent Undertaking

The Company's ultimate parent undertaking and controlling party is LPA Group plc, a company incorporated in England and Wales. Copies of LPA Group plc group accounts, which include the Company, are available from Companies House, Crown Way, Cardiff, CF14 3UZ

The Company has taken advantage of the exemption conferred by FRS8 and has not disclosed related party transactions with group undertakings during the period