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CHEMRING GROUP PLC

STATEMENT BY THE CHAIRMAN

REVIEW OF THE YEAR

Once again the Group results reflect the excellent performance by the Operating Companies.

The highlights of the results are:

- Turnover up 33.8% to £71.11M
- Operating profit up 36.6% to £9.10M
- Pre-tax profit up 32.7% to £8.61M
- Earnings per share up 14.8% to 24.0p (fully diluted)

The proposed final dividend on the 5p Ordinary Shares is 7.32p per share which, together with the interim dividend already paid, makes a total for the year of 10.90p per share (last year 9.80p) which represents an 11.2% increase. The dividend is covered 2.20 times (last year 1.95 times).

The cash flow statement and notes on pages 16 and 17 shew that there has been a generation of cash at operating level of £4.86M. However, you will note on page 14 that debtors have increased substantially due to a significant number of sales for which payment became due in October and November and for which the funds have now been received, and a high level of stocks due to increased activity for the first period of the new financial year. During the year, we acquired fixed assets of £3.12M through acquisitions. In addition, £1.81M was spent during the year on land and buildings and £2.83M on plant and equipment for existing businesses.

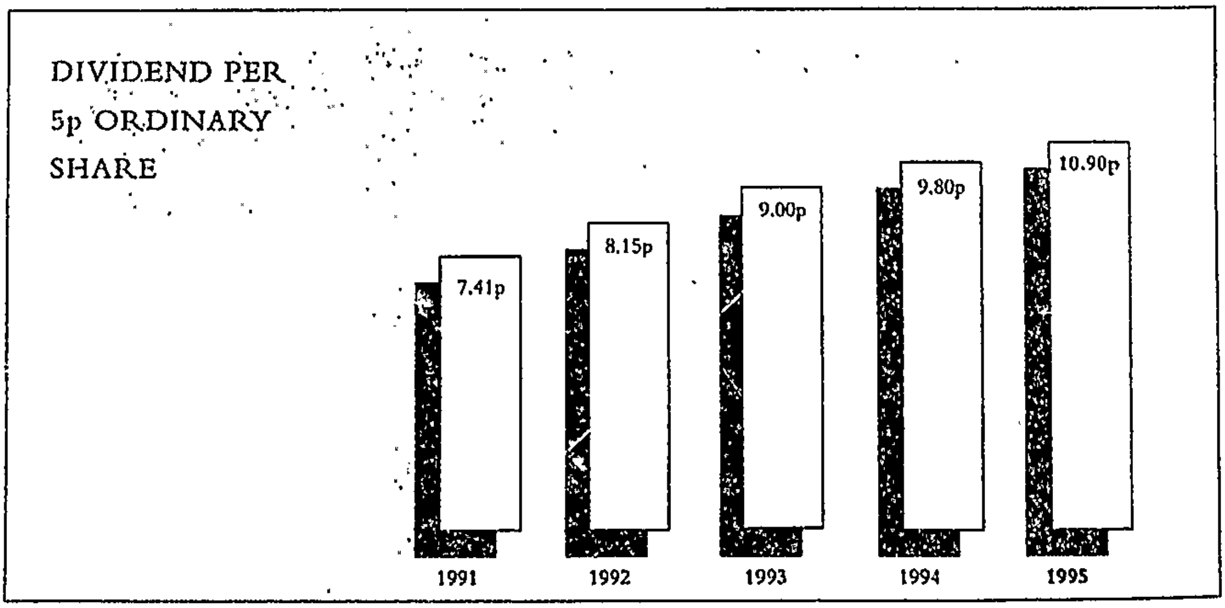
ACTIVITIES DURING THE YEAR

On 28 February we reported that we had acquired the business and certain assets of Ronstan Trading Trust and Ronstan Property Trust ('Ronstan') for a total cash consideration, including costs, of £5.4M.

On 29 September we purchased Lewin & Warner Ltd (trading as Splashdown) for £1.1M, inclusive of costs, so expanding our range of clothing through Marine, Outdoor Leisu[illegible] Corporate markets. The businesses of Splashdown Ltd, Toggi Ltd and Vacuum Reflex Ltd are being amalgamated to allow the companies to benefit from shared marketing skills, distribution channels and a reduction in the cost base.

As reported last year, we have also amalgamated the businesses of Haley and Weller Ltd and Pains-Wessex Ltd and have completed the move of Nova Marine Systems Ltd to McMurdo Ltd. We have now also amalgamated the businesses of Kembrey Wiring Systems Ltd into McMurdo Ltd and have announced the intended closure of Kembrey Engineering Ltd.

With the increase in our involvement in Australia and New Zealand, the new position of Group Regional Managing Director has been created. Mr A T Davies has recently moved from Kembrey to take up this position and will be based at Ronstan International Pty Ltd in Melbourne.



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CHEMRING GROUP PLC

STATEMENT BY THE CHAIRMAN

FUTURE POLICY

We remain committed to the development of products that provide new market opportunities as well as to our acquisition strategy of seeking companies compatible with our existing military and civil businesses.

PROSPECTS

Based on the achievements of the last twelve months and our existing order book, your directors remain confident that the Group will make further progress in the year ahead.

MANAGEMENT AND STAFF

On behalf of the Group Board, I thank employees at all levels throughout the organisation for their continued loyalty and dedication which has made these results possible.

P. G. Billington

13 December 1995

CHEMRING LIMITED

MICROSULIS LIMITED

OCTAVIUS HUNT

Toggi

ALLOY SURFACES

KEMBREY WIRING SYSTEMS

McMurdo

Nova Marine

Pains Wessex

RONSTAN

PAINS-WESSEX A FLARE FOR SAFETY

Hutchwilco

splashdown

CHEMRING GROUP PLC

REVIEW BY THE GROUP MANAGING DIRECTOR

UK OPERATIONS

Pains-Wessex Ltd
Haley and Weller Ltd
Chemring Ltd
McMurdo Ltd
Nova Marine Systems Ltd
Kembrey Wiring Systems Ltd
Octavius Hunt Ltd
CHG Design Ltd
Microsulis Ltd

OVERSEAS OPERATIONS

Alloy Surfaces Company, Inc. – USA
Pains-Wessex (Australia) Pty Ltd – Australia
Ronstan International Pty Ltd – Australia
Hutchwilco Ltd – New Zealand
CIRRA S.A.R.L. - France

OVERVIEW

Following the acquisitions made in 1994 and 1995, the Group's activities have been consolidated into six main business areas:

- Countermeasures
- Pyrotechnics and Explosives
- Marine Safety
- Marine Leisure
- Aerospace
- Specialist Clothing

During the year we have achieved an increase of 33.8% in turnover and 17.8% in exports. The turnover is now split approximately 40/60 between military and civil activities respectively.

COUNTERMEASURES

The Group is a world leader in the development and manufacture of expendable countermeasures to protect military platforms. The need to protect these valuable platforms, combined with the greater use of helicopters and transport aircraft in an increasing number of regional conflicts, has encouraged the Group to continue to invest in product development and computer modelling.

Our USA licensee, Tracor Aerospace, is now established as a qualified second source for BOL packs in the USA and further orders from both the UK Ministry of Defence (MoD) and the USA Department of Defense (DoD) have been received. Evaluation of BOL on F18s by the DoD has commenced, and a development programme incorporating Alloy Surfaces' material into the BOL pack is under evaluation.

An innovative Chaff Block to replace individual cartridges has been developed by Chemring Ltd, with initial orders placed by the Royal Danish Airforce for use on F16s. The DoD intends to evaluate the product in 1996 for use on F16s and C130 transport aircraft.

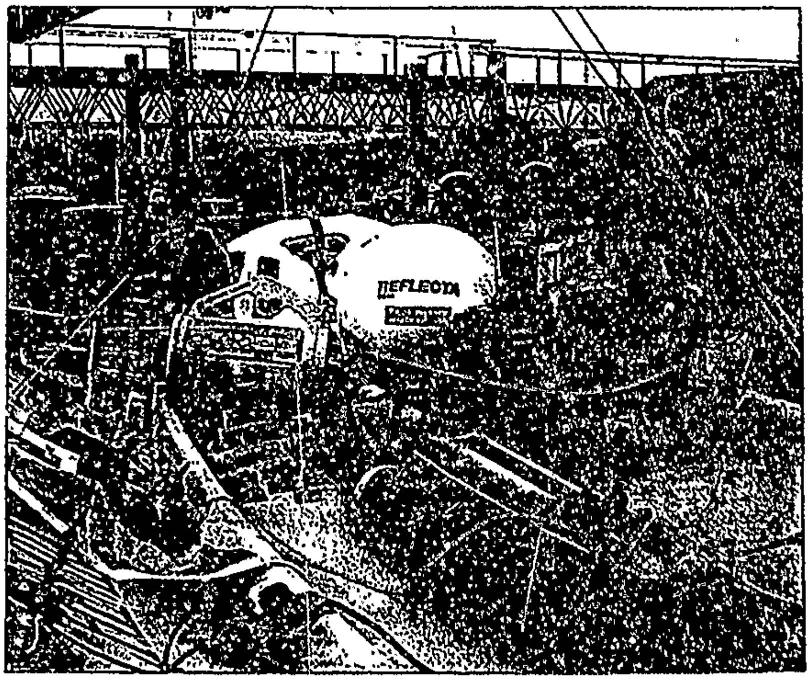
In the USA, Alloy Surfaces continues to adapt its special materials for use in a number of applications, and during the year the company received production contracts from both the DoD and the MoD.

Pains-Wessex received significant home and export orders for Infra-Red (IR) decoys and is well placed to gain further business. The company is also working on several advanced IR Flare programmes in support of UK, USA and other export customers.

PYROTECHNICS AND EXPLOSIVES

Pains-Wessex has this year been successful in winning both home and export orders against strong competition, ending the year with a healthy orderbook.

Export orders have been received for RAMBS (Rapid Anti-personnel Minefield Breaching System), with the UN activity in Bosnia



07-03-96

CHEMRING GROUP PLC

REVIEW BY THE GROUP MANAGING DIRECTOR

generating considerable interest in the product.

We are assisting the MoD with the redesign of their existing range of pyrotechnic products and are well placed to competitively bid for future production requirements.

Pains-Wessex (Australia) had a record year for military pyrotechnic sales mainly due to a combination of Australian Government policy on encouraging domestic sourcing and an increase in demand for our type of products.

MARINE SAFETY

The Group's range of SOLAS (Safety of Life at Sea) regulated products includes emergency radio beacons, radar transponders, lights, pyrotechnics, reflectors, lifejackets and buoyancy aids.

McMurdo achieved significant market share for Search and Rescue Transponders (SART's) in 1995 as a result of new legislation. New product development, including a Personal Locating Beacon (PLB), should lead to sales in 1996.

Pains-Wessex has also successfully increased sales of the Group's range of lights manufactured by McMurdo, and should benefit from the anticipated replacement market in 1996.

MARINE LEISURE

With the acquisition of Ronstan, the Group's marine leisure activities now make up over 10% of turnover, which should increase in 1996. Leisure products include buoyancy aids, rigging and deck fittings, plus a range of safety products.

The Group's policy is to make full use of the individual companies' strong brand names and collective distribution outlets worldwide, whilst investing to strengthen the range of products.

AEROSPACE

The connector and cable harness activities of McMurdo and Kembrey Wiring primarily support the aerospace, electronic data processing, telecommunications and automotive markets. McMurdo based component sales have increased by 16% this year. Effort has gone into expanding the opportunities for wiring harnesses, resulting in a much wider customer base and expansion into the rail, mass transit and other non-defence related markets.

Agreements have been made with offshore manufacturers to broaden the product base, which will assist with entry into data bus and high performance RF markets.

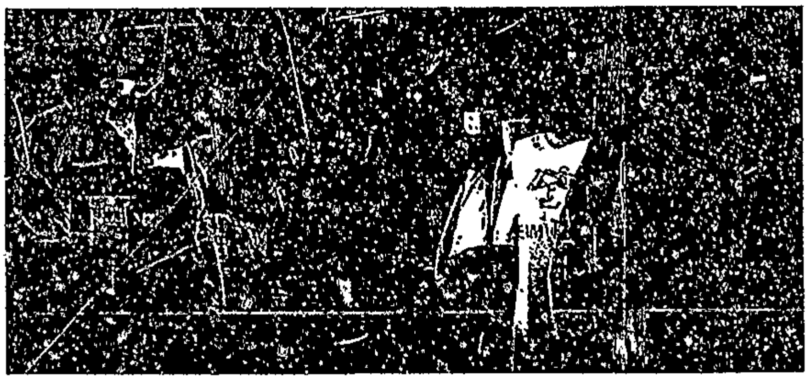
Agreements have also been established with two specialist European based cable manufacturers, which will enable us to provide total interconnection solutions for a wide customer base.

In the USA, Alloy Surfaces remains the main source of chemicals to the USA aerospace sector for use in diffusion coatings of engine components.

SPECIALIST CLOTHING

Combined clothing sales of Toggi's successful country wear and Vacuum Reflex's industrial and military range increased by 13%.

With the acquisition of the marine leisure clothing company – Splashdown – all of the clothing activities, including Vacuum Reflex and Toggi, have been integrated into a single business under the umbrella of CHG Design Ltd.



OTHER ACTIVITIES

The Pulse Plating technology for electroplating, principally printed circuit boards, is fast gaining acceptance in the market place, and both orders and enquiries are at an encouraging level.

An innovative medical microwave device has been developed by Chemring Ltd for the treatment of menorrhagia. This product has now been split off into a new company, Microsulis Ltd. The treatment is quick, cost effective and safe. It is currently undergoing a year's intensive medical trials before introduction into the market place.

D. R. Evans

13 December 1995

OPERATING COMPANIES AND ACTIVITIES

UNITED KINGDOM

PAINS-WESSEX LTD
including
HALEY AND WELLER LTD

Pyrotechnic and Explosive Products for Military and Marine Applications. Development and Manufacture of IR Decoys. Research, Development and Environmental Testing Facilities.

CHEMRING LTD

Electronic Countermeasures and RF Decoys. Radar Reflecting and Screening Materials. SOLAS Liferaft Reflectors. Automatic Machined Parts. Pulse Plating Systems.

McMURDO LTD
including
NOVA MARINE SYSTEMS LTD
KEMBREY WIRING SYSTEMS LTD

Connectors and Cable Assemblies for Military and Commercial Electronics Applications. Marine Safety Lights and GMDSS Search and Rescue Electronics. Land based VHF Communication Equipment and Control Systems. Wiring Harnesses for the Aerospace Industry.

OCTAVIUS HUNT LTD

Chemical Formulators. Industrial and Horticultural Fumigants. Specialist Matches. Fireworks and Sparklers.

CHG DESIGN LTD
including
SPLASHDOWN LTD
TOGGI LTD
VACUUM REFLEX LTD

Leisure Marine Clothing, Country and Casual Wear. Military and Marine Survival Clothing and Lifejackets. Cold Store and Insulated Industrial Clothing. "Vascutherm" Electrically Heated Gloves and Socks.

MICROSULIS LTD

Medical devices.

OVERSEAS

PAINS-WESSEX (AUSTRALIA) PTY LTD

Marine Distress Signals and Safety Equipment. Military and Civilian Pyrotechnics.

RONSTAN INTERNATIONAL PTY LTD, AUSTRALIA
including
RONSTAN INTERNATIONAL INC., USA

Rigging and Yachting Hardware. Architectural Rigging Equipment.

HUTCHWILCO LTD, NEW ZEALAND

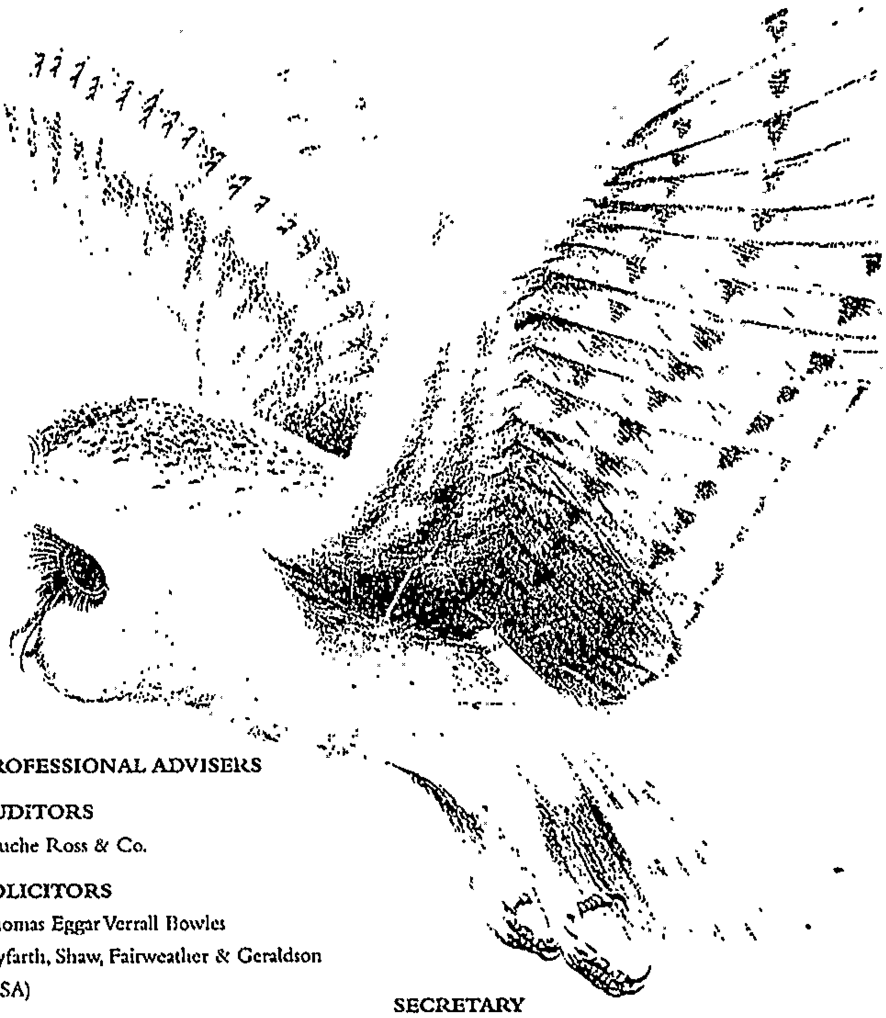
Buoyancy Aids, Lifejackets and other Marine Safety Equipment. Flags.

ALLOY SURFACES COMPANY, INC., USA

Anti-Corrosion Coatings for Aero Engine Components. IR Decoys.

CIRRA S.A.R.L., FRANCE

RF Decoys. Radar Reflectors.



DIRECTORS AND PROFESSIONAL ADVISERS

LIFE PRESIDENT
Ian M. Fairfield CBE

EXECUTIVE DIRECTORS
Philip G. Billington FRSA FCIM
Chairman

David R. Evans
Managing Director

B. Peter Berlanny FCA
Financial Director

NON-EXECUTIVE DIRECTORS
Sir William Barlow FEng
Former Chairman: BICC plc
Director: Vodafone Group plc,
Waste Management International plc
President: Royal Academy of Engineering

Michael S. D. Hanlon AM (Australia)
Chairman: Advance Australia Foundation,
The Collie Trust
Director: Printing Technologies Pty Ltd,
Sacul Investments Pty Ltd,
Wordware Pty Ltd

General Sir John Stibbon KCB OBE
Director: DESC Ltd,
Chelworth Defence Ltd, ITT Defence Ltd
Other appointments: Chief Royal Engineer, Chairman of the Board of Governors of the Royal Star & Garter Home, Commissioner of the Duke of York's Royal Military School, Dover, and Chairman of the Gordon School Foundation

PROFESSIONAL ADVISERS

AUDITORS
Touche Ross & Co.

SOLICITORS
Thomas Eggar Verrall Bowles
Seyfarth, Shaw, Fairweather & Geraldson (USA)

BANKERS
National Westminster Bank Plc

FINANCIAL ADVISERS
Lazard Brothers & Co., Limited

STOCKBROKERS
de Zoete & Bevan Ltd
Beeson Gregory Ltd

INSURANCE BROKERS
Alexander & Alexander (UK) Limited

PENSIONS
Friends Provident Life Office

PUBLIC RELATIONS
Christow Consultants Ltd

SECRETARY
Iain G. K. Leighton LLB

HEADQUARTERS AND REGISTERED OFFICE
1480 Parkway
Whiteley
Fareham
Hampshire
PO15 7AF
England
Tel +44 01489 881880
Fax +44 01489 881123

REGISTRARS
The Royal Bank of Scotland plc
67 Lombard Street
London EC3P 3DL

07-03-96

Chemring Group plc

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 1995

Your directors present the financial statements of the Group for the year ended 30 September 1995.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the design and manufacture of a range of electronic, engineering and chemical products for use in the military, marine and aerospace fields; and the manufacture and supply of lifejackets, protective clothing and outdoor leisurewear.

PROFIT AND DIVIDENDS

	1995	1994
	£000	£000
Attributable profit	5,627	4,201
Dividends		
Preference	(3)	(3)
Ordinary	(2,559)	(2,154)
Retained profit for the year	3,065	2,044

REVIEW OF THE YEAR

A review of the year can be found in the Chairman's Statement and the Group Managing Director's Review on pages 2 and 4.

EMPLOYEES

The Group pursues a policy of employee communication through meetings (including team briefings and works councils), house magazines and the Chemring Review by which employees are made aware of the progress of the Group and the companies in which they work.

The Group employs disabled persons wherever circumstances permit, and full and fair consideration is given to applications for employment by disabled persons having regard to their particular aptitudes and disabilities.

DIRECTORS

The present directors are shown on page 7.

Mr R. N. D. Langdon retired by rotation at the Annual General Meeting on 1 February 1995 and did not seek re-election.

Mr V. A. Pheasant resigned as a director on 3 February 1995.

Mr M. S. D. Hanlon will be retiring by rotation at the forthcoming Annual General Meeting and will be offering himself for re-election.

The director proposed for re-election has no service contract with the Company.

None of the directors had a beneficial interest in any contract of significance to which the Group was a party during the year to 30 September 1995.

Information required as to directors' shareholdings is set out in Note 5.

During the year the Company purchased liability insurance in respect of certain of its directors and officers.

CHARITABLE DONATIONS

Charitable donations amounting to £15,000 were made during the year.

MOVEMENTS IN FIXED ASSETS

During the year the Group acquired the business and assets of Ronstan and the whole of the issued share capital of Lewin & Warner Limited, trading as Splashdown. Details of these and other movements in fixed assets are dealt with in Notes 11 and 12.

In addition, £1,805,000 was spent during the year on land and buildings and £2,830,000 on plant and equipment for existing businesses.

DISTRIBUTION AND ADMINISTRATIVE EXPENSES

£3,389,000 of the increase in these costs relates to a full year's cost of the companies acquired in the year to 30 September 1994, together with £1,453,000 of costs relating to businesses acquired this year.

RESEARCH AND TECHNICAL COSTS

Research and technical costs amounting to £1,406,000 (last year £1,451,000) were incurred during the year.

Chemring Group plc

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 1995

THE CHEMRING GROUP SHARE OPTION SCHEME

No options were granted in the year to 30 September 1995. During the same period options on 238,800 shares were exercised and options on 12,400 shares lapsed. Additional information is set out in Note 18.

THE CHEMRING GROUP SHARESAVE SCHEME

Options were granted on 114,682 5p Ordinary Shares on 6 July 1995 to directors and other employees of the Group.

Options were exercised on 293 shares in the year to 30 September 1995. Options lapsed on 25,787 shares in the same period.

THE CHEMRING GROUP SHARE BASED INCENTIVE SCHEME ("THE ESOP")

On 5 April 1995, options were granted over 55,599 5p Ordinary Shares, which are currently held by the Trustee of the ESOP. Additional information is set out in Note 5.

CLOSE COMPANY PROVISIONS

As far as the directors are aware, the close company provisions of the Taxes Acts do not apply to the Group nor has there been any change in that respect since 30 September 1995.

SUBSTANTIAL SHAREHOLDINGS

At 13 November 1995 the following interests in the ordinary share capital of the Company exceeding 3% had been notified to the Company:

Name	% Interest
M&G Group PLC	13.85
Prudential Corporation plc	8.08
Equitable Life Assurance Society	6.60
AMP Asset Management plc	5.90
Norwich Union Life Insurance Society B a/c	3.72

SHARE CAPITAL

Under the provisions of section 80 of the Companies Act 1985 ("the Act") the Board is prevented from exercising its powers under the Articles of Association ("the Articles") to allot shares without authority in terms of the Act contained either in the Articles or in a resolution of the shareholders in general meeting. The authority, when given, can last for a maximum period of five years, but your Board proposes that renewal should be sought at each Annual General Meeting. Such proposal is set out as resolution 5 in the Notice of Meeting.

Section 89 of the Act requires that an allotment of shares for cash may not be made unless the shares are first offered to existing shareholders on a pre-emptive basis in accordance with the terms of the Act.

In accordance with general practice, to ensure that small issues of shares can be made without the necessity of convening a general meeting, your Board proposes that advantage be taken of the provisions of section 95 of the Act to disapply the Act's pre-emptive requirements. Accordingly, a Special Resolution (set out as resolution 6 in the Notice of Meeting) will be proposed which, if passed, will have the effect of granting the directors the power to allot not more than 5% of the present issued ordinary share capital free of the requirements of section 89 of the Act.

No issue of these shares will be made which would effectively alter the control of the Company without prior approval of the shareholders in general meeting.

THE CADBURY COMMITTEE CODE OF BEST PRACTICE

The Group continues to follow and meet the standards of The Cadbury Committee Code of Best Practice.

AUDITORS

A resolution to re-appoint Touche Ross & Co. as auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 13 December 1995.

Signed on behalf of the Board

I. Leighton

I. G. K. Leighton
Secretary

07-03-96

Chemring Group plc

Statement of Directors' Responsibilities

The directors are required b[illegible] .e Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the Group's profit or loss for that period. It is also the directors' responsibility to maintain adequate accounting records which disclose with reasonable accuracy the financial position of the Company and the Group, safeguard the assets of the Company and the Group, and prevent and detect fraud and other irregularities, and prepare the financial statements on a going concern basis.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements, and that applicable accounting standards have been followed.

Signed on behalf of the Board

I. Leighton

I. G. K. Leighton
Secretary
13 December 1995

THE CADBURY COMMITTEE – CODE OF BEST PRACTICE

The Cadbury Committee's report on the financial aspects of corporate governance contained a Code of Best Practice. Your directors have reviewed the Group's practices and in their opinion the business is conducted in accordance with the Code's currently applicable recommendations. In particular, the directors have acknowledged the latest guidance on going concern and have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The appointment of directors is a formal process involving all members of the Board. The Board comprises three executive and three non-executive directors.

The Board, which meets formally at least four times a year, approves the Group's long-term goals and strategies and provides overall financial and organisational control. It delegates responsibility for the Group's operations to the Executive Chairman who, together with the Managing Director and other directors, implements Board policy and develops and manages the Group's business to meet its financial objectives and standards of quality and service.

The non-executive directors perform an essential role in safeguarding investors' interests by monitoring the Group's performance and its executive management. In addition to participating in Board meetings they are the members of the standing committees set up to deal with audit, remuneration and senior executive appointments.

The auditors have reviewed this Statement and have advised us that, in their opinion, the directors have complied with the currently applicable recommendations of the Code of Best Practice.

Signed on behalf of the Board

I. Leighton

I. G. K. Leighton
Secretary
13 December 1995

CHEMRING GROUP PLC

AUDITORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 1995

AUDITORS' REPORT TO THE MEMBERS OF CHEMRING GROUP PLC

We have audited the financial statements on pages 12 to 32 which have been prepared under the accounting policies set out on pages 18 and 19.

Respective responsibilities of directors and auditors

As described on page 10 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co. Touche Ross

Touche Ross & Co.
Chartered Accountants and Registered Auditors
Southampton
13 December 1995

Touche Ross

07-03-96

CHEMRING GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1995

	Note	1995 £000	1995 £000	1994 £000	1994 £000
Turnover					
Continuing operations		66,280		53,130	
Acquisitions		4,832		-	
Total Turnover	2		71,112		53,130
Cost of sales			(45,607)		(34,642)
Gross Profit			25,505		18,488
Distribution costs		(5,269)		(3,332)	
Administrative expenses		(11,141)		(8,494)	
			(16,410)		(11,826)
Operating Profit					
Continuing operations		8,666		6,662	
Acquisitions		429		-	
Total Operating Profit	3		9,095		6,662
Associated undertaking		108		(65)	
Interest payable	7	(593)		(110)	
			(485)		(175)
Profit on ordinary activities before taxation			8,610		6,487
Tax on profit on ordinary activities	8		(2,983)		(2,286)
Profit on ordinary activities after taxation			5,627		4,201
Dividends	9		(2,562)		(2,157)
Retained profit for the year	19		3,065		2,044
Earnings per Ordinary Share Nil Dilution	10		24.2p		21.3p
Earnings per Ordinary Share Fully Diluted	10		24.0p		20.9p

07-03-96

CHEMRING GROUP PLC

ADDITIONAL FINANCIAL PERFORMANCE STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

	1995 £000	1994 £000
Statement of total recognised gains and losses		
Profit on ordinary activities after taxation	5,627	4,201
Currency translation differences on foreign currency net investments	71	(52)
Recognised total gains and losses for the year	5,698	4,149

Reconciliation of movements in shareholders' funds

	1995 £000	1994 £000
Profit on ordinary activities after taxation	5,627	4,201
Dividends	(2,562)	(2,157)
Retained profit for the year	3,065	2,044
Other recognised profits/(losses) for the year	71	(52)
Goodwill written off in the year	(5,235)	(6,403)
Ordinary shares issued in the year	29	176
Share premium arising in the year	1,487	8,938
Net (reduction)/addition to shareholders' funds	(583)	4,703
Shareholders' funds at 1 October 1994	22,090	17,387
Shareholders' funds at 30 September 1995	21,507	22,090

Historical cost profits and losses

There are no material adjustments required to restate profits to historical cost hence no statement has been prepared.

07-03-96

CHEMRING GROUP PLC

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 1995

	Note	1995 £000	1995 £000	1994 £000	1994 £000
Fixed Assets					
Tangible assets	11		17,706		12,474
Investments	12		736		692
			18,442		13,166
Current Assets					
Stocks	13	15,458		11,027	
Debtors	14	21,876		17,965	
Cash at bank and in hand		936		1,258	
		38,270		30,250	
Creditors –					
Amounts falling due within one year	15	(33,614)		(20,458)	
Net Current Assets			4,656		9,792
Total Assets Less Current Liabilities			23,098		22,958
Creditors –					
Amounts falling due after more than one year	16		(850)		(152)
Provisions for Liabilities and Charges	17		(741)		(716)
			21,507		22,090
Capital and Reserves					
Called up share capital	18		1,239		1,210
Reserves					
Share premium account	19	10,530		9,043	
Revaluation reserve	19	1,618		1,618	
Revenue reserves	19	8,120		10,219	
			20,268		20,880
Shareholders' Funds			21,507		22,090
Attributable to equity shareholders			21,445		22,028
Attributable to non-equity shareholders			62		62
			21,507		22,090

These financial statements were approved by the Board of Directors on 13 December 1995
Signed on behalf of the Board

P. G. Billington P G Billington

B. P. Berlanny

07-03-96

CHEMRING GROUP PLC

PARENT BALANCE SHEET

AS AT 30 SEPTEMBER 1995

	Note	1995 £000	1995 £000	1994 £000	1994 £000
Fixed Assets					
Tangible assets	11		1,460		615
Investments	12		34,336		27,546
			35,796		28,161
Current Assets					
Debtors	14	20,135		16,468	
Cash at bank and in hand		242		1,064	
		20,377		17,532	
Creditors –					
Amounts falling due within one year	15	(16,497)		(8,693)	
Net Current Assets			3,880		8,839
			39,676		37,000
Capital and Reserves					
Called up share capital	18		1,239		1,210
Reserves					
Share premium account	19	10,530		9,043	
Special capital reserve	19	12,939		12,939	
Revenue reserves	19	14,968		13,808	
			38,437		35,790
Shareholders' Funds			39,676		37,000
Attributable to equity shareholders			39,614		36,938
Attributable to non-equity shareholders			62		62
			39,676		37,000

These financial statements were approved by the Board of Directors on 13 December 1995
Signed on behalf of the Board

P. G. Billington

B. P. Berlanny

CHEMRING GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 1995

	Note	1995 £000	1994 £000
Net cash inflow from operating activities	A	4,858	7,720
Returns on investments and servicing of finance			
Interest paid		(577)	(90)
Dividends paid		(2,356)	(1,809)
Net cash outflow from returns on investments and servicing of finance		(2,933)	(1,899)
Taxation			
UK corporation tax paid		(1,853)	(2,008)
Overseas tax paid		(271)	(206)
Total tax paid		(2,124)	(2,214)
Net cash (outflow)/inflow before investing activities		(199)	3,607
Investing activities			
Purchase of tangible fixed assets		(4,635)	(2,281)
Disposal of tangible fixed assets		250	56
Proceeds from current assets held for disposal		622	–
Acquisition of businesses	B, C	(6,169)	(2,889)
Net cash outflow from investing activities		(9,932)	(5,114)
Net cash outflow before financing		(10,131)	(1,507)
Financing			
Issue of ordinary shares		339	5,496
Repayment of loans		–	(1,246)
Repayment of loan stock		–	(250)
Capital element of finance lease payments		(44)	(10)
Net cash inflow from financing		295	990
Decrease in cash and cash equivalents	D, E	(9,836)	(517)

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 1995

A. **Reconciliation of operating profit to net cash flow from operating activities**	1995 £000	1994 £000
Operating profit	9,095	6,662
Depreciation	2,282	1,435
Loss/(profit) on sale of fixed assets	27	(17)
(Increase)/decrease in stocks	(2,283)	2,723
Increase in debtors	(4,471)	(1,611)
Increase/(decrease) in creditors	208	(1,472)
Net cash inflow from operating activities	4,858	7,720

CHEMRING GROUP PLC

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 1995

B. Acquisition of businesses

	1995	1994
Net assets acquired:	£000	£000
Tangible fixed assets	3,120	1,371
Stocks	2,148	2,987
Debtors	506	4,890
Bank (overdrafts)/balances	(182)	892
Creditors	(3,661)	(9,008)
Deferred taxation	–	(72)
	1,931	1,060
Goodwill	5,235	6,403
	7,166	7,463
Assets in course of disposal	–	622
	7,166	8,085
Satisfied by:		
Cash	5,987	3,781
Shares	1,177	3,618
Loan stock	2	686
	7,166	8,085

C. Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of businesses

Cash consideration	5,987	3,781
Cash and cash equivalents acquired	182	(892)
Net outflow of cash and cash equivalents in respect of the acquisition of businesses	6,169	2,889

D. Analysis of changes in cash and cash equivalents during the year

Balance at 1 October 1994	(713)	(196)
Net cash outflow	(9,836)	(517)
Balance at 30 September 1995	(10,549)	(713)

E. Analysis of cash and cash equivalents as shown in the consolidated balance sheet

	1995	1994	Change
	£000	£000	£000
Cash at bank and in hand	936	1,258	(322)
Bank loans and overdrafts	(11,485)	(1,971)	(9,514)
	(10,549)	(713)	(9,836)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

1. ACCOUNTING POLICIES

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

Accounting Convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of property.

Basis of Consolidation

The financial statements consolidate those of the Parent with the Group's share of the results and post acquisition reserves of all its subsidiary undertakings, except those held for disposal. All companies within the Group, including the associated undertaking, make up their financial statements to the same date. No Profit and Loss Account is presented for the Parent as provided by section 230 of the Companies Act 1985. Goodwill arising on consolidation is written off to the Special Capital Reserve and Group Revenue Reserves.

The Special Capital Reserve was created as part of a capital reduction scheme involving the cancellation of the Share Premium Account which was approved by the Court in 1986 and is in accordance with the requirements of the Companies Act 1985.

Tangible Fixed Assets

No depreciation is provided on freehold land. On other assets depreciation is provided at rates calculated to write down their cost or valuation to their estimated residual values by equal annual instalments over their estimated useful economic lives, which are considered to be:

Freehold buildings	- up to 50 years
Leasehold buildings	- the period of the lease
Plant and equipment	- up to 20 years

Fixed Asset Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for permanent diminution in value.

In the consolidated financial statements, shares in the associated undertaking are accounted for using the equity method of accounting. The Consolidated Profit and Loss Account includes the Group's share of the profit and attributable taxation of the associated undertaking. In the Consolidated Balance Sheet, the shares in the associated undertaking are shown as the Group's share of net assets.

Stocks

Stocks consist of raw materials, work in progress and finished goods. Valuation is at the lower of cost and net realisable value. The cost of raw materials is their purchase price. Work in progress and finished goods comprise the cost of materials, labour and overheads applicable to the stage of production.

Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign Currency

Transactions of the UK companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Profit and Loss Account.

The financial statements of overseas subsidiary undertakings are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiary undertakings at the closing rate is taken directly to revenue reserves.

Research and Technical Costs

Research and technical costs are charged against profits when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

1. ACCOUNTING POLICIES – CONTINUED

Pensions

The Group operates both defined benefit and defined contribution pension schemes.

Defined Benefit Schemes – The defined benefit schemes cover the majority of employees. The cost of providing pensions is estimated on the basis of independent actuarial advice and is charged to the Profit and Loss Account over the expected service lives of the participating employees. The accounting policy follows the funding policy except where an actuarial valuation indicates a deficiency or surplus. Such deficiencies or surpluses are for funding purposes dealt with as advised by the actuary. For accounting purposes they are spread over the expected remaining service lives of the participating employees.

Defined Contribution Schemes – The costs of the defined contribution schemes are charged to the Profit and Loss Account as they are incurred.

Leased Assets

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the Balance Sheet as a tangible fixed asset and is depreciated over the shorter of the estimated useful economic life and the lease term. Future instalments under such leases, net of finance charges, are included in creditors. The finance element of the instalments is charged to the Profit and Loss Account at a constant rate of charge on the remaining balance of the obligation.

All other leases are operating leases and the rental charges are taken to the Profit and Loss Account on a straight line basis over the life of the lease.

2. ANALYSIS OF TURNOVER, PROFIT AND NET ASSETS

	Acquisitions 1995 £000	Continuing Operations 1995 £000	Continuing Operations 1994 £000
Turnover			
UK	–	34,124	21,724
Export	4,832	32,156	31,406
Total	4,832	66,280	53,130

A further analysis of turnover, profit and net assets has not been given since in the opinion of the directors this would be prejudicial to the commercial interests of the Group. The respective costs in relation to acquired businesses are cost of sales £2,950,000 and administrative and distribution expenses £1,453,000.

3. OPERATING PROFIT

Operating Profit is arrived at after charging:		1995 £000	1994 £000
Depreciation	– owned assets	2,247	1,376
	– leased assets	35	17
Hire of plant and machinery		82	66
Finance lease charges		30	10
Operating lease rentals	– land and buildings	398	103
	– plant and equipment	285	277
Auditors' remuneration		132	97

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CHEMRING GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

3. OPERATING PROFIT – CONTINUED

During the year £168,000 (last year – £171,000) was paid to the auditors for non-audit work, of which £135,000 (last year – £130,000) related to acquisition investigations.

4. EMPLOYEES

	1995	1994
The average number employed by the Group within each category of persons was:	Number	Number
Production	1,036	729
Sales and distribution	133	78
Administration	172	139
	1,341	946

The costs incurred in respect of these employees were:	£000	£000
Wages and salaries	17,679	11,957
Social Security costs	1,561	1,125
Other pension costs	549	329
	19,789	13,411

5. DIRECTORS' EMOLUMENTS AND INTERESTS

(a) **Emoluments**

Emoluments of the directors were as follows:

Remuneration	538	496

The emoluments, excluding pension contributions of directors, were as follows: Chairman and highest paid director	176	137

Other directors were remunerated as follows:	Number	Number
£ nil – £ 5,000	–	one
£ 5,001 – £ 10,000	one	four
£ 10,001 – £ 15,000	three	–
£ 15,001 – £ 20,000	–	one
£ 20,001 – £ 25,000	one	–
£ 55,001 – £ 60,000	–	one
£ 60,001 – £ 65,000	–	one
£ 70,001 – £ 75,000	one	–
£110,001 – £115,000	–	one
£140,001 – £145,000	one	–

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CHEMRING GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

5. DIRECTORS' EMOLUMENTS AND INTERESTS – CONTINUED

	All Directors		Chairman and Highest Paid Director		Managing Director	
	1995 £000	1994 £000	1995 £000	1994. £000	1995 £000	1994 £000
Non-Executive Directors						
Fees	42	41	–	–	–	–
Other emoluments	1	7	–		–	–
Taxable benefits	–	2	–		–	–
	43	50	–		–	-
Chairman and Executive Directors						
Salaries	324	282	140	106	114	83
Profit-related bonuses	65	63	28	24	23	19
Taxable benefits	25	31	8	7	7	11
	457	426	176	137	144	113
Pensions	81	70	35	26	28	21
Total remuneration	538	496	211	163	172	134

(b) **Interests**

The directors and their interests in the Parent's shares at 1 October 1994 and 30 September 1995 are set out below. All are beneficial holdings. No movements have taken place between 30 September 1995 and 13 December 1995.

	Ordinary Shares		Ordinary Share Options Executive Scheme		Ordinary Share Options Sharesave Scheme		Options over Ordinary Shares held in the ESOP	
	1995	1994	1995	1994	1995	1994	1995	1994
P G Billington	22,000	27,060	36,000	56,000	5,915	2,500	18,750	–
B P Berlanny	12,375	12,375	28,000	28,000	6,250	6,250	–	–
D R Evans	4,144	4,144	40,000	40,000	2,500	2,500	10,416	–
W Barlow	30,800	30,800	–	–	–	–	–	–
M S D Hanlon	4,000	4,000	–	–	–	–	–	–
J Stibbon	–	–	–	–	–	–	–	–

Mr B P Berlanny also held 100 Preference Shares (last year – 100) at 30 September 1995.

Mr P G Billington exercised 20,000 Ordinary Share Options under the Executive Scheme during the year.

As referred to in the Director's Report, options were granted by the Trustee of the ESOP over a total of 55,599 Ordinary Shares to certain senior executives in the Group on 5 April 1995. 18,533 of these options were granted in lieu of part or all of a profit-related bonus. Of the remaining 37,066 options granted, 18,533 shares will become the unfettered property of the executives on the condition that they remain with the Group for three years, and the other 18,533 shares will become their unfettered property if they remain with the Group for a further two years, and do not exercise the options granted in lieu of bonus during the five year period. Transactions relating to the ESOP have been accounted for in accordance with accepted accounting practice.

In addition to the interests notified above, by virtue of Section 324 of the Companies Act 1985, all of the executive directors are technically deemed to be interested in all the shares held by the Trustee of the ESOP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

6. PENSION COSTS

The total pension costs for the Group were £549,000 (last year – £329,000). The increase in total pension costs arose from companies acquired in the preceding financial year.

The pension costs relating to the defined benefit schemes are assessed in accordance with the advice of a qualified actuary using the attained age method.

The latest actuarial assessments of the Chemring Group Executive Pension Scheme ("Executive Scheme") and the Chemring Group Staff Pension Scheme ("Staff Scheme") were carried out as at 1 December 1991 and 6 April 1995 respectively. An actuarial valuation is currently being carried out on the Executive Scheme. The significant assumptions relating to the rate of return on investments and the rates of increases in salaries and pensions are as follows:

Return on investments 9.0% per annum
Average salaries increasing by 8.0% per annum (Executive Scheme)
Average salaries increasing by 7.0% per annum (Staff Scheme)
Present and future pensions remaining level.

At the dates of the latest actuarial valuations the market value of the assets of the schemes was £5,261,000 and the value of the assets was sufficient to cover the benefits which had accrued to members. A provision of £193,000 (last year – £218,000) is included in creditors, in relation to the defined benefit schemes. This provision is being amortised over the expected service lives of the appropriate members.

The latest actuarial assessment of the Kembrey Group Pension Fund was carried out as at 1 May 1994. The significant assumptions are as follows:

Return on investments 9.0% per annum
Average salaries increasing by 8.0% per annum
Pension increases 3.0% per annum in excess of GMP.

At the date of the actuarial valuation, the market value of the assets of the scheme was £5,166,000 and the value of the assets was sufficient to cover the benefits which had accrued to members.

The latest actuarial assessment of the McMurdo Pension Scheme was also carried out as at 1 May 1994. The significant assumptions are as follows:

Return on investments 10.0% per annum
Average salaries increasing by 8.5% per annum
Pension increases 3.0% per annum on GMP only.

At the date of the actuarial valuation the market value of the assets of the scheme was £1,299,000. This was insufficient to cover the benefits which had accrued to members and subsequently £150,000 was paid to augment the assets of the scheme.

The pension costs relating to the defined contribution schemes were £10,000 (last year – £35,000) of which £1,000 (last year – £2,000) was payable to the funds at 30 September 1995 and is included in creditors.

7. INTEREST PAYABLE

	1995 £000	1994 £000
Loan stock interest	35	2
Bank overdraft interest	558	108
	593	110

Chemring Group plc

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995	1994
Tax is based on the profit for the year and comprises:	£000	£000
Corporation tax at 33% (last year – 33%) on taxable profit	2,622	2,183
Overseas taxation	295	200
Deferred taxation	139	(8)
Over provision for earlier years:		
Corporation tax	–	(29)
Deferred taxation	(114)	(60)
	2,942	2,286
Tax attributable to associated undertaking	41	–
	2,983	2,286

9. DIVIDENDS

Dividends on Preference Shares of £1.00 each		
Paid 30 April 1995 2.45p (last year – 2.45p)	2	2
Paid 31 October 1994 2.45p (last year – 2.45p)	1	1
	3	3
Dividends on Ordinary Shares of 5p each		
Interim paid 31 July 1995 3.58p (last year – 3.24p)	832	638
Final proposed 7.32p (last year – 6.56p)	1,722	1,516
Under provision for earlier years	5	–
	2,559	2,154
Total Dividends	2,562	2,157

10. EARNINGS PER ORDINARY SHARE

Earnings per Ordinary Share, nil dilution, are based on 23,194,086 shares (last year – 19,707,452) on average in issue during the year, and attributable profit of £5,624,000 (last year – £4,198,000) after deducting Preference dividends of £3,000 (last year - £3,000).

Earnings per Ordinary Share, fully diluted, are based on 23,749,286 shares (last year – 20,358,400) on average in issue and convertible, allowing for the full exercise of outstanding share options, and attributable profit of £5,692,000 (last year – £4,263,000) after deducting Preference dividends and adding interest deemed to be earned on 2.5% Consolidated Stock on the proceeds of such share issues to the earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

11. TANGIBLE FIXED ASSETS

(a) Group

	Land and Buildings £000	Plant and Equipment £000	Total £000
Cost or Valuation			
At 1 October 1994	8,078	19,977	28,055
Additions	1,805	2,830	4,635
Businesses and subsidiary undertakings acquired	870	2,250	3,120
Disposals	(176)	(210)	(386)
Foreign exchange movements	11	2	13
At 30 September 1995	10,588	24,849	35,437
Depreciation			
At 1 October 1994	1,524	14,057	15,581
Charge for the year	202	2,080	2,282
Disposals	–	(132)	(132)
At 30 September 1995	1,726	16,005	17,731
Net Book Value			
At 30 September 1995	8,862	8,844	17,706
At 30 September 1994	6,554	5,920	12,474

(b) Parent

	Land and Buildings £000	Plant and Equipment £000	Total £000
Cost or Valuation			
At 1 October 1994	382	393	775
Additions	877	63	940
Disposals	–	(7)	(7)
At 30 September 1995	1,259	449	1,708
Depreciation			
At 1 October 1994	–	160	160
Charge for the year	13	81	94
Disposals	–	(6)	(6)
At 30 September 1995	13	235	248
Net Book Value			
At 30 September 1995	1,246	214	1,460
At 30 September 1994	382	233	615

(c) Land and Buildings

	Group 1995 £000	Group 1994 £000	Parent 1995 £000	Parent 1994 £000
Land and buildings comprise:				
Freehold	8,910	6,678	1,237	360
Long leasehold	1,439	1,400	22	22
Short leasehold	239	–	–	–
	10,588	8,078	1,259	382

CHEMRING GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

11. TANGIBLE FIXED ASSETS – CONTINUED

	Group 1995 £000	Group 1994 £000	Parent 1995 £000	Parent 1994 £000
(c) Land and Buildings – continued				
Land and buildings are stated at open market valuation for existing use on:				
30 September 1984	450	450	–	–
30 September 1987	48	48	–	–
1 March 1989	1,137	1,137	–	–
At cost	8,953	6,443	1,259	382
	10,588	8,078	1,259	382
If stated under historical cost principles the comparable amounts for the total of land and buildings would be:				
Cost	9,333	6,823	1,259	382
Accumulated depreciation	(2,086)	(2,026)	(13)	–
Historical cost value	7,247	4,797	1,246	382

All other tangible fixed ass are stated at historical cost. Included in plant and equipment are assets of net book value £428,000 (last year – £25,000) held under finance leases.

	Group 1995 £000	Group 1994 £000	Parent 1995 £000	Parent 1994 £000
(d) Future Capital Expenditure				
Contracted for but not provided for	223	900	–	800
Authorised by directors but not contracted for	330	100	–	–
	553	1,000	–	800

12. FIXED ASSET INVESTMENTS

(a) Group

	Associated Undertaking Share of Net Assets £000	Other Investments £000	Total £000
Cost			
At 1 October 1994	643	133	776
Retained profit of associated undertaking	67	–	67
Redemption of loan stock	–	(23)	(23)
At 30 September 1995	710	110	820
Permanent diminution in value			
At 1 October 1994 and at 30 September 1995	–	84	84
Net Book Value			
At 30 September 1995	710	26	736
At 30 September 1994	643	49	692

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

12. FIXED ASSET INVESTMENTS – CONTINUED

(b) Parent

	Loans to Subsidiary Undertakings £000	Subsidiary Undertakings Shares £000	Associated Undertaking Shares £000	Other Investments £000	Total £000
Cost					
At 1 October 1994	4,080	23,404	13	133	27,630
Acquired during the year	5,381	1,432	–	–	6,813
Redemption of loan stock	–	–	–	(23)	(23)
At 30 September 1995	9,461	24,836	13	110	34,420
Permanent diminution in value					
At 1 October 1994 and at 30 September 1995	–	–	–	84	84
Net Book Value					
At 30 September 1995	9,461	24,836	13	26	34,336
At 30 September 1994	4,080	23,404	13	49	27,546

(c) **Subsidiary and Associated Undertakings**

The principal Subsidiary and Associated Undertakings which, in the opinion of the directors, affected the results of the Group are:

		Percentage of Nominal Value of Issued Ordinary Shares controlled by Chemring Group PLC
Subsidiary Undertakings:		
Pains-Wessex Ltd	(Incorporated in England)	100
Haley and Weller Ltd	(Incorporated in England)	100
Chemring Ltd	(Incorporated in England)	100
McMurdo Ltd	(Incorporated in England)	100
Nova Marine Systems Ltd	(Incorporated in England)	100
Kembrey Wiring Systems Ltd	(Incorporated in England)	100
Octavius Hunt Ltd	(Incorporated in England)	100
Splashdown Ltd	(Incorporated in England)	100
Toggi Ltd	(Incorporated in England)	100
Vacuum Reflex Ltd	(Incorporated in England)	100
Alloy Surfaces Company, Inc.	(Incorporated in Delaware, USA)	100
Pains-Wessex (Australia) Pty Ltd	(Incorporated in Australia)	100
Ronstan International Pty Ltd	(Incorporated in Australia)	100
Hutchwilco Ltd	(Incorporated in New Zealand)	100
Associated Undertaking:		
CIRRA S.A.R.L.	(Incorporated in France)	49

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

12. FIXED ASSET INVESTMENTS - CONTINUED

On 28 February 1995 the business and certain assets of Ronstan were acquired for a total consideration of £5,400,000. Goodwill of £1,512,000 arose on the transaction. The following table explains the adjustments made to the major categories of assets and liabilities of Ronstan to arrive at the fair value at which they are included in the consolidated financial statements at the date of acquisition:

	Book Value £000	Fair value adjustments £000	Fair value to the Group £000
Intangible fixed assets	456	(456)	..
Tangible fixed assets	3,161	(185)	2,976
Stocks	1,765	(120)	1,645
Total assets	5,382	(761)	4,621
Creditors	(733)	-	(733)
	4,649	(761)	3,888

£250,000 of the above fair value adjustments were made to achieve consistency of accounting policies with those of the Group.

Following the acquisition of the Kembrey group of companies in 1994, adjustments have been made to the provisional fair values of the assets and liabilities acquired which, together with further acquisition costs, generated additional goodwill of £2,338,000. The principal element of goodwill relates to provisions for closure costs of Kembrey Engineering Ltd.

On 29 September 1995 Lewin & Warner Limited was acquired for a total cost of £1,096,000, generating goodwill of £1,089,000 after initial fair value adjustments.

In addition, there have been further adjustments to goodwill amounting to £296,000.

All subsidiary undertakings acquired in the year were accounted for under the acquisition method of accounting.

13. STOCKS

	Group 1995 £000	Group 1994 £000
Raw materials	6,907	5,212
Work in progress	3,395	3,165
Finished goods	5,156	2,650
	15,458	11,027

There are no significant differences between the replacement costs and the stock values shown above.

CHEMRING GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

14. DEBTORS

	Group 1995 £000	Group 1994 £000	Parent 1995 £000	Parent 1994 £000
Trade debtors	18,717	15,228	12	–
Amounts owed by subsidiary undertakings	–	–	18,795	15,455
Other debtors	2,095	1,380	1,263	948
Assets in course of disposal	–	622	–	–
Prepayments and accrued income	1,064	735	65	65
	21,876	17,965	20,135	16,468

Included within other debtors is Advance Corporation Tax of £431,000 (last year – £379,000) which is recoverable after more than one year.

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1995 £000	Group 1994 £000	Parent 1995 £000	Parent 1994 £000
Loan stock (unsecured)	688	686	688	686
Bank loans and overdrafts	11,485	1,971	12,779	4,905
Trade creditors	9,941	7,260	53	273
Amounts owed to subsidiary undertakings	–	–	80	55
Other creditors	3,744	2,320	–	–
Obligation under finance leases	120	10	–	–
Corporation tax	2,062	2,443	657	662
Other taxation and Social Security	846	675	47	34
Accruals and deferred income	3,006	3,577	471	562
Proposed dividends	1,722	1,516	1,722	1,516
	33,614	20,458	16,497	8,693

Loan stock is repayable with 3 months' notice and attracts interest at 1% below National Westminster Bank Plc base rate. Bank loans and overdrafts are secured on the book debts of the Group.

16. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1995 £000	Group 1994 £000
Obligations under finance leases	400	25
Other creditors	450	127
	850	152

All the above creditors fall due between 1 October 1996 and 30 September 1998. Finance lease obligations attract interest rates of between 2% and 3% above National Westminster Bank Plc base rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation

(a) Movement in the year – Group

	1995 £000	1994 £000
At 1 October 1994	716	712
Charge/(credit) for the year	139	(8)
Subsidiary undertaking acquired	–	72
Over provision for earlier years	(114)	(60)
At 30 September 1995	741	716

(b) Provisions at year end

As explained in Note 1 provision has been made for deferred taxation where liability to corporation tax may arise in the foreseeable future. The source of the balance on the deferred taxation account and the amounts involved if deferred taxation had been provided in full are as follows:

Group	Full Provision		Dealt with in the Financial Statements	
	1995 £000	1994 £000	1995 £000	1994 £000
Capital allowances in excess of depreciation	821	894	821	888
Other timing differences	(80)	(307)	(80)	(172)
Surplus on revaluation of property	505	552	–	–
	1,246	1,139	741	716

Parent	Full Provision	
Capital allowances in excess of depreciation	(19)	(10)
Other timing differences	(76)	(121)
	(95)	(131)

None of the above full provisions is reflected in the financial statements of the Parent Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

18. CALLED UP SHARE CAPITAL

	1995 £000	1994 £000
Authorised		
62,500 4.9% Cumulative Preference Shares of £1 each	62	62
27,000,000 (last year – 27,000,000) Ordinary Shares of 5p each	1,350	1,350
	1,412	1,412
Issued, Allotted and Fully Paid		
62,500 4.9% Cumulative Preference Shares of £1 each	62	62
23,529,830 (last year – 22,951,801) Ordinary Shares of 5p each	1,177	1,148
	1,239	1,210

During the year 5p Ordinary Shares were issued as follows:

	Number	Nominal Value £000	Share Premium £000
Share options exercised (see below)	239,093	12	327
Issue of shares on acquisition of the Kembrey group of companies	59,270	3	174
Issue of shares on acquisition of Lewin & Warner Limited (see Note 12)	279,666	14	986
	578,029	29	1,487

Share Options

(a) The Chemring Group Share Option Scheme

Share options have been granted as follows:

Date of Grant	Number of Options Granted	Nominal Value £	Number of Options Lapsed	Number of Options Exercised	Aggregate Exercise Price for 4 Shares £	Dates between which Options may be exercised
16 March 1989	334,800	16,740	40,000	278,552	6.68	16 March 1992 and 15 March 1999
25 January 1990	18,000	900	8,000	10,000	5.73	25 January 1993 and 24 January 2000
22 August 1991	387,600	19,380	42,400	199,600	5.46	22 August 1994 and 21 August 2001
20 July 1992	194,400	9,720	24,400	–	8.40	20 July 1995 and 19 July 2002

The number of options granted has been adjusted, with the prior approval of the Inland Revenue, to reflect the Capitalisation Issue approved on 29 January 1993.

(b) The Chemring Group Sharesave Scheme

Share options have been granted as follows:

Date of Grant	Number of Options Granted	Nominal Value £	Number of Options Lapsed	Number of Options Exercised	Exercise Price per Share £
25 March 1994	140,300	7,015	30,882	293	2.76
6 July 1995	114,682	5,734	455	–	3.03

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

19. RESERVES

Group	Share Premium Account £000	Revaluation Reserve £000	Revenue Reserves £000	Total £000
At 1 October 1994	9,043	1,618	10,219	20,880
Share premium arising in the year	1,487	-		1,487
Retained profit for the year	-	-	3,065	3,065
Goodwill arising in the year	-		(5,235)	(5,235)
Profit arising from foreign exchange fluctuations	-	-	71	71
At 30 September 1995	10,530	1,618	8,120	20,268

Of the above reserves the following are non distributable:

	1995 £000	1994 £000
Share Premium Account	10,530	9,043
Revaluation Reserve	1,618	1,618
	12,148	10,661

Included within Revenue Reserves is £697,000 of retained profits (last year – £630,000) relating to the associated undertaking.

A summary of goodwill written off to reserves is detailed below:

	Special Capital Reserve £000	Revenue Reserves £000	Total £000
At 1 October 1994	12,939	7,659	20,598
Arising in the year	-	5,235	5,235
At 30 September 1995	12,939	12,894	25,833

Parent	Share Premium Account £000	Special Capital Reserve £000	Revenue Reserves £000	Total £000
At 1 October 1994	9,043	12,939	13,808	35,790
Share premium arising in the year	1,487	-	-	1,487
Retained profit for the year	-	-	1,160	1,160
At 30 September 1995	10,530	12,939	14,968	38,437

Of the above reserves the following are non distributable:

	1995 £000	1994 £000
Share Premium Account	10,530	9,043
Special Capital Reserve	12,939	12,939
	23,469	21,982

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

20. OBLIGATIONS UNDER NON CANCELLABLE OPERATING LEASES

	Group	
	Land and Buildings	Plant and Equipment
	£000	£000
Within one year	4	128
Two to five years	54	341
Over five years	364	16
	422	485

21. POST BALANCE SHEET EVENT

On 1 November 1995 the Group acquired the marine hardware business and certain assets of Nicro Corp. for a cash consideration of approximately £600,000.

07-03-96

CHEMRING GROUP PLC

FINANCIAL CALENDAR

Shareholders' Dividends

ORDINARY SHARES

Final Dividend – Year to 30 September 1995	16 February 1996
Interim Dividend - Year to 30 September 1996	31 July 1996

PREFERENCE SHARES

Half year's dividend	30 April 1996
Half year's dividend	31 October 1996

Reports to Shareholders

Half year to 31 March 1996	12 June 1996
Year to 30 September 1996 – Preliminary Results	11 December 1996
Financial Statements for the year	January 1997

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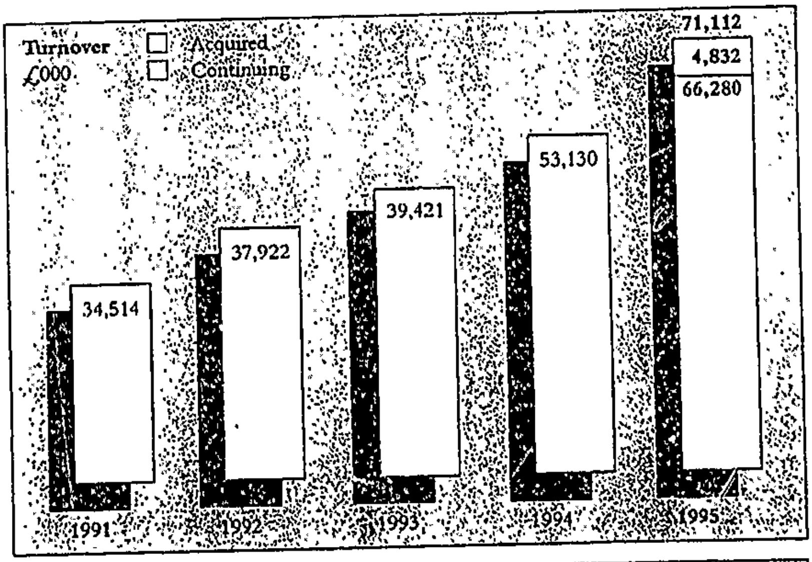
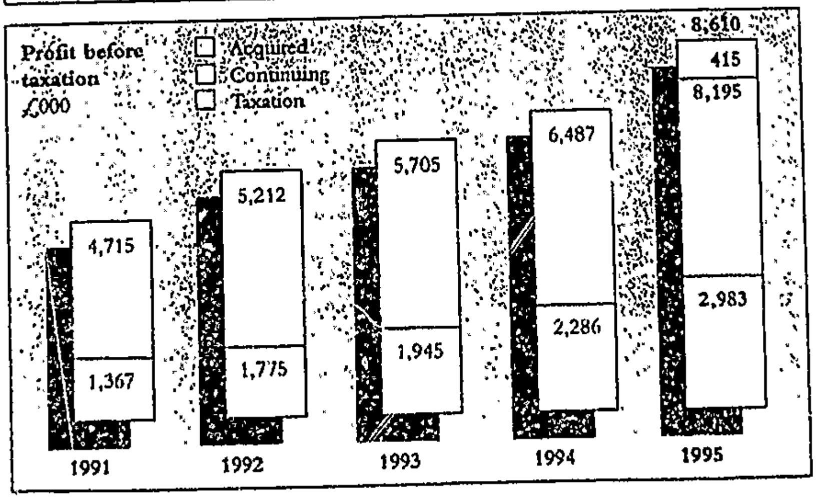
CHEMRING GROUP PLC

SUMMARY FINANCIAL INFORMATION

	Acquisitions 1995 £000	Continuing Operations 1995 £000	Continuing Operations 1994 £000
Turnover			
UK	–	34,124	21,724
Export	4,832	32,156	31,406
Total	4,832	66,280	53,130
Profit			
Profit before taxation	415	8,195	6,487
Profit after taxation	265	5,362	4,201
Earnings per Share			
Nil dilution		24.2p	21.3p
Fully diluted		24.0p	20.9p
Dividends per 5p Ordinary Share		10.9p	9.8p
Shareholders' Funds		21,507	22,090





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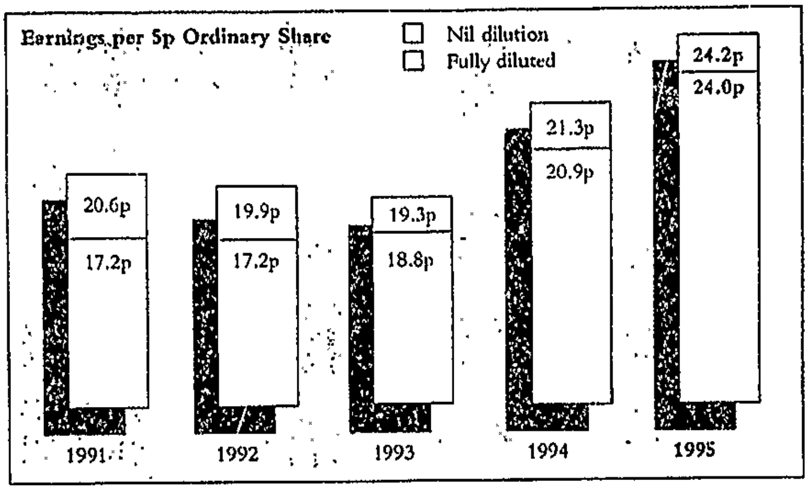
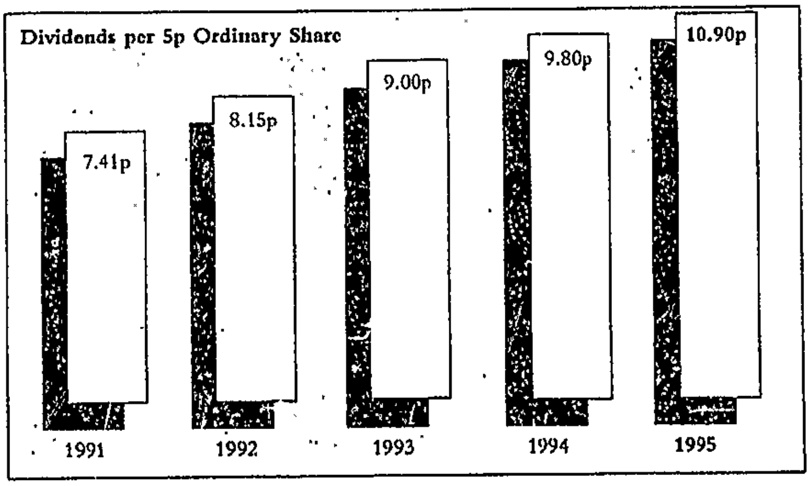
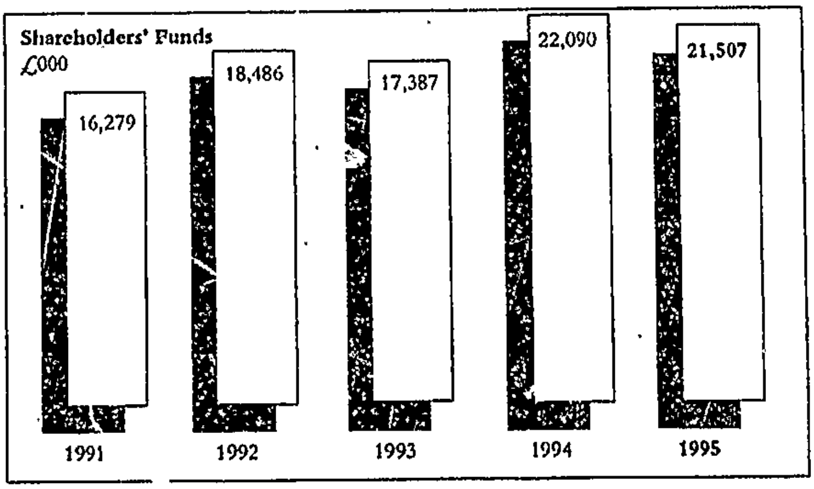
CHEMRING GROUP PLC

SUMMARY FINANCIAL INFORMATION







07-03-96

CHEMRING GROUP PLC

NOTICE AND AGENDA OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninetieth Annual General Meeting of the shareholders will be held at 14.30 hours on Wednesday 7 February 1996 at the registered office of the Company, 1480 Parkway, Whiteley, Fareham, Hampshire PO15 7AF, for the purpose of transacting the ordinary business described at "1" to "4" below and also, as special business, for the purpose of considering and (if thought fit) passing the resolution numbered "5" below as an Ordinary Resolution and the resolution numbered "6" as a Special Resolution.

1. To receive and adopt the financial statements for the year ended 30 September 1995 together with the reports of the directors and auditors thereon.
2. To approve the payment of a final dividend of 7.32p per 5p Ordinary Share for the year ended 30 September 1995 to be paid on 16 February 1996 to shareholders on the Register at the close of business on 16 January 1996.
3. To re-elect Mr M.S.D. Hanlon who retires by rotation under the provisions of Article 109 of the Company's Articles of Association.
4. To re-appoint the auditors and to authorise the directors to fix their remuneration.

Ordinary Resolution

5. That the Board be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 ('the Act') to exercise all the powers of the Company to allot and to make offers or agreements to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £173,420 as at the date hereof provided that this authority shall expire at the commencement of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before the expiry of this authority make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

6. That subject to Resolution 5 being passed and pursuant to and in accordance with the authority thereby granted, the Board be and it is hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) pursuant to such authority as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £58,828 and shall expire at the commencement of the next Annual General Meeting of the Company after the passing of this Resolution or on 30 April 1997 (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

I. Leighton

I. G. R. Leighton
Secretary

1480 Parkway
Whiteley
Fareham
Hampshire
PO15 7AF

13 December 1995

NOTES

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and to vote instead of him.
2. A form of proxy for those entitled to vote is enclosed with this Notice and, to be valid, must be lodged with the Company's Registrars not less than forty-eight hours before the time appointed for holding the meeting.
3. Preference shareholders are not entitled to attend or vote at the meeting.
4. Copies of contracts of service between the Company and certain of its directors will be available at the registered office from the date of this Notice until the date of the Annual General Meeting, and during the meeting.