Registered number 6477347

Leafield Logistics & Technical Services Limited

Report and financial statements for the year ended 30 September 2010

Leafield Logistics & Technical Services Limited

Annual report and financial statements
for the year ended 30 September 2010

Contents

Leafield Logistics & Technical Services Limited

Directors and advisers

Directors

D A Horner
R Priestley
M E Thistlethwayte
J R Thistlethwayte
N P Thomas (resigned 22 November 2010)

Company secretary

T J Chapple

Registered office

Lea Park
Monks Lane
Corsham
Wiltshire
United Kingdom
SN13 9PH

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountant and Statutory Accountant
1 Kingsway
Cardiff
CF10 3PW

Banker

National Westminster Bank Plc
North Wiltshire Commercial Office
1st Floor Stella Building
Windmill Hill Business Park
Whitehill Way
Swindon
SN5 6NX

Leafield Logistics & Technical Services Limited

Directors' Report
for the year ended 30 September 2010

The directors present their report and audited financial statements for year ended 30 September 2010

This report has been prepared taking advantage of the small companies' regime of the Companies Act 2006

Principal activities

On 30 September 2009 the Company acquired the trade and assets of its subsidiary companies Prior to this date the principal activity was that of a holding company From 30 September 2009 the principal activities of the Company are to supply overseas navies with ship spares and to manage the storage, maintenance and disposal of UK MOD 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 number of the company is 6477347

The subsidiary companies of the Company are

Leafield Group Limited, Old LLTS Limited and Leafield Limited, all of which were dormant throughout the year

The statement of total comprehensive income is set out on page 5

Dividends

The redeemable preference shares attract an 8% dividend During the year dividends of £312,000 (2009 £542,000) have been paid (£0 08 per share (2009 £0 08 per share)), of this £14,000 (2009 £192,000) had been accrued in the previous year

Return of share capital and cancellation of shares

During the current year the Company cancelled 500,000 £1 preference shares and returned the capital to the relevant shareholders This represented 12 05% of the issued preference shares In 2009 the Company cancelled 500,000 £1 preference shares for £500,000 This represented 10 75% of the issued preference shares The cancellation was carried out to return surplus capital to the preference shareholders

Directors

The directors of the Company, who were in office during the year and up to the date of signing of the financial statements were

D A Horner
R Priestley
M E Thistlethwayte
J R Thistlethwayte
N P Thomas (appointed 15 December 2009 – resigned 22 November 2010)

Going concern

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

Leafield Logistics & Technical Services Limited

Directors' Report
for the year ended 30 September 2010 (continued)

Statement of 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 prepared 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 applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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

Disclosure of information to auditors

As far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware and,
- the directors have taken all the steps which ought to have been taken as a director in order to make ourselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

Approved by the board of directors on 9 December 2010 and signed on behalf of the board by

TJ Chapple
Company Secretary

Leafield Logistics & Technical Services Limited

Independent auditors' report to the members of Leafield Logistics & Technical Services Limited

We have audited the financial statements of Leafield Logistics & Technical Services Limited for the year ended 30 September 2010 which comprise the Statement of total comprehensive income, the Balance Sheet, the Cash Flow Statement, 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

Respective responsibilities of directors and auditors
As explained more fully in the Statement of directors responsibilities set out on page 3, 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 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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

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 2010 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter 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

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

Jason Clarke BSc ACA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
9 December 2010

Leafield Logistics & Technical Services Limited

Statement of total comprehensive income
for the year ended 30 September 2010

	Note	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Revenue – Sale of goods		**3,185**	-	6,233
Dividends received from subsidiary undertakings		-	1,788	-
Total revenue		**3,185**	1,788	6,233
Cost of sales	17	**(1,264)**	-	(2,369)
Gross profit		**1,921**	1,788	3,864
Administrative expenses	17	**(1,469)**	(23)	(1,662)
Operating profit		**452**	1,765	2,202
Finance income	20	**1**	-	3
Finance costs	20	**(312)**	(364)	(364)
Finance costs - net	20	**311**	(364)	(361)
Profit before income tax		**141**	1,401	1,841
Income tax expense	21	**(142)**	(68)	(605)
(Loss)/profit for the year		**(1)**	1,333	1,236
Total comprehensive income for the year		**(1)**	**1,333**	**1,236**
Profit and total comprehensive income Attributable to:				
Owners of the parent		**(1)**	1,333	1,236

The results relate to continuing operations

The company has no items of other comprehensive income and as such total comprehensive income for the year agrees to (loss)/profit for the year

The notes on pages 9 to 26 are an integral part of these financial statements

Leafield Logistics & Technical Services Limited acquired the trade and assets of its subsidiary companies on 30 September 2010 Prior to this date the principal activity was that of a holding company To provide a basis of comparison, the Statement of total comprehensive income includes a proforma comparative which represents the consolidated Statement of total comprehensive income as disclosed in the 30 September 2009 financial statements

Leafield Logistics & Technical Services Limited
Registered Number 6477347

Balance sheet
As at 30 September 2010

	Note	2010 £'000	2009 £'000
Assets			
Non current assets			
Property, plant and equipment	5	**833**	887
Intangible assets	6	**3,797**	3,797
Investments in subsidiaries	7	**224**	224
		4,854	4,908
Current assets			
Inventories	9	**42**	126
Trade and other receivables	10	**739**	509
Cash and cash equivalents	11	**242**	1,244
		1,023	1,879
Total assets		**5,877**	6,787
Equity attributable to equity shareholders			
Ordinary shares	12	**100**	100
Retained earnings	13	**1,116**	1,117
Total equity		**1,216**	1,217
Liabilities			
Non-current liabilities			
Borrowings – redeemable preference shares	14	**3,650**	4,150
Deferred income tax liabilities	15	**208**	207
		3,858	4,357
Current liabilities			
Trade and other payables	16	**654**	867
Redeemable preference shares dividend accrued		**12**	14
Current income tax liabilities		**136**	332
		803	1,213
Total liabilities		**4,661**	5,570
Total equity and liabilities		**5,877**	6,787

The notes on pages 9 to 26 are an integral part of these financial statements

The financial statements were approved and authorised for issue by the board on 9 December 2010 and were signed on its behalf by

R Priestley
Director

Leafield Logistics & Technical Services Limited

Statement of cash flows
for the year ended 30 September 2010

	Note	30 September 2010 £'000	30 September 2009 £'000
Cash flows from operating activities			
Cash generated in operations	22	**149**	462
Interest paid		**-**	-
Income tax paid		**(338)**	-
Net cash (used in)/generated from operating activities		**(189)**	462
Cash flows from investing activities			
Dividends received		**-**	600
Preference dividends paid	20	**(312)**	(542)
Purchase of property, plant and equipment	5	**(2)**	-
Net cash received on hive-up of subsidiary business'		**-**	1,224
Interest received	20	**1**	-
Net cash (used in)/from investing activities		**(313)**	1,282
Cash flows from financing activities			
Cancellation of preference shares	14	**(500)**	(500)
Net cash used in financing activities		**(500)**	(500)
Net (decrease)/increase in cash and cash equivalents		**(1,002)**	1,244
Cash and cash equivalents at the beginning of the period		**1,244**	-
Cash and cash equivalents at the end of the period		**242**	1,244

The notes on pages 9 to 26 are an integral part of these financial statements

Leafield Logistics & Technical Services Limited

Statement of changes in equity
for the year ended 30 September 2010

	Ordinary share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2008	100	(216)	(116)
Comprehensive Income			
Profit or loss	-	1,333	1,333
Total Comprehensive Income	-	**1,333**	**1,333**
Balance at 1 October 2009	**100**	**1,117**	**1,217**
Comprehensive Income			
Profit or loss	-	**(1)**	**(1)**
Total Comprehensive Income	-	**(1)**	**1,216**
Balance at 30 September 2010	**100**	**1,116**	**1,216**

Leafield Logistics & Technical Services Limited

Notes to the financial statements
for the year ended 30 September 2010

1 General Information

Leafield Logistics & Technical Services Limited supply overseas navies with ship spares and manage the storage, maintenance and disposal of UK MOD 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 Summary of significant 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 the periods presented, unless otherwise stated

2 1 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

Consolidated accounts have not been prepared for Leafield Logistics & Technical Services Limited as the company is a subsidiary company of Portchester Equity Limited Portchester Equity Limited prepares financial statements which include the consolidated results of Leafield Logistics & Technical Services Limited Details on Portchester Equity Limited can be found in note 27 to the financial statements

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'

Leafield Logistics & Technical Services Limited acquired the trade and assets of its subsidiary companies on 30 September 2010 Prior to this date the principal activity was that of a holding company To provide a basis of comparison, the Statement of total comprehensive income includes a proforma comparative which represents the consolidated Statement of total comprehensive income as disclosed in the 30 September 2009 financial statements

New accounting standards and interpretations

i) New and amended standards adopted by the Company

The Company has adopted the following new and amended IFRSs as of 1 October 2009

- IFRS 7 'Financial instruments – disclosures' (amendment) – effective as of 1 January 2009 The amendment requires enhanced disclosures about fair value measurement and liquidity risk In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy As the change in accounting policy only results in additional disclosures, there is no impact on profit for the year
- IAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009 The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income As the change in accounting policy only impacts presentation aspects, there is no impact on profit for the year

(ii) Standards, amendments and interpretations to existing standards effective as of 1 October 2009 but not relevant to the Company

- IFRIC 9 'Re-assessment of embedded derivatives and IAS 39, Financial instruments recognition and measurement – embedded derivatives', effective for annual periods beginning on or after 30 June 2009 This is not relevant to the Company as it has no embedded derivatives
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009 This is not currently applicable to the Company as it has not made any non-cash distributions
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009 This is not relevant to the Company as it has not received any assets from customers
- IFRS 2 (amendment), 'share based payment' (effective 1 January 2009) deals with vesting conditions and cancellations This is not relevant to the Company as it has no share based payment arrangement in operation
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009) deals with valuation of non controlling interests and requires the consideration paid to be shown at fair value This is not relevant to the Company as it has not made any acquisitions in the period The Company will apply IFRS 3 (revised) prospectively to all business combinations from 1 October 2010
- IAS 38 (amendment), 'Intangible Assets' The amendment provides clarified guidance on measuring the fair value of intangible assets acquired in a business combination The Company will apply this amendment from the date IFRS 3 (revised) is adopted
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups)' The amendment provides clarification on the disclosure requirements for non- current assets (or disposal groups) held for sale This is not relevant to the Company as it does not have any non-current assets (or disposal groups) held for sale
- IAS 27 (revised) 'Consolidated and separate financial statements', (effective from 1 July 2009) requires that all transactions with non-controlling interests be recorded in equity if there is no change in control as a result of the transactions This is not relevant to the Company as it does not have any non-controlling interests

New accounting standards and interpretations (continued)

(iii) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 October 2009 have been early adopted

- Amendment to IFRS 1 First-time adoption of International Accounting Standards was in January 2010 These amendments exempt entities from providing comparative disclosures in relation to IFRS 7 disclosures The amendment are required to be applied for annual periods beginning on or after 1 July 2010, with early adoption permitted

(iv) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 October 2009 and have not been early adopted

- IFRS 9, 'Financial instruments', issued in December 2009 This addresses the classification and measurement of financial assets and is likely to affect the Company's accounting for its financial assets The standard is not applicable until 1 January 2013 but is available for early adoption The Company is yet to assess IFRS 9's full impact However, initial indications are that there will not be any material impact of adoption of IFRS 9 The Company has not yet decided when to adopt IFRS 9
- Revised IAS 24, 'Related party disclosures', issued in November 2009 It supersedes IAS 24, 'Related party disclosures', issued in 2003 The revised IAS 24 is required to be applied from 1 January 2011
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009 The amendment should be applied for annual periods beginning on or after 1 February 2010
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009 The amendments are effective for annual periods beginning 1 January 2011 Earlier application is permitted The amendments should be applied retrospectively to the earliest comparative period presented
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' The interpretation is effective for annual periods beginning on or after 1 July 2010 Earlier application is permitted
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010 The effective dates vary standard by standard but most are effective 1 January 2011

2.2 Foreign currency translation

(a) Functional and presentation currency

The functional and presentation currency of the Company is sterling

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency 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 income statement

2 3 Intangible fixed assets – goodwill

Goodwill 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 acquisitions of subsidiaries 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

2.4 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

2.5 Property, plant and equipment

All property, plant and equipment is 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 land and buildings	2% per annum
Plant, machinery and equipment	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 balance sheet 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 income statement

Leafield Logistics & Technical Services Limited

Notes to the financial statements
for the year ended 30 September 2010 (continued)

2 6 Financial assets

1.6.1. 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 loan's and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2 7 and 2 9)

(a) *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 balance sheet date These are classified as non-current assets

1.6 2 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

2 7 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 provision recorded 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 income statement

2.8 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

2.9 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 balance sheet

2.10 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

2.11 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 balance sheet 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

2 12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently carried at amortised costs, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 income statement as interest expense

2.13 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 balance sheet date Management periodically evaluate 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

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 balance sheet 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 tax assets and liabilities relate to income taxes levied by the same taxation authority

2.14 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, rebates and discounts

1 *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 the legal title transfers

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

2 *Interest Income*

Interest income is recognised using the effective interest method

3 *Dividend income*

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

2.15 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

2.16 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

3. Financial risk

3.1 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 directors

(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 balance sheet are net of allowances for doubtful debts

Leafield Logistics & Technical Services Limited

Notes to the financial statements for the year ended 30 September 2010 (continued)

3. Financial risk (continued)

3.1. Financial risk factors (continued)

(a) *Credit risk (continued*

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 10 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 undrawn overdraft facilities 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

(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 quarterly 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 balance sheet date to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows

At 30 September 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over five years
Redeemable Preference shares	-	-	3,650,000	-

The Company's borrowings are analysed in note 14

4 Critical accounting estimates and judgements

Estimates and judgments 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

(a) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2 4 The recoverable amounts of cash-generating units have been determined based on value-in-use calculations These calculations require the use of estimates and key assumptions as set out in note 6

5 Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 October 2009	1,556	417	12	1,985
Additions	-	2	-	2
Disposals	(62)	(93)	-	(155)
At 30 September 2010	**1,494**	**326**	**12**	**1,832**
Accumulated depreciation				
At 1 October 2009	723	363	12	1,098
Charge during the year	36	20	-	56
Disposals	(62)	(93)	-	(155)
At 30 September 2010	**697**	**290**	**12**	**999**
Net book value				
At 30 September 2010	**797**	**36**	**-**	**833**
At 30 September 2009	833	54	-	887

Notes to the financial statements for the year ended 30 September 2010 (continued)

6. Intangible assets

	Goodwill £'000
Cost	
At 1 October 2009	3,797
Additions	-
At 30 September 2010	**3,797**
Accumulated amortisation and impairment	-
1 October 2009 and 30 September 2010	-
Net book value	
At 30 September 2010	**3,797**
At 30 September 2009	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 8% (2009 8%)
Growth rate in years 1-3 5%, with no growth after year 3 (2009 0%)

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

7 Investments in subsidiaries

	Shares in group undertakings £'000
As at 30 September 2008	**4,600**
Dividends received out of pre-acquisition profit	(600)
Transferred to intangible assets (goodwill)	(3,797)
Additions	21
As at 30 September 2009	224
As at 30 September 2010	**224**

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

Leafield Logistics & Technical Services Limited

Notes to the financial statements
for the year ended 30 September 2010 (continued)

8. Principal subsidiaries

Company

	County of incorporation	Nature of business	Proportion of ordinary shares
Leafield Group Limited	UK	Dormant	100%
Old LLTS Limited	UK	Dormant	100%
Leafield Limited	UK	Dormant	100%

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held

9. Inventories

	2010 £'000	2009 £'000
Goods for resale	**42**	126

The cost of inventories recognised as expense and included in cost of sales amounted to £528,000 (2009 £nil), (2009 pro-forma £786,000)

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

10. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	**719**	308
Less provision for impairment of trade receivables	**-**	-
Trade receivables (net)	**719**	308
Prepayments	**19**	150
Other receivables	**1**	51
Current receivables	**739**	509

The fair value of trade and other receivables at 30 September 2010 approximate to the book value stated above

The trade receivable are considered to be fully performing

As of 30 September 2010 trade receivables of £14,000 (2009 £46,000) were past due not impaired

As of 30 September 2010 no trade receivables (2009 £nil) were impaired and provided for

11. 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 balance sheet amounts

	2010	2009
	£'000	£'000
Cash at bank	**242**	1,244

A bank overdraft facility of £500,000 is available if required This is repayable on demand and is next due for review on 31 January 2011

The bank holds security as follows

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

12. Share capital

	Number of shares	Ordinary Shares £'000	**Total £'000**
As at 1 October 2008, 30 September 2009 and 30 September 2010	100,000	100	**100**

The total authorised number of ordinary shares is 120,000 (2009 120,000) with a par value of £1 per share (2009 £1 per share) Of which, 100,000 shares are fully paid (2009 100,000)

13 Reserves

	Retained earnings £'000
As at 1 October 2008	(216)
Profit for the year	1,333
At 30 September 2009	**1,117**
As at 1 October 2009	1,117
Loss for the year	(1)
At 30 September 2010	**1,116**

14. Borrowings

The redeemable preference shares carry a fixed dividend rate of 8% which accrues on a daily basis and is payable quarterly The shares can be redeemed no earlier than 2013 at the shareholders request The fair value of preference shares is £3,650,000 (2009 £4,500,000) The fair values are based upon cash flows discounted using a rate based method on the borrowing rate of 8% (2009 8%)

	Redeemable preference shares £'000
As at 1 October 2008	4,650
Cancelled and repaid during the year	(500)
At 30 September 2009	**4,150**
As at 1 October 2009	4,150
Cancelled and repaid during the year	(500)
At 30 September 2010	**3,650**

All preference shares have a par value of £1 (2009 £1) per share and are fully paid (2009 4,150,000 fully paid)

During the year, the company reduced its share capital under the provisions of the Companies Act 2006 to return surplus capital in excess of its needs to shareholders of the Company In accordance with the Articles of Association of the Company, holders of the preference shares rank in priority to receive any returns of capital on a reduction of share capital As such, the effect of the reduction in share capital has been to cancel 500,000 preference shares and return £500,000 to the holders of those shares, being the parent company Portchester Equity Limited and therefore reduce the carrying value of the preference share capital classified as debt by a corresponding amount

15. Deferred income tax

The analysis of deferred tax liabilities is as follows

	2010 £'000	2009 £'000
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	**197**	206
- Deferred tax liability to be recovered within 12 months	**11**	1
Deferred tax liabilities	**208**	207

The gross movement on the deferred income tax (net) account is as follows

	2010 £'000	2009 £'000
At 1 October	**207**	-
Income statement (credit)/charge	**1**	73
Transferred on hive up	-	134
Tax(credit)/ charge relating to components of other comprehensive income	-	-
Tax (credited)/ charged directly to equity	-	-
At 30 September	**208**	207

Leafield Logistics & Technical Services Limited

Notes to the financial statements
for the year ended 30 September 2010 (continued)

15. Deferred income tax (continued)

	2010 £'000	2009 £'000
Accelerated capital allowances	**208**	215
Unutilised tax losses	**-**	(8)
Deferred taxation liability	**208**	207

Deferred tax is calculated on the temporary differences under the liability method using a tax rate of 28% (2009 28%)

16 Trade and other payables

	2010 £'000	2009 £'000
Trade payables	**96**	111
Social security and other taxes	**25**	25
Other payables	**262**	290
Amounts owed to group undertakings	**224**	224
Accrued expenses	**47**	217
	654	867

17. Expenses by nature

	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Raw materials and consumables used (sales)	**528**	-	786
Depreciation, amortisation and impairment charges (notes 5 and 6)	**56**	-	61
Employee benefit costs (note 19)	**873**	-	992
Other expenses	**1,276**	23	2,192
Total cost of sales and administrative expenses	**2,733**	23	4,031

18. Auditor remuneration

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

	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Fee's payable to auditor for the audit of the Company's financial statements	**11**	2	9

Leafield Logistics & Technical Services Limited

Notes to the financial statements
for the year ended 30 September 2010 (continued)

19 Employee benefit expense

	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Wages and salaries	**766**	-	869
Social security costs	**80**	-	91
Pension costs – defined contribution	**27**	-	32
	873	-	992

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

By activity	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Management and office	**7**	-	6
Selling	**9**	-	9
Operations	**11**	-	12
	27	-	27

20 Finance income and costs

Finance income	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Bank interest receivable	**1**	-	3

Finance costs	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Dividend on redeemable preference shares	**312**	364	364
Finance cost – net	**311**	364	361

21. Income tax expense

	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Current tax			
Current tax on profits for the year	136	-	585
Group relief paid	-	(5)	-
Adjustment in respect of prior years	5	-	-
Total current tax	141	(5)	585
Deferred tax (note 15)			
Origination and reversal of temporary differences	1	73	20
Total deferred tax	1	73	20
Total tax	142	68	605

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

	30 September 2010 £'000	30 September 2009 £'000	Proforma 30 September 2009 £'000
Profit before tax	141	1,401	1,841
Tax calculated at domestic tax rates applicable 28% (2009 28%)	39	392	515
Tax effects of			
Preference dividend paid but not taxable	88	102	102
Dividends received	-	(500)	-
Tax losses brought forward	-	-	(21)
Depreciation in excess of capital allowances	7	73	(6)
Expenses not deductible for tax purposes	3	1	18
Marginal rate relief	-	-	(3)
Adjustments in respect of prior years	5	-	-
Total tax charge	142	68	605

22 Cash generated from operations

	30 September 2010 £'000	30 September 2009 £'000
Profit before income tax	**141**	1,401
Adjustments for		
- Depreciation (note 5)	**56**	-
- Finance income (note 20)	**(1)**	(1,788)
- Finance costs (note 20)	**312**	364
Changes in working capital		
- Inventories	**84**	-
- Trade and other receivables	**(230)**	284
- Trade and other payables	**(213)**	201
Cash generated in operations	**149**	462

23. Contingencies

At 30 September 2010 the Company had outstanding indemnities to Nat West Bank plc amounting to £32,440 (2009 £43,600) in respect of various performance bonds given in the normal course of trading The largest of these was a performance bond given to the Secretary of State for Defence for £25,000 on 26th August 2009 for £25,000 which expires on 30th November 2010 Subsequent to the year end the performance bond given to the Secretary of State for Deference was extended to 30th November 2011

24. Commitments

(a) Capital commitments

The Company had committed to acquire capital equipment of £nil (2009 £5,000) at the period end

(b) Lease commitments

The Company had no non-cancellable operating leases (2009 £nil) at the year end

25 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 Mr Horner's services as a director of the Company amounting to £20,000 (2009 £20,000) This amount is also included in the disclosure regarding key management compensation

During the year the company redeemed its share capital to return surplus capital in excess of its needs to shareholders of the company (see note 14)

25 Related party transactions (continued)

a) Key management compensation

The directors are considered to be the only key management of the business The compensation paid or payable to key management for employee services is shown below

	30 September 2010 £'000	30 September 2009 £'000
Salaries and other short term benefits	**214**	306
Long term benefits	**6**	-
Aggregate emoluments	**220**	306

The emoluments of the highest paid director were as follows

	30 September 2010 £'000	30 September 2009 £'000
Aggregate emoluments	**105**	141

26. Dividends

The dividends paid on the redeemable preference shares in 2010 and 2009 were £312,000 (£0 08 per share) and £542,000 (£0 08 per share) respectively

27 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 Mr M E Thistlethwayte as the ultimate controlling party by virtue of his controlling interest in Portchester Equity Limited