

Company No: 2595154

**LEAFIELD MARINE LIMITED**

**Financial Statements 2006**

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**LEAFIELD MARINE LIMITED**  
**FINANCIAL STATEMENTS 2006**

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**FINANCIAL STATEMENTS 2006**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D L M Dickins  
R A Dyke  
M J Helme  
D J Price  
P A Rayner

**SECRETARY**

S L Ellard

**REGISTERED OFFICE**

1650 Parkway  
Whiteley  
Fareham  
Hampshire  
PO15 7AH

**BANKERS**

Bank of Scotland  
Southampton

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Southampton  
United Kingdom

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the thirteen month period ended 31 October 2006.

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

**CHANGE OF ACCOUNTING REFERENCE DATE AND OWNERSHIP**

The company changed its accounting reference date to 31 October on 15 March 2006, in order to align with that of its new parent company.

On 31 January 2006 all of the issued share capital of the company was acquired by Chemring Group PLC.

**PRINCIPAL ACTIVITIES**

The principal activity of the company is the design, manufacture and supply of critical safety equipment, such as valves and inflation systems, for use with marine inflatable structures.

**RESULTS AND DIVIDENDS**

The results for the period are given on page 6. The directors do not recommend the payment of a final dividend (2005: nil).

**REVIEW OF THE YEAR AND FUTURE PROSPECTS**

During the period to 31 October 2006 the company achieved a profit before tax of £47,000 (2005: £38,000) on sales of £1,856,000 (2005: £1,428,000). The strong growth in sales unfortunately did not feed through into the expected significant improvement in profit. This was held back by significant raw material cost increases, particularly copper; additional engineering spend on the implementation of new products; and a significant stock write-off.

The company expects to see further but more modest sales growth in 2007. Significantly improved profitability, driven by cost reduction actions already identified, reduced engineering effort, as the implementations will be complete by mid 2007, and no significant stock write-offs are expected in 2007.

**DIRECTORS**

The present membership of the Board is set out on page 1. Mr T J Chapple and Mr B H Meredith resigned as directors on 31 January 2006. Dr D J Price and Mr P A Rayner were appointed as directors on 31 January 2006 and Mr M J Helme was appointed as a director on 1 February 2006. The other directors served throughout the period.

Dr D J Price and Mr P A Rayner are directors of Chemring Group PLC and their interests in the shares and share options of the parent company and their remuneration are dealt with in that company's accounts.

**DIRECTORS' REPORT (CONTINUED)**

The remaining directors' interests in the shares and share options of Chemring Group PLC as at 1 October 2005, or date of appointment if later, and 31 October 2006 are set out below:

	ORDINARY SHARES		ORDINARY SHARE OPTIONS 1998 EXECUTIVE SCHEME		PERFORMANCE SHARE PLAN	
	2006 No.	2005 No.	2006 No.	2005 No.	2006 No.	2005 No.
D L M Dickens	-	-	-	-	-	-
R A Dyke	-	-	-	-	4,019	-
M J Helme	-	-	50,000	-	10,714	-

None of the directors hold any interest in the share capital of the company.

**PAYMENT POLICY**

Appropriate terms and conditions are negotiated with each of the company's suppliers; these range from standard written terms to individually tailored contracts. Payments are made in accordance with these terms and conditions provided the supplier has complied with them. The creditor days as at 31 October 2006 were 40 (2005: 41).

**AUDITORS**

RSM Robson Rhodes LLP resigned as auditors on 31 January 2006 and Deloitte & Touche LLP were appointed in their place to fill the vacancy arising. A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the Director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors on 18<sup>th</sup> December 2006.

Signed on behalf of the Board

  
 S L Ellard  
 Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed; and
- (d) 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 to 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEAFIELD MARINE LIMITED**

We have audited the financial statements of Leaffield Marine Limited for the period ended 31 October 2006 which comprise the profit and loss account, balance sheet and the related notes 1 to 21. 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**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 31 October 2006 and of its profit for the period then ended; and
- 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.

**Deloitte & Touche LLP**

*Deloitte & Touche LLP*

**Chartered Accountants and Registered Auditors  
Southampton, United Kingdom**

**18<sup>th</sup> December 2006**

LEAFIELD MARINE LIMITED

**PROFIT AND LOSS ACCOUNT**  
for the thirteen month period ended 31 October 2006

	Note	13 month period ended 31 Oct 2006 £'000	Year ended 30 Sept 2005 £'000
<b>TURNOVER – continuing operations</b>	2	1,856	1,428
Cost of sales		(1,344)	(1,041)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		512	387
Other operating expenses	3	(465)	(349)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION – continuing operations</b>	4	47	38
Taxation	8	(13)	(5)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		34	33
Retained profit brought forward		278	245
		<hr/>	<hr/>
<b>RETAINED PROFIT CARRIED FORWARD</b>	17	312	278
		<hr/>	<hr/>

No statement of total recognised gains and losses has been included as there are no recognised gains and losses other than the profit for the current financial period and the preceding financial year as set out above.



**LEAFIELD MARINE LIMITED**

**BALANCE SHEET**  
**As at 31 October 2006**

	Note	As at 31 Oct 2006 £'000	£'000	As at 30 Sept 2005 £'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	10		56		51
<b>CURRENT ASSETS</b>					
Stock	11	233		304	
Debtors	12	229		166	
Cash at bank and in hand		-		23	
		462		493	
<b>CREDITORS</b>					
Amounts falling due within one year	13	(205)		(259)	
<b>NET CURRENT ASSETS</b>			257		234
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			313		285
<b>CREDITORS</b>					
Amounts falling due after more than one year	14		(1)		(7)
<b>NET ASSETS</b>			312		278
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		-		-
Profit and loss account	17		312		278
<b>EQUITY SHAREHOLDERS' FUNDS</b>			312		278

These financial statements were approved by the Board of Directors on 18<sup>th</sup> December 2006.

Signed on behalf of the Board

  
P A Rayner  
Director

## LEAFIELD MARINE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the thirteen month period ended 31 October 2006

#### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

##### **Accounting Convention**

The financial statements are prepared under the historical cost convention.

##### **Revenue Recognition**

Turnover comprises the net value of deliveries made, work completed or services rendered during the year. Turnover is recognised when title passes, or when the right to consideration, in exchange for performance, has been completed. For bill and hold arrangements revenue is recognised when the risks and rewards are transferred to the customer, typically on formal acceptance.

##### **Intangible Fixed Assets**

Research, development, patent and licence costs are charged to the profit and loss account, as incurred, except where a major project is undertaken and it is reasonably anticipated that costs will be recovered through future commercial activity. Such costs are written off over the life of the project subject to a maximum of five years.

##### **Tangible Fixed Assets**

Tangible fixed assets are stated at cost, less depreciation and provision for impairment. Depreciation is provided at rates calculated to write down their cost or valuation to their estimated residual values by equal annual instalments over the estimated useful economic lives, which are considered to be:

Plant and equipment	- Up to 10 years
Tooling	- 4 years

##### **Stock**

Stock consists of raw materials, work in progress and finished goods. Valuation is at the lower of cost and net realisable value. The cost of raw materials is their purchase price. Work in progress and finished goods comprise the cost of materials, labour and overheads applicable to the stage of production. Provision is made for obsolete, slow moving or defective items where appropriate.

##### **Current Taxation**

Current tax, including UK corporation tax and foreign tax, is provided for at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset or on unremitted earnings where there is no binding obligation to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## LEAFIELD MARINE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the thirteen month period ended 31 October 2006

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### Foreign Currency

Transactions denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Translation differences are dealt with in the profit and loss account.

##### Pensions

The company contributes to a defined contribution pension scheme operated by its fellow subsidiary Leaffield Engineering Limited. The assets of the scheme are held separately from those of Leaffield Engineering Limited in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

##### Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the other outstanding obligations for future instalments.

Rental charges on operating leases are taken to the profit and loss account on a straight line basis over the life of the lease.

#### 2. TURNOVER

The turnover and profit on ordinary activities of the company are attributable to its one principal activity. Turnover arises from the following geographical markets:

	13 month period ended 31 Oct 2006 £'000	Year ended 30 Sept 2005 £'000
<b>Turnover by geographical market</b>		
Other EC countries	887	660
United Kingdom	634	474
North America	154	167
Asia	113	90
Other	68	37
	<hr/>	<hr/>
	1,856	1,428
	<hr/>	<hr/>

**LEAFIELD MARINE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the thirteen month period ended 31 October 2006**

**3. OTHER OPERATING EXPENSES**

	<b>13 month period ended 31 Oct 2006 £'000</b>	<b>Year ended 30 Sept 2005 £'000</b>
Selling and distribution costs	85	74
Administrative expenses	380	275
	<hr/>	<hr/>
	465	349
	<hr/>	<hr/>

**4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX**

Profit on ordinary activities before tax is stated after charging:

	<b>13 month period ended 31 Oct 2006 £'000</b>	<b>Year ended 30 Sept 2005 £'000</b>
Auditors' remuneration	5	6
Depreciation of tangible fixed assets		
-owned assets	11	5
-leased assets	20	18
	<hr/>	<hr/>

**5. DIRECTORS' EMOLUMENTS**

**a) Emoluments:**

	<b>13 month period ended 31 Oct 2006 £'000</b>	<b>Year ended 30 Sept 2005 £'000</b>
Aggregate emoluments	59	52
Company pension contributions to money purchase pension schemes in respect of one director (2005: one)	19	7
	<hr/>	<hr/>
	78	59
	<hr/>	<hr/>

**LEAFIELD MARINE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the thirteen month period ended 31 October 2006**

**5. DIRECTORS' EMOLUMENTS (CONTINUED)**

	<b>13 month period ended 31 Oct 2006 £'000</b>	<b>Year ended 30 Sept 2005 £'000</b>
Number of directors who are members of a defined benefit pension scheme	3	-

In 2006 there was one director accruing retirement benefits under a defined contribution money purchase scheme (2005: one). Prior to their resignation on 31 January 2006, the emoluments of T J Chapple and B H Meredith were borne by another group company. Since their appointment the emoluments of D J Price, P A Rayner and M J Helme were borne by the parent company.

**b) Interests**

None of the directors held any beneficial interest in the shares of the company. Details of interests in the shares and share options of the parent company are given in the directors' report.

**6. EMPLOYEES**

The average number employed by the company within each category of persons, including directors, was:

	<b>13 month period ended 31 Oct 2006 £'000</b>	<b>Year ended 30 Sept 2005 £'000</b>
Management and office	6	5
Manufacturing	14	12
Selling	1	1
	<u>21</u>	<u>18</u>

The costs incurred in respect of employees, including directors, were:

	<b>13 month period ended 31 Oct 2006 £'000</b>	<b>Year ended 30 Sept 2005 £'000</b>
Wages and salaries	428	339
Social security costs	37	30
Other pension costs	19	15
	<u>484</u>	<u>384</u>

# LEAFIELD MARINE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the thirteen month period ended 31 October 2006

### 7. PENSIONS

The company contributed to a defined contribution pension scheme operated by its fellow subsidiary Leafield Engineering Limited. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £19,000 (2005: £15,000).

There were no outstanding or prepaid contributions at either the beginning or the end of the financial period.

### 8. TAXATION

#### Taxation charge for the year

The taxation charge for the period is analysed below:

	13 month period ended 31 Oct 2006 £'000	Year ended 30 Sept 2005 £'000
<b>Current taxation</b>		
Corporation tax charge for the period/year	16	5
<b>Deferred taxation</b>		
Timing differences, origination and reversal	(2)	-
Increase in tax rate	(1)	-
<b>Tax on profit on ordinary activities</b>	<u>13</u>	<u>5</u>

#### Current tax reconciliation

	13 month period ended 31 Oct 2006 £'000	Year ended 30 Sept 2005 £'000
Profit on ordinary activities before taxation	47	38
Profit on ordinary activities at 30% (2005: 19%)	14	7
Effects of:		
- Research and development tax relief	-	(2)
- Depreciation in excess of capital allowances	2	-
<b>Current tax charge for period/year</b>	<u>16</u>	<u>5</u>

**LEAFIELD MARINE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the thirteen month period ended 31 October 2006**

**9. EQUITY DIVIDENDS**

No dividends were proposed or paid in the period (2005: nil).

**10. TANGIBLE ASSETS**

	<b>Tooling £'000</b>	<b>Plant, machinery and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 October 2005	154	26	180
Additions	22	14	36
	<hr/>	<hr/>	<hr/>
At 31 October 2006	176	40	216
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 October 2005	117	12	129
Charged in period	24	7	31
	<hr/>	<hr/>	<hr/>
At 31 October 2006	141	19	160
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 October 2006	35	21	56
	<hr/>	<hr/>	<hr/>
At 30 September 2005	37	14	51
	<hr/>	<hr/>	<hr/>

The net book value of the tangible fixed assets includes £18,000 (2005: £38,000) in respect of assets held under finance leases. Depreciation charged in the period on those assets amounted to £20,000 (2005: £18,000).

**LEAFIELD MARINE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the thirteen month period ended 31 October 2006**

**11. STOCK**

	As at 31 Oct 2006 £'000	As at 30 Sept 2005 £'000
Raw materials	172	258
Work in progress	34	37
Finished goods	27	9
	<hr/>	<hr/>
	233	304
	<hr/>	<hr/>

**12. DEBTORS**

	As at 31 Oct 2006 £'000	As at 30 Sept 2005 £'000
Trade debtors	222	155
Other debtors	2	9
Deferred tax due after more than one year	5	2
	<hr/>	<hr/>
	229	166
	<hr/>	<hr/>

All amounts are due within one year.

The deferred tax asset is as follows:

	As at 31 Oct 2006 £'000	As at 30 Sept 2005 £'000
Accelerated capital allowances	5	2
	<hr/>	<hr/>

**13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	As at 31 Oct 2006 £'000	As at 30 Sept 2005 £'000
Bank overdraft	6	-
Obligations under finance leases	3	24
Trade creditors	148	116
Amounts owed to group undertakings	-	100
Corporation tax	17	5
Accruals and other deferred income	31	14
	<hr/>	<hr/>
	205	259
	<hr/>	<hr/>



# LEAFIELD MARINE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the thirteen month period ended 31 October 2006

### 14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 31 Oct 2006 £'000	As at 30 Sept 2005 £'000
Obligations under finance leases due between one and two years	1	7

### 15. CONTINGENT LIABILITIES

The company, and other Chemring Group subsidiaries, has given a full guarantee and debenture to Bank of Scotland to secure the Group borrowing facility. Details of the Group borrowing facilities are available in the Group accounts which are publicly available. The security is over the assets of all subsidiaries of the Group.

### 16. SHARE CAPITAL

	As at 31 Oct 2006 £	As at 30 Sept 2005 £
<b>Authorised</b>		
100 ordinary shares of £1	100	100
<b>Allotted and fully paid</b>		
2 ordinary shares of £1 each	2	2

### 17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	13 month period ended 31 Oct 2006 £'000	Year ended 30 Sept 2005 £'000
Profit for the financial period/year	34	33
Opening equity shareholders' funds	278	245
Closing equity shareholders' funds	312	278

## LEAFIELD MARINE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the thirteen month period ended 31 October 2006

#### 18. COMMITMENTS UNDER OPERATING LEASES

The company had no commitments under operating leases at the end of either financial period.

#### 19. CASH FLOW STATEMENT

The company is a wholly owned subsidiary undertaking and consequently no cash flow statement has been prepared.

#### 20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption within FRS8 Paragraph 3(c), not to disclose transactions with other Group companies, as it is a wholly owned subsidiary of Chemring Group PLC, whose consolidated financial statements are publicly available.

#### 21. ULTIMATE PARENT COMPANY

Prior to the 31 January 2006, when the entire issued share capital of the company was acquired by Chemring Group PLC, the company's ultimate parent undertaking was Leafield Group Limited, a company incorporated in England and Wales.

Since 31 January 2006, in the opinion of the directors, the company's ultimate parent company and controlling party is Chemring Group PLC, a company incorporated in England and Wales. Copies of the Group financial statements are available at Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. Chemring Group PLC is the only group of which the company is a member and for which consolidated accounts are prepared.

#### 22. POST BALANCE SHEET EVENT

On 12 October 2006, Chemring Group PLC accepted a conditional offer to dispose of the entire share capital of the company. The sale is anticipated to complete soon after the date of signing these financial statements.

The prospective purchasers have indicated that they have sufficient funding in place to run the business as a going concern and to meet all liabilities as they fall due.