

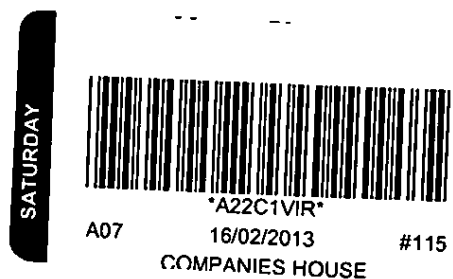
Leaffield Logistics & Technical Services Limited

Report and Financial Statements

Year Ended

30 September 2012

Company Number 6477347



Leaffield Logistics & Technical Services Limited

Report and financial statements for the year ended 30 September 2012

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Directors

M E Thistlethwayte
J R Thistlethwayte
D A Horner
G M Bibby
D C Harbord

Secretary and registered office

T J Chapple, Lea Park, Monks Lane, Corsham, Wiltshire, SN13 9PH

Company number

6477347

Auditors

BDO LLP, Arcadia House, Maritime Walk, Ocean Village, Southampton, SO14 3TL

Leaffield Logistics & Technical Services Limited

Report of the directors for the year ended 30 September 2012

The directors present their report together with the audited financial statements for the year ended 30 September 2012

In line with the Companies Act 2006 (section 390-3-b), which allows accounting records to be drawn up within 7 days either side of the accounting reference date, the directors chose to draw up the accounts to 7 October 2011 in the prior year

Results and dividends

The statement of comprehensive income is set out on page 6 and shows the profit for the year

The different classes of redeemable preference shares attract fixed dividends of 6%, 7% or 8%. During the year £226,000 (£0.06 per share) of dividends have been paid (2011 - £292,000 (£0.08 per share))

Principal activities

The principal activities of the Company are to supply overseas navies with ship spares and to manage the storage, maintenance and disposal of the UK MOD's inventory of naval equipment that has been declared surplus to requirements

The Company is a private limited company and is incorporated and domiciled in the UK. The registered number of the company is 6477347

Return of share capital and cancellation of shares

During the current year the Company redeemed and then cancelled 10,000 (2011 - 7,500) £1 ordinary shares. This represented 10.8% (2011 - 7.5%) of the issued ordinary shares. The redemption and cancellation was carried out in conjunction with the issuing of redeemable preference shares to a minority shareholder. See note 20 for further details.

Directors

The directors of the company during the year were

M E Thistlethwayte
J R Thistlethwayte
D A Horner
G M Bibby
D C Harbord
R Priestley (resigned 19 September 2012)

The Company has purchased and, throughout the year, maintained appropriate insurance cover in respect of Directors' and Officers' liabilities

Leaffield Logistics & Technical Services Limited

Report of the directors for the year ended 30 September 2012 (*continued*)

Going concern

The directors, after making enquires, have considered the future prospects of Leaffield Logistics and Technical Services Limited and have a reasonable expectation that they will have adequate resources to continue operating for the foreseeable future. Therefore the going concern basis has been adopted in preparing these financial statements.

Directors' responsibilities

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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.

Leaffield Logistics & Technical Services Limited

Report of the directors for the year ended 30 September 2012 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

PricewaterhouseCoopers LLP resigned as auditors of the company during the year and BDO LLP were appointed as auditors of the company by the directors. BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.



On behalf of the Board

D C Harbord
Director

Date 18 December 2012

Leaffield Logistics & Technical Services Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEAFIELD LOGISTICS & TECHNICAL SERVICES LIMITED

We have audited the financial statements of Leaffield Logistics & Technical Services Limited for the year ended 30 September 2012 which comprise the statement of total comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 30 September 2012 and of the company's profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the financial statements 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 year for which the financial statements are prepared is consistent with the financial statements.

Leaffield Logistics & Technical Services Limited

Independent auditor's report (continued)

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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Kim H Hayward (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Southampton

United Kingdom

Date *20 December, 2012*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Leaffield Logistics & Technical Services Limited

Statement of total comprehensive income for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Revenue		4,422	4,231
Cost of sales	23	(2,203)	(1,944)
Gross profit		2,219	2,287
Administrative expenses		(1,693)	(1,626)
Operating profit	23	526	661
Finance costs	24	(226)	(292)
Finance (costs) - net	24	(226)	(292)
Profit before tax		300	369
Tax expense	9	(119)	(157)
Profit for the year		181	212
Total comprehensive income for the year		181	212
Profit and total comprehensive income attributable to:			
Owners of the parent		181	212

The company has no other items of comprehensive income and as such the statement of comprehensive income for the year agrees to the profit for the year

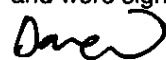
The notes on pages 10 to 31 form part of these financial statements

Leaffield Logistics & Technical Services Limited

Statement of financial position at 30 September 2012

Company number 6477347	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Assets					
Non-current assets					
Property, plant and equipment	10		783		794
Intangible assets	11		3,797		3,797
Investments in subsidiaries	12		-		224
			<u>4,580</u>		<u>4,815</u>
Current assets					
Inventories	14	99		31	
Trade and other receivables	15	767		1,354	
Cash and cash equivalents	16	580		-	
			<u>1,446</u>		<u>1,385</u>
Total assets			<u>6,026</u>		<u>6,200</u>
Equity attributable to equity holders					
Ordinary shares	17	82		92	
Reserves	18	1,289		1,336	
Total equity			<u>1,371</u>		<u>1,428</u>
Liabilities					
Non-current liabilities					
Borrowings - redeemable preference shares	20	-		3,650	
Deferred income tax liabilities	21	156		169	
Total non-current liabilities			<u>156</u>		<u>3,819</u>
Current liabilities					
Bank overdrafts	20	-		109	
Borrowings - redeemable preference shares	20	3,887		-	
Trade and other payables	19	461		823	
Redeemable preference shares dividend accrued		10		12	
Deferred income tax liabilities	21	-		9	
Current income tax liabilities		141		-	
Current liabilities			<u>4,499</u>		<u>953</u>
Total liabilities			<u>4,655</u>		<u>4,772</u>
Total equity and liabilities			<u>6,026</u>		<u>6,200</u>

The financial statements were approved and authorised for issue by the Board of Directors on 18 December 2012 and were signed on its behalf by



D C Harbord
Director

The notes on pages 10 to 31 form part of these financial statements

Leaffield Logistics & Technical Services Limited

Statement of cash flows for the year ended 30 September 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Cash flows from operating activities					
Cash generated from operations	25	1,174		129	
Preference dividends paid	24	(228)		(292)	
Income tax paid		(217)		(177)	
Net cash used in operating activities			729		(340)
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(40)		(11)	
Net cash used in investing activities			(40)		(11)
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			689		(351)
Cash and cash equivalents at the beginning of the year			(109)		242
Cash and cash equivalents at the end of the year			580		(109)

The notes on pages 10 to 31 form part of these financial statements

Leaffield Logistics & Technical Services Limited

Statement of changes in equity for the year ended 30 September 2012

	Ordinary share capital £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 30 September 2010	100	-	1,116	1,216
Comprehensive Income				
Profit for the year	-	-	212	212
Total comprehensive income	-	-	212	212
Redemption and cancellation of shares	(8)	8	-	-
Balance at 30 September 2011	92	8	1,328	1,428
Comprehensive Income				
Profit for the year	-	-	181	181
Total comprehensive income	-	-	181	181
Redemption and cancellation of shares	(10)	10	(238)	(238)
Balance at 30 September 2012	82	18	1,271	1,371

The notes on pages 10 to 31 form part of these financial statements

Leafield Logistics & Technical Services Limited

Notes forming part of the financial statements for the year ended 30 September 2012

1 General information

Leafield Logistics & Technical Services Limited supply overseas navies with ship spares and manage the storage, maintenance and disposal of the UK MOD's inventory of naval equipment that has been declared surplus to requirement

The Company is a private limited company and is incorporated and domiciled in the UK. The registered office is Lea Park, Monks Lane, Corsham, Wiltshire, SN13 9PH

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The separate entity financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 4.

The IFRS primary financial statements are presented in accordance with IAS 1 - 'Presentation of Financial Statements'.

In line with the Companies Act 2006 (section 390-3-b), which allows accounting records to be drawn up within 7 days either side of the accounting reference date, the directors chose to draw up the prior year accounts to 7 October 2011.

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements for the year ended 30 September 2012

2 Accounting policies (continued)

New accounting standards and interpretations

The following new standards, amendments to standards and interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee are to be applied to financial statements with periods commencing on or after the following dates

<u>International Accounting and Financial Reporting Standards (IAS/IFRS)</u>		<u>Effective date</u>
IAS 12*	Deferred Tax Recovery of Underlying Assets (Amendment)	1 January 2012
IAS 1*	Presentation of Items of Other Comprehensive Income (Amendment)	1 July 2012
IAS 19*	Employee Benefits	1 January 2013
IAS 27*	Separate Financial Statements	1 January 2013
IAS 28*	Investments in Associates and Joint Ventures	1 January 2013
IFRS 7*	Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)	1 January 2013
IFRS 10*	Consolidated Financial Statements	1 January 2013
IFRS 11*	Joint Arrangements	1 January 2013
IFRS 12*	Disclosure of Interests in Other Entities	1 January 2013
IFRS 10, 11 & 12*	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance (Amendment)	1 January 2013
IFRS 13*	Fair Value Measurement	1 January 2013
(2009 – 2011 Cycle)*	Annual Improvements to IFRS	1 January 2013
IAS 32*	Offsetting Financial Assets and Financial Liabilities (Amendment)	1 January 2014
IFRS 10, 12 & IAS 27*	Investment Entities (Amendment)	1 January 2014
IFRS 9*	Financial Instruments	1 January 2015

* Not endorsed by the European Union as at the date of approval of these financial statements

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company

Foreign currency translation

(a) Functional and presentation currency

The functional and presentation currency of the Company is Pounds Sterling

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency (sterling) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements for the year ended 30 September 2012

2 Accounting policies (continued)

Intangible fixed assets - goodwill

Goodwill which represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of businesses is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation on all property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold and buildings	-	5% - 10% per annum
Plant, machinery and equipment	-	20% - 25% per annum
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the statement of total comprehensive income.

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

2 Accounting policies (*continued*)

Investments in subsidiaries

All investments in subsidiaries are held at cost less impairment charges (if any). The cost of investments in subsidiaries includes expenditure that is directly attributable to the costs of acquiring subsidiary companies.

Joint ventures

Joint ventures are entities concerning which the Company has entered into an agreement with other third parties to establish joint control over those entities. All investments in joint ventures are held at cost less impairment charges (if any).

Financial assets

Classification

The Company classifies its financial assets in one category - loans and receivables. The classification depends on the purpose for which the financial assets were acquired and management determines the classification of its financial assets at initial recognition. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (see accounting policies).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase the asset. Financial assets are derecognised when the risk and rewards of ownership have transferred.

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised within administrative expenses in the statement of total comprehensive income.

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

2 Accounting policies (*continued*)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of finished goods comprises the purchase price including transport and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables

Trade payables are non-derivative financial liabilities with fixed or determinable payments and relate to obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are included in current liabilities, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of total comprehensive income over the period of borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specified date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of total comprehensive income as interest expense.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of total comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation; it establishes provisions, when appropriate, as the basis of amounts expected to be paid to the tax authorities.

Where tax relief is claimed against losses sustained by other companies in the Group, this relief is charged to the Company by the donor company at the rate of £1 for every £1 of taxation not paid. Amounts payable for group relief are included in the taxation charge of the Company.

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

2 Accounting policies (*continued*)

Current and deferred income tax (continued)

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added taxes, returns and rebates.

(a) Sale of goods

The company sells MOD naval inventory to overseas naval fleets. Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefit will flow to the company under the terms of any sale agreements. Revenue is not considered to be reliably measurable until all contingent clauses in sale agreements are met. Revenue is recognised when goods are despatched to customers and all other relevant specific terms and conditions have been met.

No element of finance is deemed present as the sales are made with credit terms of 30 days, which is consistent with market practise.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

Employee benefits

The Company operates a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The assets of the scheme are held separately from those of the Company in an independently administered fund. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The pension cost charge represents contributions payable by the Company to the fund.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

3 Financial risk management

Financial risk factors

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the executive director

(a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company has implemented policies that require maintaining appropriate credit limits on all customers. The Company's credit risk is primarily attributable to its trade receivables balance. The amounts presented in the statement of financial position are net of allowances for doubtful debts

The Company does not have significant concentrations of credit risk. Contracts with customers who are considered to have an increased credit risk are transacted using a letter of credit. The deposits with banks are only held with reputable financial institutions

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. See note 15 for further detail

b) Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash balances, which earn interest at floating rates. Interest bearing liabilities comprise redeemable preference shares at fixed rates and an overdraft facility at a floating rate

(c) Political and economic risk

Sales of naval equipment to Commonwealth and foreign governments carry risks of potential delays and/or cancellation resulting from the internal economic and political situation within each country. This can result in difficulty in forecasting the level of sales and can create volatility in the level of profits achieved in any particular period

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

The Company keeps the capital structure under review with a process of monthly financial forecasts updated quarterly. These forecasts, including a detailed cash flow forecast, provide the Board with an assessment of the Company's capital adequacy for the period under review. When sufficient excess capital exists, this is returned to shareholders via a reduction in capital

Management regard the capital structure of the Company to consist of the ordinary and redeemable preference shares in issue

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

3 Financial risk management (*continued*)

(e) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash to enable it to meet its operational requirements. Operating cash flows are actively managed with annual cash flow forecasts updated as required and subject to board review.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 30 September 2012				
Bank overdrafts	-	-	-	-
Trade and other payables	429	-	-	-
Redeemable preference shares	3,887	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2011				
Bank overdrafts	109	-	-	-
Trade and other payables	820	-	-	-
Redeemable preference shares	-	3,650	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Company's borrowings are analysed in note 20.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the accounting policies. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11).

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

5 Employee benefit expense

	2012 £'000	2011 £'000
Wages and salaries	801	744
Social security costs	81	74
Pension costs - defined contribution	32	26
	<u>914</u>	<u>844</u>

The average monthly number of persons (including executive directors) employed during the year was

	2012 Number	2011 Number
Management and office	10	8
Selling	11	9
Operations	12	12
	<u>33</u>	<u>29</u>

6 Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	109	144
Aggregate amounts (excluding shares) receivable under long term incentive schemes	3	1
	<u>112</u>	<u>145</u>

Compensation for loss of office during the year was £nil (2011 - £142,000)

The emoluments of the highest paid director were as follows

Aggregate emoluments	<u>56</u>	<u>106</u>
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There is 1 (2011 - none) director accruing benefits under money purchase pension schemes

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

7 Auditors' remuneration

During the year the following services were obtained from the Company's auditors

	2012 £'000	2011 £'000
Fee's payable to auditors for the audit of the Company's financial statements	8	11

8 Dividends

The dividends paid on redeemable preference shares in 2012 and 2011 were £226,000 (£0.06 per share) and £292,000 (£0.08 per share) respectively

9 Tax expense

	2012 £'000	2011 £'000
<i>Current tax</i>		
Current tax on profit for the year	141	187
Adjustment in respect of prior years	-	-
Total current tax	141	187
<i>Deferred tax</i>		
Deferred tax (note 21)		
Origination and reversal of temporary timing differences	(8)	(30)
Effect of rate change	(14)	-
Total deferred tax	(22)	(30)
Total tax	119	157

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

9 Tax expense (*continued*)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to the profit of the Company as follows

	2012 £'000	2011 £'000
Profit before tax	300	369
Tax calculated at domestic tax rates applicable at 25% (2011 - 27%)	75	100
Effects of		
Expenses not deductible for tax purposes	58	80
Depreciation in excess of capital allowances	-	7
Different tax rate on deferred tax movement	(14)	(30)
Total tax charge for year	119	157

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the Autumn Statement. Further reductions to the main rate are proposed to reduce the rate to 23% from 1 April 2013 and a further reduction to 21% by 1 April 2014. These further changes had not been substantively enacted at the statement of financial position date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax are expected to be enacted separately each year. The overall effect of the further changes from 23% to 21%, if these applied to the deferred tax balance at the statement of financial position date, would be to reduce the deferred tax liability by £14,000 (being £14,000 recognised in 2014).

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 *(continued)*

10 Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
At 30 September 2010				
Cost	1,494	326	12	1,832
Accumulated depreciation	(697)	(290)	(12)	(999)
Net carrying value at 1 October 2010	797	36	-	833
Additions	-	11	-	11
Disposals	-	-	-	-
Depreciation charge	(34)	(16)	-	(50)
Closing net carrying value	763	31	-	794
At 30 September 2010				
Cost	1,494	337	12	1,843
Accumulated depreciation	(731)	(306)	(12)	(1,049)
Net carrying value at 1 October 2011	763	31	-	794
Additions	29	11	-	40
Disposals - cost	-	(2)	-	(2)
Disposals - depreciation	-	2	-	2
Depreciation charge	(35)	(16)	-	(51)
Closing net carrying value	757	26	-	783
At 30 September 2012				
Cost	1,523	346	12	1,881
Accumulated depreciation	(766)	(320)	(12)	(1,098)
Net carrying value	757	26	-	783

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

11 Intangible assets

Goodwill
£'000

Cost and net book value

At 30 September 2010, 30 September 2011 and 30 September 2012

3,797

Impairment test for goodwill

Management consider that the Company has only one operating segment. As such, management also regard the company as consisting of only one cash generating unit.

The recoverable amount of a cash generating unit is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rate shown below. The growth rate does not exceed the long-term average growth rate for the country in which the Company operates.

The key assumptions used for the value-in-use calculations are as follows:

Discount rate 6.9% (2011- 6.9%)

Growth rate in years 1-5 -5% (2011 5% growth, with no growth after year 3)

The growth rate used is consistent with management's expectations taking into account the current economy and industry information. The discount rate used is a pre-tax risk adjusted cost of capital.

12 Investments in subsidiaries

**Shares in
group
undertakings**
£'000

Cost and net book value

At 30 September 2010 and 30 September 2011

224

Disposed of during the year

(224)

At 30 September 2012

-

Investments in Company undertakings are recorded at cost, which is the fair value of the consideration paid.

13 Joint Venture

Name	Country of incorporation	Proportion of ordinary shares	Nature of business
Military Spares UK Limited	UK	50%	Sale of MOD spare parts

The joint venture was incorporated during the prior year, for which £1 of share capital (1 share) was invested by the company, representing a 50% stake.

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

14 Inventories

	2012 £'000	2011 £'000
Goods for resale	99	31

The cost of inventories recognised as expense and included in cost of sales amounted to £1,408,000 (2011 - £1,123,000)

The directors consider that the difference between the purchase price of inventories and their replacement cost is not material

15 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	620	1,187
Less provision for impairment of trade receivables	-	-
Trade receivables (net)	620	1,187
Prepayments	20	47
Other receivables	57	120
Amounts owed from group undertakings in respect of group tax relief	70	-
Current receivables	767	1,354

The fair value of trade and other receivables at 30 September 2012 approximate to the book value stated above

The trade receivable are considered to be fully performing

As of 30 September 2012 trade receivables of £24,000 (2011 - £78,000) were past due not impaired

As of 30 September 2012 £Nil trade receivables (2011 - £Nil) were impaired and provided for

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (continued)

16 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	2012 £'000	2011 £'000
Cash at bank	580	-

A bank overdraft facility of £350,000 is available if required. This is repayable on demand and is next due for review on 1 February 2013.

The bank holds security as follows:

- i) A first legal mortgage over the company's freehold land and buildings, and
- ii) A mortgage debenture and fixed and floating charge over all of the current and future assets of the company.

17 Ordinary shares

	Number of shares	Ordinary shares £'000	Total £'000
At 1 October 2010	100,000	100	100
Redemption and cancellation of shares	(7,500)	(8)	(8)
At 30 September 2011	92,500	92	92
Redemption and cancellation of shares	(10,000)	(10)	(10)
At 30 September 2012	82,500	82	82

All ordinary shares have a par value of £1 per share (2011 - £1 per share) and are fully paid (2011 - 100,000).

During the year, the Company reduced its ordinary share capital under the provisions of the Companies Act 2006. On 15 April 2012, the Company redeemed 10,000 ordinary shares from R Priestly and subsequently cancelled the shares.

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

18 Reserves

	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2010	-	1,116	1,116
Profit for the year	-	212	212
Capital redemption	8	-	8
	<hr/>	<hr/>	<hr/>
At 30 September 2011	8	1,328	1,336
Profit for the year	-	181	181
Capital redemption and preference share issue	10	(238)	(228)
	<hr/>	<hr/>	<hr/>
At 30 September 2012	18	1,271	1,289
	<hr/>	<hr/>	<hr/>

19 Trade and other payables

	2012 £'000	2011 £'000
Trade payables	75	160
Social security and other taxes	27	3
Other payables	7	169
Amounts due to other group undertakings	-	263
Accrued expenses	352	81
Amounts due to group undertakings in respect of group relief	-	147
	<hr/>	<hr/>
Trade and other payables	461	823
	<hr/>	<hr/>

20 Borrowings

	2012 £'000	2011 £'000
<i>Current</i>		
Bank overdrafts	-	109
Redeemable preference shares	3,887	-
	<hr/>	<hr/>
	3,887	109
	<hr/>	<hr/>

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

20 Borrowings (*continued*)

During the year, the company passed a special resolution to increase its share capital from £3,950,000 divided into 120,000 Ordinary Shares of £1 each, 2,750,000 Cumulative Participating Redeemable A Preference Shares of £1 each and 1,080,000 Cumulative Participating Redeemable B Preference Shares of £1 each, to £4,187,388 divided into 120,000 Ordinary Shares of £1 each, 90,000 Cumulative Participating Redeemable B Preference Shares of £1 each, 237,388 Cumulative Participating Redeemable C Preference Shares of £1 each and 990,000 Cumulative Participating Redeemable D Preference Shares of £1 each by the creation of 237,388 Cumulative Participating Redeemable C Preference Shares of £1 each and by the reclassification of 990,000 Cumulative Participating Redeemable B Preference Shares of £1 each into 990,000 Cumulative Participating Redeemable D Preference Shares of £1 each

At the same time, the rights of the £2,750,000 Cumulative Participating Redeemable A Preference Shares of £1 were amended so that they attract a participating dividend of 6%, the rights of the 990,000 Cumulative Participating Redeemable D Preference Shares of £1 were amended such that they attract a participating dividend of 6% and the newly created 237,388 Cumulative Participating Redeemable C Preference Shares of £1 each attract a participating dividend of 7%. The Cumulative Participating Redeemable D Preference Shares of £1 attract a participating dividend of 8%.

The redeemable preference shares carry fixed dividend rates as per above which accrue on a daily basis and are payable quarterly. The shares can be redeemed no earlier than March 2013 at the shareholders request. The fair value of preference shares is £3,857,000 (2011 - £3,650,000). The fair values are based upon cash flows discounted using a rate based method on the borrowing rate of 8% (2011 - 8%).

	Redeemable preference shares £'000
As at 1 October 2010 and 30 September 2011	3,650
Issued during the year	237
	<hr/>
At 30 September 2012	3,887
	<hr/>

All preference shares have a par value of £1 (2011 - £1) per share and are fully paid (2011 - 3,650,000 fully paid)

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

21 Deferred income tax

The analysis of deferred tax liabilities is as follows

	2012 £'000	2011 £'000
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	156	169
- Deferred tax liability to be recovered within 12 months	-	9
	<hr/>	<hr/>
Deferred tax liabilities	156	178
	<hr/>	<hr/>
The gross movement on the deferred income tax (net) accounts is as follows		
At 1 October 2011	178	208
Statement of total comprehensive income (credit)	(22)	(30)
	<hr/>	<hr/>
At 30 September 2012	156	178
	<hr/>	<hr/>
Accelerated capital allowances	156	178
Unutilised tax losses	-	-
	<hr/>	<hr/>
Deferred taxation liability	156	178
	<hr/>	<hr/>

Deferred tax is calculated on the temporary differences under the liability method using a tax rate of 23% (2011 - 25%)

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

22 Financial instruments

a) By category

Loans and receivables

	2012 £'000	2011 £'000
Trade and other receivables	767	1,354
Cash and cash equivalents	580	-
	<u>1,347</u>	<u>1,354</u>

Financial liabilities at amortised cost

Bank overdrafts	-	109
Borrowings - redeemable preference shares	3,887	3,650
Trade and other payables	429	820
	<u>4,316</u>	<u>4,579</u>

b) Credit quality of financial assets

Trade receivables

The credit quality of trade receivables that are neither past due nor impaired have been assessed based on historical information about the counterparty default rate and by reference to external credit ratings. Trade receivables of £308,000 (2011 - £938,000) of the year end balance are held with counterparties who have a 'B' or 'C' credit rating (based on Moody's Long-term Issuer Rating). In respect of the other £312,000 (2011 - £249,000), the Company does not hold any other receivable balances with customers, whose past default has resulted in no recovery of the receivables balance.

Cash

The credit quality of cash has been assessed by reference to external credit ratings, where the counterparty has an 'A' credit rating based on Moody's Long-term Issuer Rating (2011 - 'A').

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

23 Operating profit

This is arrived at after charging

	2012 £'000	2011 £'000
Raw materials and consumables used	1,408	1,123
Depreciation charges (note 10)	51	50
Employee benefit costs (note 5)	914	844
	<u> </u>	<u> </u>

24 Finance income and costs

	2012 £'000	2011 £'000
Finance costs		
Dividend on redeemable preference share	226	292
	<u> </u>	<u> </u>
Finance cost - net	226	292
	<u> </u>	<u> </u>

25 Cash generated from operations

	2012 £'000	2011 £'000
Profit before tax	300	369
Adjustments for		
Depreciation (note 10)	51	50
Finance income (note 24)	-	-
Finance costs (note 24)	226	292
Changes in working capital		
Inventories	(68)	11
Trade and other receivables	547	(575)
Trade and other payables	118	(18)
	<u> </u>	<u> </u>
Cash generated from operations	1,174	129
	<u> </u>	<u> </u>

26 Contingencies

At 30 September 2012 the Company had outstanding indemnities to NatWest Bank plc amounting to £64,186 (2011 - £59,500) in respect of various performance bonds given in the normal course of trading £25,000 was a performance bond given to the Secretary of State for Defence on 26 August 2009 which expires on 30 November 2013 £34,500 represents the Company's 23% share of a joint venture performance bond for £150,000 given to the Secretary of State for Defence in December 2010 and due for expiry on 2 December 2014 £1,174 is a performance bond given to the Senior Finance Controller of the Bangladesh Navy which expires on 31 December 2012 £3,512 is a performance bond given to the CN Romtehnica SA of Romania which expires on 26 August 2013

Leaffield Logistics & Technical Services Limited

Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)

27 Commitments

(a) Capital commitments

The Company had committed to acquire capital equipment of £nil (2011 - £8,000) at the year end

(b) Lease commitments

The Company had no non-cancellable operating leases (2011 - £nil) at the year end

28 Related party transactions

Chelverton Asset Management Limited is a company controlled by D A Horner, a director of the Company. During the period Chelverton Asset Management Limited provided professional services regarding the provision of D A Horner's services as a director of the Company amounting to £20,000 (2011 - £20,000). This amount is also included in the disclosure regarding key management compensation.

Portchester Equity Limited is the immediate and ultimate parent company controlled by M E Thistlethwayte. During the year Portchester Equity Limited provided professional services to the company amounting to £92,000 (2011 - £nil). At 30 September 2012, £4,000 was due to Portchester Equity Limited (2011 - £nil).

(a) Key management compensation

The compensation paid or payable to key management for employee services is shown below

	2012 £'000	2011 £'000
Salaries and other short term benefits	109	144
Termination benefits	-	142
Long term benefits	3	1
	<hr/>	<hr/>
Aggregate emoluments	112	287
	<hr/>	<hr/>

(b) Payments in respect of corporation tax group relief

	2012 £'000	2011 £'000
Snug Company Limited	-	69
Portchester Equity Limited	217	-
	<hr/>	<hr/>

In respect of the £141k current tax charge for 2012, taxable losses exist within the group, principally with Portchester Equity Limited and Snug Company Limited. In these accounts the benefit of that group relief has been recognised to the extent that an amount payable to group companies has been recognised. At the date of approval of these financial statements, it is uncertain to which party or parties this payment will be made.

Leaffield Logistics & Technical Services Limited

**Notes forming part of the financial statements
for the year ended 30 September 2012 (*continued*)**

29 Ultimate controlling party

The immediate and ultimate parent company is Portchester Equity Limited, a private company incorporated in the UK. The largest and smallest company in which the results of the Company are consolidated is that headed by Portchester Equity Limited. Copies of these financial statements can be obtained from 20 Jewry Street, Winchester, Hampshire, SO23 8RZ.

The directors recognise M E Thistlethwayte as the ultimate controlling party by virtue of his controlling interest in Portchester Equity Limited.