

Leaffield Marine Limited

Directors' Report and Financial Statements

Year ended 31 October 2007

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Company Information

Directors	T J Chapple D L M Dickins
Secretary	T J Chapple
Registered office	Unit 2 Atworth Business Park Bath Road Atworth Wiltshire SN12 8SB
Registered number	02595154
Bankers	Bank of Scotland 21 Prince Street Bristol BS99 7JG

Report of the Directors

The directors present their report and the financial statements for the year ended 31st October 2007

Change of ownership

On 22 December 2006 all of the issued share capital was acquired by LM (2007) Limited, a company controlled by the company's directors

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 4 No dividends were declared during the year (2006 nil)

Review of the year and future prospects

The Company has improved sales and profitability during a year which has seen much change Sales are up 10% from £1,856,000 in the 13 months to 31 October 2006 to £2,034,000 in the year to 31 October 2007 and profit before tax has increased from £47,000 to £195,000 in the respective periods

During the year the Company undertook a program of separation from the shared services enjoyed with a former sister company This encompassed the installation of a new computer network and new business system and culminated shortly after the year end in a relocation of the business to refurbished premises in Atworth, Wiltshire

The Company has continued to invest in new product design and development in order that it maintains its industry leading position in the foreseeable future

Directors

The present directors of the company are set out on page 1 Dr D J Price, Mr P A Rayner, Mr M J Helme and Mr R A Dyke resigned as directors on 22 December 2006 Mr T J Chapple was appointed as director on 22 December 2006 Mr D L M Dickins served throughout the year

Mr D L M Dickins and Mr T J Chapple are directors of LM (2007) Limited, the parent company and their interests in the shares of the parent company are dealt with in that company's accounts

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 those 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, 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approval

The report of the directors was approved by the Board on 27th May 2008 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'T J Chapple', with a stylized, flowing script.

T J Chapple
Secretary

Profit and Loss Account

for the year ended 31 October 2007

	Note	Year ended 31 October 2007 £'000	13 months period ended 31 October 2006 £'000
Turnover: continuing activities	1, 2	2,034	1,856
Cost of sales		(1,383)	(1,244)
		<hr/>	<hr/>
Gross profit		651	512
Other operating expenses	3, 4	(455)	(465)
		<hr/>	<hr/>
Profit on ordinary activities before interest and taxation		196	47
Interest Payable		(3)	-
Interest receivable		2	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		195	47
Taxation	5	(40)	(13)
		<hr/>	<hr/>
Profit on ordinary activities after taxation	13	155	34
		<hr/>	<hr/>

The company has no recognised gains and losses other than the result for the current period

Balance Sheet

at 31 October 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	6	79	56
Current assets			
Stocks	7	338	233
Debtors	8	254	229
Cash at bank and in hand		113	-
		<hr/>	<hr/>
Creditors Amounts falling due within one year	9	705 (309)	462 (205)
		<hr/>	<hr/>
Net current assets		396	257
Creditors , Amounts falling due after one year	10	(9)	(1)
		<hr/>	<hr/>
Net assets		466	312
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	466	312
		<hr/>	<hr/>
Equity shareholders' funds		466	312
		<hr/>	<hr/>


The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial reporting Standard for Smaller Entities (effective January 2005)

For the year ended 31 October 2007, the company was entitled to exemption under subsection (1) of section 249A of the Companies Act 1985,

No member or members eligible to do so have deposited a notice requesting an audit within the specified time period, and

The Directors acknowledge their responsibility for ensuring the company keeps accounting records which comply with section 221 (Duty to keep accounting records) and for preparing accounts which give a true and fair view of the state of affairs of the company as at 31 October 2007 and of its profit and loss for the financial year in accordance with the requirements of section 226 (Duty to prepare individual company accounts), and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company

The financial statements were approved by the Board on 27th May 2008 and signed on its behalf by


D L M Dickins
Director

Notes to the Financial Statements For the year ended 31 October 2007

1. ACCOUNTING POLICIES

The financial statements have been prepared under historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005). The particular accounting policies adopted are described below.

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.

Intangible Fixed Assets

Research, development, patent and licence costs are charged to the profit and loss account.

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:

Tooling, plant and equipment	4 to 10 years
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Stocks

Stocks consist 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 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 discounted.

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 scheme. All contributions are written off in the year incurred.

Notes to the Financial Statements

For the year ended 31 October 2007

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

66% of the company's turnover is attributable to geographical markets outside the United Kingdom (2006 66%)

3. DIRECTORS' REMUNERATION

Remuneration of the company's directors

	Year ended 31 October 2007 £'000	13 month period ended 31 Oct 2006 £'000
Aggregate emoluments	93	78

Prior to their resignation on 22 December 2006, the emoluments of Dr D J Price, Mr P A Rayner, Mr M J Helme and Mr R A Dyke were borne by other companies within the Chemring Group.

4. PENSIONS

Until 15th March 2007, the company contributed to a defined contribution pension scheme operated by its fellow subsidiary Leaffield Engineering Limited. From that date the company contributed to the Leaffield Marine Ltd Employee Pension Scheme, also a defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £17,755 (2006 £19,000 (13 months)).

Notes to the Financial Statements

For the year ended 31 October 2007

5. TAXATION

Taxation charge for the year

The taxation charge for the year is analysed below

	2007 £'000	2006 £'000
Current taxation		
United Kingdom Corporation tax	36	16
Deferred taxation		
Origination of timing differences	4	(2)
Increase in tax rate	-	(1)
	<hr/>	<hr/>
Tax on profit on ordinary activities	40	13
	<hr/>	<hr/>

6 TANGIBLE ASSETS

	Tooling £'000	Plant, Machinery & Equipment £'000	Total £'000
Cost			
At 31 October 2006	176	40	216
Additions	6	51	57
Disposals	(11)	-	(11)
	<hr/>	<hr/>	<hr/>
At 31 October 2007	171	91	261
	<hr/>	<hr/>	<hr/>
Depreciation			
At 31 October 2006	141	19	160
Charged in year	20	14	34
Eliminated on disposal	(11)	-	(11)
	<hr/>	<hr/>	<hr/>
At 31 October 2007	150	33	183
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 October 2007	21	58	79
	<hr/>	<hr/>	<hr/>
At 31 October 2006	35	21	56
	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements
For the year ended 31 October 2007

7 STOCKS

	2007 £'000	2006 £'000
Raw Materials	327	172
Work in progress	-	34
Finished goods	11	27
	<hr/>	<hr/>
	338	233
	<hr/>	<hr/>

8. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	242	222
Other debtors	4	2
Prepayments	7	-
Deferred tax	1	5
	<hr/>	<hr/>
	254	229
	<hr/>	<hr/>

All amounts are due within one year The deferred tax asset relates to accelerated capital allowances

9 CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank Overdraft	-	6
Obligations under finance leases	7	3
Trade creditors	162	148
Corporation tax	37	17
Other taxation and social security	28	-
Accruals and other deferred income	22	31
Amounts owed to Group Undertakings	52	-
	<hr/>	<hr/>
	309	205
	<hr/>	<hr/>

10. CREDITORS' AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Obligations under finance leases	9	1
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 October 2007

11. CONTINGENT LIABILITIES

The company has given a full guarantee and debenture to Bank of Scotland to secure the borrowing facility of the Company and that of its parent company, LM (2007) Limited. The security is over the assets of the Company. As at 31 October 2007, LM (2007) Limited had bank loans outstanding of £129,704.

12. SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
100 ordinary shares of £1	100	100
Allotted & fully paid		
2 ordinary shares of £1	2	2

13. PROFIT & LOSS ACCOUNT

	Year ended 31 October 2007 £'000	13 month period ended 31 Oct 2006 £'000
At 31 October 2006	312	278
Rounding adjustment	(1)	-
Profit for the period	155	34
At 31 October 2007	466	312

14. RELATED PARTY TRANSACTIONS

The company incurred management charges of £20,213 from LM (2007) Limited, its new parent company during the year. There were no amounts outstanding at the year end.

15. ULTIMATE PARENT COMPANY

Prior to 22 December 2006, when the entire issued share capital of the company was acquired by LM (2007) Limited, the company's ultimate parent undertaking was Chemring Group PLC, a company incorporated in England and Wales.

Since 22 December 2006 in the opinion of the directors, the company's ultimate parent company and controlling party is LM (2007) Limited, a company incorporated in England and Wales.

16. POST BALANCE SHEET EVENTS

On 8th May the company entered into a four and a half year lease to occupy commercial premises at an annual cost of £17,500.