
ROKE MANOR RESEARCH LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

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ROKE MANOR RESEARCH LIMITED

COMPANY INFORMATION

Directors	S E Grinham (appointed 5 January 2012) M J Helme D A McDonald (appointed 3 October 2011 and resigned 9 May 2012) D J Price P A Rayner (appointed 18 November 2010) D W Smith (resigned 30 September 2011) J M Taylor (resigned 19 March 2011)
Company secretary	S L Ellard
Company number	267550
Registered office	Chemring House 1500 Parkway Whiteley Fareham Hampshire PO15 7AF
Auditors	Deloitte LLP Chartered Accountants and Statutory Auditor Southampton United Kingdom

ROKE MANOR RESEARCH LIMITED

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ROKE MANOR RESEARCH LIMITED

DIRECTORS' REPORT FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

The directors present their report and the audited financial statements for the thirteen month period ended 31 October 2011

PRINCIPAL ACTIVITIES

Roke is a leading provider of high-end electronic countermeasures and signals intelligence products. Key technologies include wireless communications, networks, signal and vision processing, and sensing and positioning. Roke has a strong presence in a number of sectors within the defence and national security spheres including counter improvised explosive devices ("C-IEDs"), network monitoring and security, electronic warfare, military communications, radar systems, wide area multilateration systems ("WAMS") and autonomous vehicle systems. The directors are not aware, at the date of this report, of any significant changes in the company's activities in the forthcoming year.

BUSINESS REVIEW

As shown in the company's profit and loss account on page 8, during the thirteen month period the company's sales increased by 6% over the prior year. On a twelve month basis this would equate to a decrease in sales of 3% year on year (2010 4% increase). Operating profit for the period increased by 10% on a twelve month basis (2010 unchanged). Profit after tax increased by 150% on a twelve month basis (2010 60% decrease) as a result of the utilisation of research and development tax credits.

Since the acquisition of the company by Chemring Group PLC on 30 September 2010, the financial statements have been converted from International Financial Reporting Standards (IFRS) adopted for use in the EU to UK Generally Accepted Accounting Practice (UK GAAP). This has brought the company in line with the accounting treatment adopted by the other Chemring Group subsidiary companies. In accordance with Accounting Regulations the comparatives have been updated accordingly.

GOING CONCERN

The directors have given consideration to the current uncertain economic climate, and the possibility that this could have an adverse impact on the future trading of the company.

However, after making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the consolidated financial statements of the parent company, Chemring Group PLC, which are publicly available.

ROKE MANOR RESEARCH LIMITED

DIRECTORS' REPORT FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

RESULTS

The profit for the thirteen month period, after tax, amounted to £3,795,000 (2010 £1,402,000)

DIRECTORS

The directors who served during the thirteen month period were

M J Helme
D A McDonald
D J Price
P A Rayner
D W Smith
J M Taylor

Mr P A Rayner was appointed as a director on 18 November 2010 and Mr D A McDonald was appointed as a director on 3 October 2011 and resigned as a director on 9 May 2012. Sir J M Taylor resigned as a director on 19 March 2012 and Mr D W Smith resigned as a director on 30 September 2011. Mr S E Grinham was appointed as a director on 5 January 2012. All other directors served throughout the period and to date.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is a wholly owned subsidiary of Chemring Group PLC. The Chemring Group Board is responsible for the Group's systems of internal control and its risk management systems. The Chemring Group Board has constituted a Risk Management Committee, which meets quarterly, to review the key risks associated with the achievement of the annual budget and the five year plan for each business, the top five health and safety risks identified at each site, and the risk control procedures implemented. Brief details of the principal risks and uncertainties currently facing the company are set out below. Further details can be found in the consolidated financial statements of Chemring Group PLC.

Health and safety risks

Responsibility for the delivery of world class safety standards is an integral part of the operational management accountability, and the company's management are therefore expected to embrace a positive safety culture and to demonstrate leadership and commitment in the workplace. Chemring Group's stated aim is to achieve zero injuries and to reduce health and safety risks, where they cannot be eliminated altogether, to a level which is "as low as reasonably practicable". Technology and automation roadmaps support the Group's strategy for risk reduction through increased automation and remote operations, as reflected within its five year plan.

Timing of orders

The majority of the company's contracts are of a relatively short duration and, with the exception of framework contracts with key customers, do not usually cover multi-year requirements. This means that an unmitigated delay in the receipt of key orders could affect earnings. Maximising order intake is therefore a key priority for the company.

Introduction of new products

Chemring Group's approach to innovation and continued research and development activity ensure that we are continually adding new products to the range.

ROKE MANOR RESEARCH LIMITED

DIRECTORS' REPORT FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

Compliance and corruption risks

All Chemring Group companies are required to comply with the Group's Global Code of Business Principles, which stipulates the standard of acceptable business conduct required by employees and third parties acting on the company's behalf. The company has also adopted a Bribery Act Compliance Manual, incorporating anti-bribery policies and procedures which the company is required to adhere to.

Economic risks

Fortunately, the company has not been greatly affected by the difficult economic conditions prevailing in many countries around the world and the Board continues to believe that the future prospects for the company are very good. The Board will continue to closely monitor the company's potential exposure to further economic changes.

Financial risks

The company's financing arrangements are included within Chemring Group PLC's overall facilities. Details of the financial risks to which the Group, and therefore the company, is potentially exposed are set out in the consolidated financial statements of Chemring Group PLC.

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 average credit period taken on purchases of goods, based on a rollback basis, is 28 days (2010: 53 days).

RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development is integral to the operations of the company. Total research and development costs charged to the profit and loss account in the period were £1,782,000 (2010: £3,824,000). An additional £2,533,000 (2010: £2,284,000 following the prior year adjustment) of development costs have been capitalised in the period. The directors regard investment in this area as a pre-requisite for success in the medium to long term future.

EMPLOYEES

The Group employs a policy of employee communication and consultation through meetings and in-house magazines by which employees are made aware of the progress and performance of the Group and companies in which they work.

DISABLED EMPLOYEES

The company makes no distinction between disabled and able bodied persons in recruiting, employment and training, career development and promotion.

ROKE MANOR RESEARCH LIMITED

**DIRECTORS' REPORT
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who is a director at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any 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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

AUDITORS

The auditors, Deloitte LLP, will be proposed for reappointment at the forthcoming Annual General Meeting in accordance with section 485 of the Companies Act 2006

This report was approved by the Board of Directors on **27 July** 2012

Signed on behalf of the Board



**S L Ellard
Secretary**

ROKE MANOR RESEARCH LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

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

Company law 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). 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 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

ROKE MANOR RESEARCH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROKE MANOR RESEARCH LIMITED

We have audited the financial statements of Roke Manor Research Limited for the thirteen month period ended 31 October 2011, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related Notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2011 and of its profit for the thirteen month period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.


ROKE MANOR RESEARCH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROKE MANOR RESEARCH LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



**Nigel Mercer ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton
United Kingdom**

Date:

30 July

2012

ROKE MANOR RESEARCH LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

	Note	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
TURNOVER	1,2	49,592	46,997
Cost of sales		(35,599)	(33,012)
GROSS PROFIT		13,993	13,985
Administrative expenses		(10,502)	(11,042)
Other operating charges		-	(2)
OPERATING PROFIT	3	3,491	2,941
Interest receivable and similar income		-	9
Interest payable and similar charges	7	-	(150)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		3,491	2,800
Tax on profit on ordinary activities	8	304	(1,398)
PROFIT FOR THE FINANCIAL PERIOD/YEAR	18	3,795	1,402

All amounts relate to continuing operations

There were no recognised gains and losses for the current period or the preceding financial year other than those included in the profit and loss account or the statement of total recognised gains and losses

The notes on pages 12 to 24 form part of these financial statements

During the period the company made a transition from preparing the financial statements under International Financial Reporting Standards (IFRS) to UK Generally Accepted Accounting Practice (UK GAAP). In addition, there was a prior year adjustment to certain balance sheet items, reflecting fair value adjustments on acquisition of the company by Chemring Group PLC. Neither of these changes had any impact upon the reported numbers in the profit and loss account for the previous financial year.

ROKE MANOR RESEARCH LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

	Note	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
PROFIT FOR THE FINANCIAL PERIOD/YEAR		3,795	1,402
Actuarial loss in respect of defined benefit pension scheme		-	(2,390)
Deferred tax on actuarial loss		-	669
Effect of change in deferred tax rate		-	(247)
Pension asset transferred to Siemens AG		-	(210)
Deferred tax on pension asset transfer		-	59
Transactions in own shares		-	86
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD/YEAR		3,795	(631)
Prior year adjustment	19	-	(1,489)
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST FINANCIAL STATEMENTS		3,795	(2,120)

The notes on pages 12 to 24 form part of these financial statements

ROKE MANOR RESEARCH LIMITED
REGISTERED NUMBER 267550

BALANCE SHEET
AS AT 31 OCTOBER 2011

	Note	£000	As at 31 Oct 2011 £000	£000	As at 30 Sep 2010 £000 as restated*
FIXED ASSETS					
Intangible assets	9		5,344		2,923
Tangible assets	10		11,397		11,621
			<u>16,741</u>		<u>14,544</u>
CURRENT ASSETS					
Stock	11	4,963		8,238	
Debtors	12	8,238		7,311	
Cash at bank		1,835		2,156	
		<u>15,036</u>		<u>17,705</u>	
CREDITORS amounts falling due within one year	13	(7,701)		(14,126)	
NET CURRENT ASSETS			<u>7,335</u>		<u>3,579</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>24,076</u>		<u>18,123</u>
CREDITORS: amounts falling due after more than one year	14		(2,000)		-
PROVISIONS FOR LIABILITIES					
Deferred tax	15	(673)		(63)	
Other provisions	16	(247)		(699)	
			<u>(920)</u>		<u>(762)</u>
NET ASSETS			<u>21,156</u>		<u>17,361</u>
CAPITAL AND RESERVES					
Called up share capital	17		1,036		1,036
Share premium account	18		19,103		19,103
Profit and loss account	18		1,017		(2,778)
SHAREHOLDERS' FUNDS	20		<u>21,156</u>		<u>17,361</u>

ROKE MANOR RESEARCH LIMITED

**BALANCE SHEET (continued)
AS AT 31 OCTOBER 2011**

The financial statements of Roke Manor Research Limited were approved and authorised for issue by the Board of Directors on **27 July** 2012

Signed on behalf of the Board



**P A Rayner
Director**

The notes on pages 12 to 24 form part of these financial statements

* The balance sheet has been restated due to a prior year adjustment arising from a reassessment of fair values of certain balance sheet items on Chemring Group PLC's acquisition of the company (see Note 19 for further detail) The transition from IFRS to UK GAAP did not result in any changes to the balance sheet for the previous financial year

ROKE MANOR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the period and the preceding year.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Since the acquisition of the company by Chemring Group PLC on 30 September 2010 the financial statements have been converted from International Financial Reporting Standards (IFRS) adopted for use in the EU to UK Generally Accepted Accounting Practice (UK GAAP). The impact of this change is summarised in Note 19.

1.2 Cash flow

The directors have taken advantage of the exemption in FRS 1 from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent company publishes a consolidated cash flow statement.

1.3 Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts. For further information see the Directors' Report on page 1.

1.4 Revenue recognition

Turnover comprises the net value of deliveries made, work completed or services rendered during the period. Turnover is recognised when title passes, or when the right to consideration, in exchange for performance, has been obtained. For bill and hold arrangements revenue is recognised when the risks and rewards are transferred to the customer, typically on formal acceptance. Long-term contracts continue to be accounted for in accordance with SSAP 9 (revised), whereby income is recognised based on the right to consideration over the course of the contract.

1.5 Research and development expenditure

Research expenditure is charged to the profit and loss account as incurred. Development, patent and licence costs are also 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.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and provision for impairment. No depreciation is provided on freehold land or assets under construction. Depreciation on other assets 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

Freehold property	-	Up to 50 years
Plant & machinery	-	Up to 10 years

ROKE MANOR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

1. ACCOUNTING POLICIES (continued)

1.7 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 completion. Provision is made for obsolete, slow moving or defective items where appropriate.

1.8 Current tax

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.

1.9 Deferred tax

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 tax 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 binding obligation 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.

1.10 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.

1.11 Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.12 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the period end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

ROKE MANOR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

1. ACCOUNTING POLICIES (continued)

1.13 Pensions

The company utilises the Group's UK defined contribution pension scheme. The amount charged to the profit and loss account is the contributions payable in the period. Differences between amounts payable and actually paid are shown as accruals or prepayments in the balance sheet.

1.14 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. The finance element of the instalments is charged to the profit and loss account at a constant rate of charge on the remaining balance of the obligation.

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

1.15 Related party transactions

The company has taken advantage of the exemption from reporting related party transactions with other Group undertakings in accordance with the provisions of FRS 8.

2. TURNOVER

An analysis of turnover by destination is as follows:

	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
UK	37,467	37,930
Export	12,125	9,067
	<u>49,592</u>	<u>46,997</u>

An analysis of export turnover is not presented as in the opinion of the directors this information would be seriously prejudicial to the commercial interests of the company.

All turnover originates from the design, manufacture and marketing of countermeasures and counter-IED equipment.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
Depreciation of tangible fixed assets		
- owned by the company	1,104	1,025
Operating lease rentals		
- plant and machinery	95	51
Difference on foreign exchange	(56)	(173)
Amortisation of capitalised research and development expenditure	112	33
Research and development expenditure	1,782	3,824
Profit on sale of tangible assets	(28)	-
	<hr/>	<hr/>

4 AUDITORS' REMUNERATION

	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	29	16
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ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
Wages and salaries	21,889	22,277
Social security costs	2,338	2,377
Other pension costs	3,263	3,720
	27,490	28,374

The average monthly number of employees, including the directors, during the thirteen month period was as follows

	13 month period ended 31 Oct 2011 No.	Year ended 30 Sep 2010 No
Production	313	338
Sales and administration	109	80
	422	418

6. DIRECTORS' REMUNERATION

	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
Emoluments	291	743
Company pension contributions to defined contribution pension schemes	76	-

During the thirteen month period, retirement benefits accrued to 2 directors (2010 nil) in respect of defined contribution pension schemes

During the thirteen month period, retirement benefits accrued to 1 director (2010 2) in respect of defined benefit pension schemes

The highest paid director received remuneration of £201,000 (2010 £396,000)

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

7 INTEREST PAYABLE

	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
On bank loans and overdrafts	-	150

8 TAX

	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
Analysis of tax (credit)/charge in the period/year		
Current tax		
UK corporation tax credit on profit for the period/year	(914)	-
Deferred tax		
Origination and reversal of timing differences	699	1,650
Change in tax rate	(54)	(252)
Under provision in previous years	(35)	-
Total deferred tax (see Note 15)	610	1,398
Tax (credit)/charge on profit on ordinary activities	(304)	1,398

Factors affecting tax charge for the thirteen month period/year

The tax assessed for the thirteen month period/year is lower than (2010 lower than) the standard rate of corporation tax in the UK of 26.83% (2010 28%). The differences are explained below

	13 month period ended 31 Oct 2011 £000	Year ended 30 Sep 2010 £000
Profit on ordinary activities before tax	3,491	2,800
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.83% (2010 28%)	937	784
Effects of		
Non-deductible losses and expenses	24	351
Capital allowances for period/year in excess of depreciation	234	-
Deferred tax rate change adjustment	4	-
Research and development tax credit	(1,180)	(1,399)
Temporary differences on pension contribution	(933)	264
Current tax credit for the period/year	(914)	-

ROKE MANOR RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

8. TAX (continued)

Finance Act 2011

The Finance Act 2011, which was substantively enacted on 5 July 2011, provided for a reduction in the main rate of UK corporation tax from 26% to 25% on 1 April 2012. This change has been reflected in the effective tax.

The Government indicated in the Budget on 21 March 2012 that it intends to enact a further reduction in the UK corporation tax rate of 1% down to 24% effective from 1 April 2012 and a further 1% reduction from 1 April 2013. These changes are expected to be enacted in the Finance Bill 2012. Legislation will also be introduced in the Finance Bill 2013 to reduce the rate to 22% for the year commencing 1 April 2014.

As these rate changes have not been substantively enacted at the balance sheet date, they are considered non-adjusting events in accordance with FRS 21 and no adjustments have been made. The impact on the financial statements in future periods is not expected to be material.

9. INTANGIBLE FIXED ASSETS

	Development costs £000
Cost	
At 1 October 2010	3,125
Additions	2,533
At 31 October 2011	5,658
Amortisation	
At 1 October 2010*	202
Charge for the thirteen month period	112
At 31 October 2011	314
Net book value	
At 31 October 2011	5,344
At 30 September 2010*	2,923

* See Note 19

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

10 TANGIBLE FIXED ASSETS

	Freehold property £000	Plant and machinery £000	Total £000
Cost			
At 1 October 2010	13,729	10,469	24,198
Additions	81	804	885
Disposals	(38)	(585)	(623)
At 31 October 2011	<u>13,772</u>	<u>10,688</u>	<u>24,460</u>
Depreciation			
At 1 October 2010	3,662	8,915	12,577
Charge for the thirteen month period	386	718	1,104
Disposals	(33)	(585)	(618)
At 31 October 2011	<u>4,015</u>	<u>9,048</u>	<u>13,063</u>
Net book value			
At 31 October 2011	<u>9,757</u>	<u>1,640</u>	<u>11,397</u>
At 30 September 2010	<u>10,067</u>	<u>1,554</u>	<u>11,621</u>

11. STOCK

	31 Oct 2011 £000	30 Sep 2010 £000
Work in progress*	4,963	7,377
Finished goods and goods for resale	-	861
	<u>4,963</u>	<u>8,238</u>

* See Note 19

12. DEBTORS

	31 Oct 2011 £000	30 Sep 2010 £000
Trade debtors	5,630	6,624
Amounts owed by Group undertakings	508	-
Corporation tax repayable	914	-
Other debtors	14	391
Prepayments and accrued income	767	296
Amounts recoverable on long term contracts	405	-
	<u>8,238</u>	<u>7,311</u>

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011**

12. DEBTORS (continued)

Amounts owed by Group undertakings are unsecured and no interest is charged on these amounts

13. CREDITORS

Amounts falling due within one year

	31 Oct 2011	30 Sep 2010
	£000	£000
Payments received on account in respect of long term contracts	1,603	4,510
Trade creditors	3,452	3,424
Amounts owed to Group undertakings	133	-
Corporation tax	-	296
Social security and other taxes	685	108
Other creditors*	413	5,788
Accruals and deferred income	1,415	-
	<u><u>7,701</u></u>	<u><u>14,126</u></u>

In January 2011, the Group refinanced its bank facilities with a syndicate of five banks. The new Group facilities, which are unsecured, extend the terms of the facility from April 2012 to April 2015. This revolving credit facility provides access to committed lending and bonding line support. Further details are available in the accounts of Chemring Group PLC, which are publicly available.

* See Note 19

14. CREDITORS

Amounts falling due after more than one year

	31 Oct 2011	30 Sep 2010
	£000	£000
Amounts owed to Group undertakings	<u><u>2,000</u></u>	<u><u>-</u></u>

The amount due to Group undertakings is unsecured and repayable after more than five years. No interest is charged on this loan.

15. DEFERRED TAX

	31 Oct 2011	30 Sep 2010
	£000	£000
At beginning of period/year	63	(856)
Charge for period/year	610	919
At end of period/year	<u><u>673</u></u>	<u><u>63</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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15. DEFERRED TAX (continued)

The provision for deferred tax is made up as follows

	31 Oct 2011 £000	30 Sep 2010 £000
Accelerated capital allowances	2,400	2,826
Tax losses carried forward	(1,727)	(2,763)
	<u>673</u>	<u>63</u>

16. PROVISIONS

	Order-related losses and risks £000	Other £000	Total £000
At 1 October 2010	689	10	699
Additions	142	-	142
Amounts used	(584)	(10)	(594)
At 31 October 2011	<u>247</u>	<u>-</u>	<u>247</u>

Order-related losses and risks

Provisions for order-related losses and risks are recognised for anticipated losses on uncompleted sales contracts

Other

Other provisions primarily include restructuring costs in respect of payments in lieu of notice

17. SHARE CAPITAL

	31 Oct 2011 £000	30 Sep 2010 £000
Allotted, called up and fully paid		
10,361,725 ordinary shares of 10p each	<u>1,036</u>	<u>1,036</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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18 RESERVES

	Share premium account £000	Profit and loss account £000
At 1 October 2010	19,103	(2,778)
Profit for the period		3,795
	<u>19,103</u>	<u>1,017</u>
At 31 October 2011	<u>19,103</u>	<u>1,017</u>

19. PRIOR YEAR ADJUSTMENTS

The acquisition of the company by Chemring Group PLC on 30 September 2010 resulted in several fair value adjustments to the balance sheet and the profit and loss account. An analysis of these adjustments can be seen below.

Fair value adjustments

	Book value 2010 £000	Fair value adjustments £000	Fair value 2010 £000
Development costs	3,061	(138)	2,923
Work in progress	8,311	(934)	7,377
Other creditors	(5,371)	(417)	(5,788)
	<u>6,001</u>	<u>(1,489)</u>	<u>4,512</u>
Total	<u>6,001</u>	<u>(1,489)</u>	<u>4,512</u>

The fair value adjustment to development costs relates to the write-off of some capitalised development costs that did not meet the criteria for capitalisation under Chemring Group accounting policies.

The fair value adjustment to work in progress relates to losses incurred on products held on the balance sheet as work in progress.

The fair value adjustment to other creditors relates to a contract loss provision.

The transition from reporting under International Financial Reporting Standards (IFRS) in 2010 to UK Generally Accepted Accounting Practice (UK GAAP) in 2011 did not result in any changes to the accounting treatment or measurement of any of the 2010 balances. Accordingly, there has been no restatement of the 2010 balances as a result of the transition.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE 13 MONTH PERIOD ENDED 31 OCTOBER 2011

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 Oct 2011	30 Sep 2010
	£000	£000
Opening shareholders' funds	17,361	18,967
Prior year adjustments (see Note 19)		(1,489)
Opening shareholders' funds (as restated)		<u>17,478</u>
Profit for the period/year	3,795	1,402
Shares issued during the period/year	-	16
Share premium on shares issued (net of expenses)	-	498
Other recognised losses during the period/year	-	(2,033)
Closing shareholders' funds	<u>21,156</u>	<u>17,361</u>

21. PENSION COMMITMENTS

During the period under review the parent company, Chemring Group PLC, operated a defined contribution pension scheme, The Chemring Group UK Pension Plan, in the UK. The company contributed £3,263,000 (2010: £nil) to this scheme during the period, with all balances settled in the period to which they related.

The previous parent company, Siemens AG, operates a defined contribution pension scheme in the UK. The company contributed £3,720,000 to this scheme during the previous year, with all balances settled in the period to which they related.

The previous parent company also operated a defined benefit pension scheme, the Siemens Benefit Scheme, in the UK. The company ceased to be a member of this scheme from 30 September 2010. Prior to the acquisition of the company by Chemring Group PLC, contributions of £14,000,000 were made in order to settle the company's share of the outstanding liabilities in this scheme.

22. OPERATING LEASE COMMITMENTS

At 31 October 2011 the company had annual commitments under non-cancellable operating leases as follows:

	31 Oct 2011	30 Sep 2010
	£000	£000
Expiry date:		
Within 1 year	2	72
Between 2 and 5 years	47	-

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**NOTES TO THE FINANCIAL STATEMENTS
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23 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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 of Chemring Group PLC are available at the Chemring Group website (www.chemring.co.uk) or by contacting the registered office, the address of which is set out on the Company Information page at the start of these financial statements. Chemring Group PLC is the largest and smallest group of which the company is a member and for which consolidated accounts are prepared.