CHEMRING GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2023

Chemring
Innovating to protect

INVESTING TO GROW

CONTENTS

OUR PURPOSE

Chemring helps make the world a safer place. Across physical and digital environments, our exceptional teams deliver innovative technologies and products that detect and defeat ever-changing threats.

> READ MORE ON PAGES 6 TO 7

OUR VISION

To be our customers' preferred supplier operating in niche markets with high barriers to entry and where we enjoy sole source, or market-leading, positions.

CAPITALISE ON THE GROWTH IN OUR NICHE MARKETS

GROW OUR MARKET-LEADING AND SOLE SOURCE POSITIONS

> READ MORE ON PAGES 18 TO 19

OUR ESG PILLARS

The long-term success of the Chemring business can only be enhanced by a positive interaction with all of our stakeholders, and therefore a positive and engaged approach to corporate responsibility and sustainability is important to us. Our approach is focused around the following key areas:

HEALTH AND SAFETY

ENVIRONMENT

PEOPLE

ETHICS AND BUSINESS CONDUCT

> READ MORE ON PAGES 38 TO 62

OUR VALUES

Innovating to protect lies at the core of our foundations, underpinned by our values of Safety, Excellence and Innovation. Every day, our people play an essential role in protecting armed forces, national security and commercial operations in sovereign states across the globe.

SAFETY
We place safety at the heart of everything we do.

EXCELLENCE
We are focused on ensuring we consistently meet high standards in all that we do.

INNOVATION
We create world-class solutions and develop world-class thinking.

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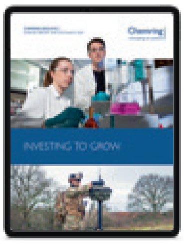


> DISCOVER MORE ABOUT CHEMRING AT **CHEMRING.COM**

2023 PERFORMANCE

FINANCIAL HIGHLIGHTS

REVENUE

£472.6m

(+18%) (+19% at constant currency)

Increase in revenue driven by strong performance at Roke and growth in niche Energetics businesses.

UNDERLYING OPERATING PROFIT*

£69.2m

(+16%) (+21% at constant currency)

Reflects the strong operational delivery at Roke together with the richer margin mix in Countermeasures & Energetics.

UNDERLYING DILUTED EARNINGS PER SHARE*

20.0p

(2022: 18.5p)

Increase reflects the higher underlying operating profit, offset by a higher Group effective tax rate.

STATUTORY OPERATING PROFIT

£45.4m

(-8%) (-3% at constant currency)

The difference to underlying operating profit reflects the amortisation of acquired intangible assets, acquisition expenses, impairment of chemical detection assets and gain on the movement in fair value of derivatives which are the only items treated as non-underlying in 2023.

CASH CONVERSION

90%

(2022: 110%)

Continued strong cash conversion, with an average of 101% on a rolling 36-month basis (2022: 108%), driven by a continued focus on working capital disciplines.

ORDER BOOK

£922m

(2022: £651m)

Increase in order book provides 79% (2022: 86%) cover of 2024 Group revenue, with 71% of 2025 and 65% of 2026 expected revenue cover in Countermeasures & Energetics.

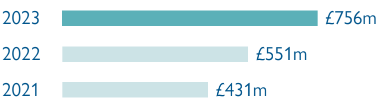
OUTLOOK

The strong market for Roke's active Cyber Defence/Mission Support services and Electronic Warfare products, the projected growth and capacity expansion in our niche precision engineered devices and speciality materials businesses, underpinned by the record order book, all support a strong medium-term outlook.

ORDER INTAKE

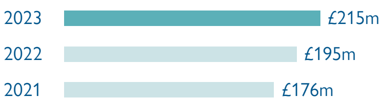
GROUP

£756m



SENSORS & INFORMATION

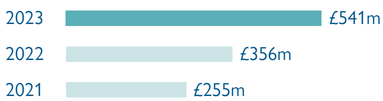
£215m



> READ MORE ON PAGES 26 TO 29

COUNTERMEASURES & ENERGETICS

£541m



> READ MORE ON PAGES 30 TO 33

KEY ACHIEVEMENTS

- 2023 was slightly ahead of the Board's initial expectations despite foreign exchange headwinds
- Record order intake of £756m, with growth across both segments:
  - > Order intake for Countermeasures & Energetics was £541m, up 52%, driven by strong demand at our niche Energetics businesses where order intake was up 161%
  - > Order intake for Sensors & Information was £215m, up 10%, with Roke continuing to execute its growth strategy
- Closing order book at the highest level in over a decade at £922m
- Roke revenue was up 45% to £160m and order intake up 9% to £183m with the business well positioned to continue its growth trajectory in what continues to be a buoyant market
- Net debt was £14.4m (2022: £7.2m), with strong operating cash generation and cash conversion of 101% on a rolling 36-month basis (2022: 108%). Net debt to underlying EBITDA was 0.16 times (2022: 0.09 times)
- £120m capacity expansion plan to 2026 initiated to capitalise on growing demand in the energetics market, delivering expected incremental revenue of £85m per annum from 2026/27
- £9m deployed in Q4 into the £50m share buyback programme announced on 1 August 2023
- A buy-in contract was entered into with an insurer in respect of the Group's defined benefit pension scheme on 28 November 2023, which will remove future risk associated with funding of the scheme
- Proposed final dividend per share of 4.6p, up 21%, giving a total dividend of 6.9p (2.9 times cover)
- The Board's expectations for 2024 are unchanged. Approximately 79% (2022: 86%) of expected 2024 revenue is covered by the order book, with unprecedented cover in Countermeasures & Energetics for 2025 and 2026 at 71% and 65% respectively of expected revenue.

* References to underlying operating profit and earnings per share throughout this strategic report are to underlying measures from continuing operations; see note 3 for a reconciliation to the statutory profit after tax from both continuing and discontinued operations of £5.4m (2022: £47.4m) and see note 5 for a reconciliation of the reported comparative values to the comparative values that have been re-presented on the basis of the classification of operations as discontinued. For references to constant currency equivalents of reported numbers please refer to page 63 for further explanation.

WHAT WE DO

INNOVATION AND TECHNOLOGY IS AT OUR CORE

At Chemring we create market-leading technology solutions and develop world-class thinking to solve the most challenging problems.

Using our extensive science and engineering expertise, we turn ideas into reality, designing and developing critical solutions that protect and safeguard in an uncertain world.

We achieve this by innovating at every stage of the value chain, from research and development ("R&D"), through to design, manufacture and in-service support for our intelligence and advance technology detection systems, countermeasures, precision engineered devices and specialist materials.

Our customer base spans national defence organisations, security and law enforcement agencies, as well as commercial markets such as space and transport. We support our customers in more than 50 countries across the globe.

WHERE WE OPERATE

Our home markets of the UK, US, Australia and Norway have a substantial and enduring commitment to defence and national security. We also export our technology solutions to additional markets. The percentages represent the proportion of sales for that destination in the year ended 31 October 2023.

UK

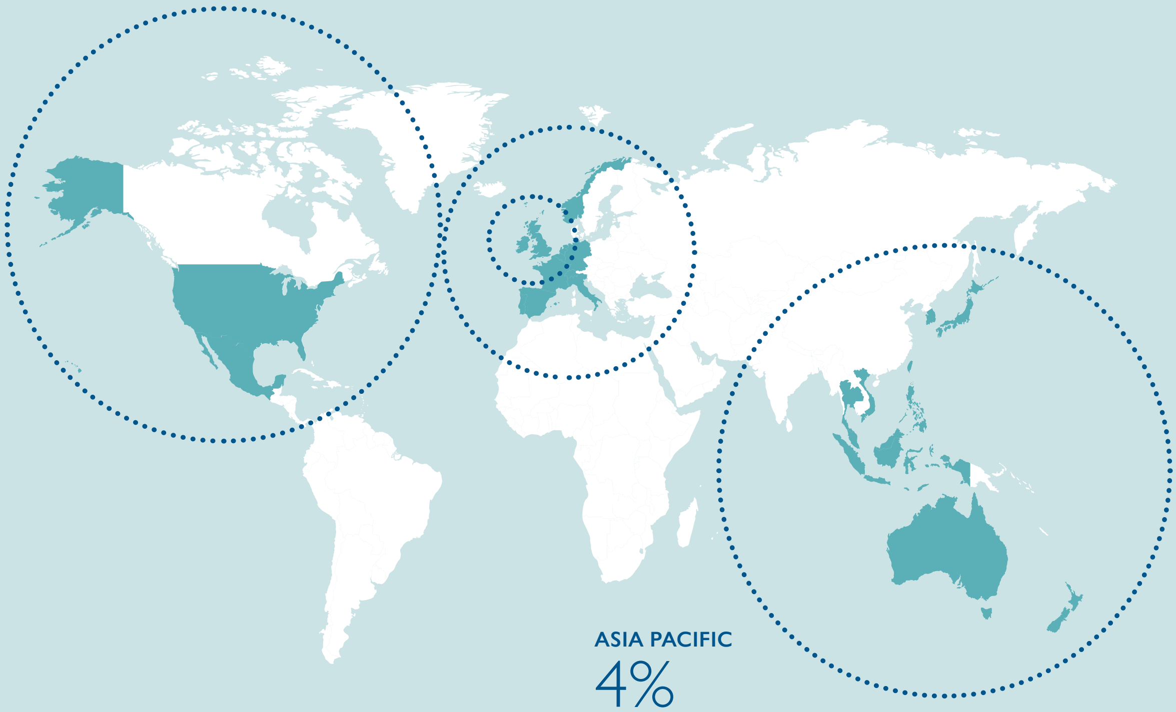
43%

In the UK we are well positioned to benefit from the increased demand for intelligence and cyber-security solutions signalled by the Integrated Review and its recent Refresh. We are also seeing accelerated demand for our specialist energetic capabilities resulting from the conflict in Ukraine.

EUROPE

15%

In Europe, our Norwegian business is experiencing ever-greater demand for its niche specialist materials as customers seek to strengthen their defence capabilities in response to the increased security threat from Russia and China.



US

38%

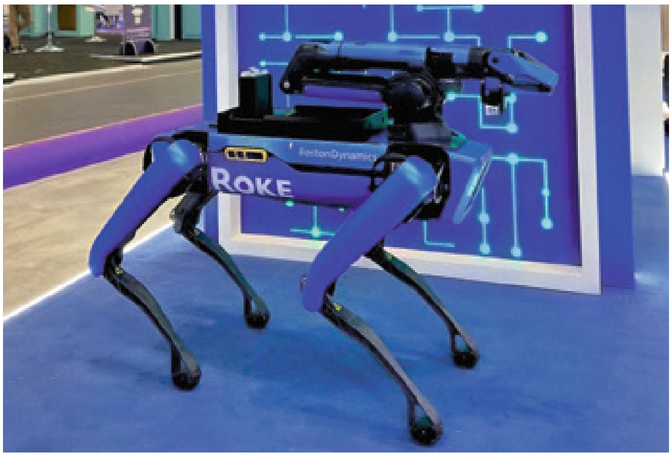
The US remains the single largest defence market in the world and continues to be our principal home market. Our position in the market is underpinned by a Special Security Agreement ("SSA") that enables us to be a supplier on important and sensitive programmes to US customers. The continuous support for defence spending in the US provides us with good visibility for future earnings as we respond to customers' modernisation priorities.

ASIA PACIFIC

4%

Regional instabilities, capability upgrades and technology advancements are driving increased spend in the Asia Pacific region. Our Australian business positions us to contribute towards meeting the defence requirements of Australia and other countries in the region.

CHEMRING IS ORGANISED INTO TWO STRATEGIC SECTORS



SENSORS & INFORMATION

Innovation is core to solving our clients' difficult problems.

With over 1,000 scientists, engineers and consultants, our Sensors & Information sector continues to invest in technologies that safeguard and protect in an uncertain world.

Operating across defence, national security, law enforcement and industrial domains, we enable our clients to deliver competitive advantage, defend their people, assets and information, and defeat their adversaries.

Our sensor technologies detect threats with a very high degree of confidence, be they explosive, biological, radio or cyber.

Our Roke business draws on a 60-year heritage of innovation in sensors, communications, cyber and artificial intelligence to innovate and apply these technologies in new ways.

We operate across the whole lifecycle providing advice, research and development, engineering, design and in-service support for our products and services.

REVENUE

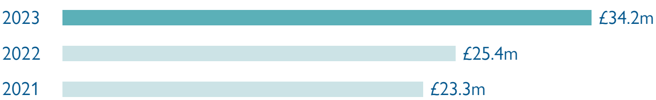
£187.0m

(2022: £120.5m)

UNDERLYING OPERATING PROFIT

£34.2m

(2022: £25.4m)



COUNTERMEASURES & ENERGETICS

Chemring is the world leader in the design, development and manufacture of advanced expendable countermeasures for protecting air and sea platforms against the growing threat of guided missiles.

We combine a deep understanding of platform signatures, missile seekers and chemical formulations to develop new countermeasures to defeat evolving threats.

Our niche, world-class energetics portfolio produces high-reliability, single-use devices that perform critical functions for the space, aerospace, defence and industrial markets. We also manufacture specialist materials including propellant and energetic materials that are used in a wide variety of applications in the defence and civil markets.

Every day, our energetic products, services and experts assist customers, including NASA and SpaceX, to achieve mission success. This ranges from cutting-edge technology to enable our customers to launch rockets and satellites into orbit, to the provision of aircraft safety systems including oxygen mask deployment on commercial aircraft and ejector seats for aircrew egress.

REVENUE

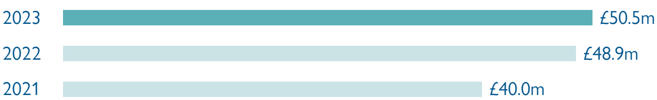
£285.6m

(2022: £280.5m)

UNDERLYING OPERATING PROFIT

£50.5m

(2022: £48.9m)



SUSTAINABILITY OVERVIEW

COMMITTED TO A SUSTAINABLE FUTURE

At Chemring we acknowledge and embrace our collective responsibility to contribute to a sustainable future. We have a strong and recognised obligation to ensure the responsible operation of our business and are fully committed to long-term sustainable value creation through safe, sustainable and ethical business conduct at all times. Our goal is to ensure that we protect our planet and our people, that we support our customers and their critical needs, and that we have a positive impact on the communities in which we operate.

> DISCOVER MORE ABOUT SUSTAINABILITY AT CHEMRING.COM/SUSTAINABILITY/COMMITTED-TO-A-SUSTAINABLE-FUTURE

Improving our sustainability performance plays a key role in the way in which we run our business today and plan for the future as we manage our environmental, social and governance ("ESG")-related risks. Our sustainability goals are directly linked to targets for remuneration and reward across all our leadership teams.

We also recognise that our ESG credentials are an increasingly important factor in our ability to attract and retain first-class people. Engaged, motivated, empowered and appropriately skilled employees are integral to our success as we build a sustainable company of which all our stakeholders can be proud.

PURPOSE

Chemring helps make the world a safer place. Across physical and digital environments, our exceptional teams deliver innovative technologies and products that detect and defeat ever-changing threats.

VISION

To be our customers' preferred supplier operating in niche markets with high barriers to entry and where we enjoy sole source, or market-leading, positions.

APPROACH

The long-term success of Chemring can only be enhanced by a positive interaction with all of our stakeholders. An engaged and constructive approach is therefore important to us. We regularly collect feedback from our key stakeholders to better understand those issues that are of material importance to them. Our approach is therefore currently focused on the following key topics and associated areas of focus.

MAKING THE WORLD A BETTER PLACE

HEALTH AND SAFETY

FOCUS
- Control of major accident hazards
- Injury prevention
- HSE risk management
- Occupational and process safety

ESG HIGHLIGHTS
- Total recordable injury frequency rate increased slightly to 0.90 (2022: 0.78) but still below our annual limit of 1
- High-potential incidents: 12 (2022: 13)
- Zero injuries in connection with or arising from energetic events

> READ MORE ON PAGES 42 TO 43

PEOPLE

FOCUS
- Culture
- Diversity and inclusion
- Employee wellbeing and engagement
- Employee learning and development

ESG HIGHLIGHTS
- Employee engagement remains a high priority with positivity score up at 76% in FY23 (2022: 75%)
- Board diversity improved further to 44%/56% female to male gender split (2022: 38%/62%)

> READ MORE ON PAGES 56 TO 60

MSCI ESG RATINGS AAA
CCC | B | BB | BBB | A | AA | AAA

As of 2022, Chemring Group PLC received an MSCI ESG Rating of AAA*.

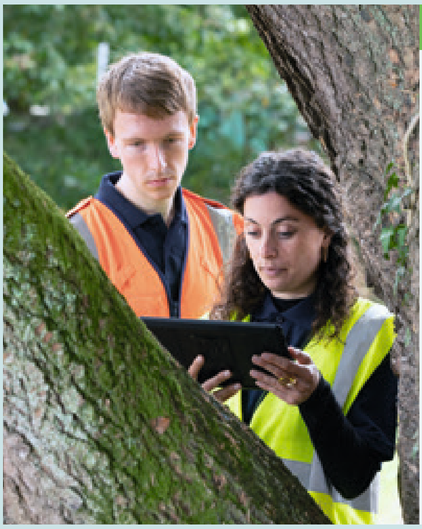
PROGRESS IN 2023

Chemring's purpose is to help make the world a safer place. The ongoing war in Ukraine has tragically highlighted the critical role that the defence and security industry plays in preserving peace, democracy and freedom in the western world. It has reinforced the argument that for sustainability to thrive, it requires global stability at its foundations. We are proud of the role that Chemring plays in providing that stability and are equally focused on ensuring that we manage and progress our own sustainability agenda, and in particular our ESG-related risks.

> READ MORE ON PAGES 38 TO 62

It has been another busy year in which we have built on the good progress made during FY22.

Our ESG strategy over the current and future years will seek to identify those areas where our activities can have most impact. Plans are now in place to continue this journey and to ensure that we meet the growing disclosure requirements of our stakeholders and demonstrate our ability to successfully address ESG-related issues.



ENVIRONMENT

FOCUS

- Emissions reduction
- Waste generation and hazardous materials management
- Energy usage
- Water consumption

ESG HIGHLIGHTS

- Scope 1 and scope 2 market-based GHG emissions reduced by 9.1% (2022: 7.3%) on higher revenue
- Water consumption decreased by 3.9%
- Waste decreased by 31.2% across the business

> READ MORE ON PAGES 44 TO 45

ETHICS AND BUSINESS CONDUCT

FOCUS

- Operational Framework and Code of Conduct
- Compliance oversight and risk management
- Whistleblowing
- Anti-bribery and corruption

ESG HIGHLIGHTS

- Code of Conduct training issued to employees
- Ethics & Compliance Committee consolidated into the ESG Committee

> READ MORE ON PAGES 61 TO 62

OUR VALUES

SAFETY
We place safety at the heart of everything we do

EXCELLENCE
We are focused on ensuring we consistently meet high standards in all that we do

INNOVATION
We create world-class solutions and develop world-class thinking

"Our commitment to protection goes beyond our customers and immediate stakeholders; it includes our planet and broader society and is underpinned by our values and behaviours."

Michael Ord
Group Chief Executive

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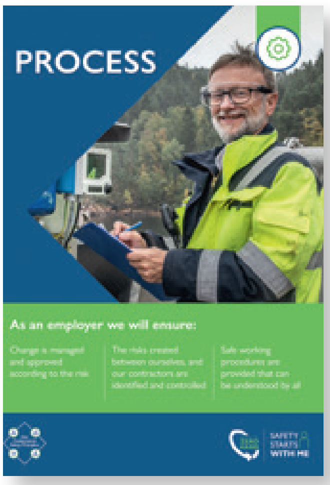
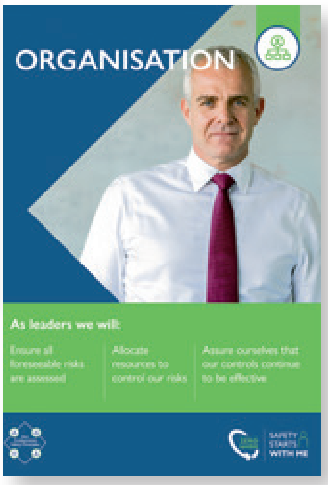
WE'RE CONTINUING TO PROTECT AND GROW BY LIVING OUR VALUES

Innovating to protect lies at the core of our foundations, underpinned by our values of Safety, Excellence and Innovation. Every day, our people play an essential role in protecting armed forces, national security and commercial operations in sovereign states across the globe.





SAFETY

LAUNCH OF OUR FUNDAMENTAL SAFETY PRINCIPLES

Across Chemring, we are on a Journey to Zero Harm, with safety firmly at the heart of everything we do. Our People, Processes and Plant need to work together to create a consistent safety culture and safe working environment across Chemring.

That's why this year, we've launched the Chemring Fundamental Safety Principles. These are the expectations of us as employees and Chemring as a business to keep us all safe. So, what are the safety principles, and what do they mean here at Chemring?

The Fundamental Safety Principles are all about clarity. Any organisation should provide safe plant and safe processes so that when people are working, the plant is fit for purpose and designed appropriately, and the processes help identify the hazards, risks and precautions to take.

The people element, therefore, is what all of us need to understand. We need to know the risks around us that could cause harm and what the precautions are that have been put in place. Those precautions could be personal precautions, such as PPE, or precautions built into the assets, plant or equipment underpinned by our processes.

To help launch the Principles, every single employee in Chemring completed training on these Principles and learnt how to activate the SWIM approach when something is not right. SWIM stands for:

- Stop – what you are doing
- Warn – coworkers in the area
- Inform – relevant stakeholders
- Manage – the situation using the update condition procedure

The Fundamental Safety Principles aren't just about stopping accidents that could happen today. They're also about embedding the learning for the future generations coming through our businesses.

EXCELLENCE

CHEMRING NOBEL HAS BEEN RECOGNISED AS ONE OF THE TOP SUPPLIERS IN THE NORTHROP GRUMMAN CORPORATION'S GLOBAL NETWORK OF MORE THAN 10,000 SUPPLIERS

Northrop Grumman is a leading global aerospace and defence technology company. Chemring Nobel was one of 60 partners awarded with a Supplier Excellence Award by Northrop Grumman Corporation during the year.

Said Matt Bromberg, Corporate Vice President, Global Operations Northrop Grumman, "The performance of Chemring Nobel set it apart as one of the best of the best supplier partners. The expertise and partnership of our supplier teams across the globe demonstrates that together, we are well positioned to meet our customers' most complex mission needs."

Said Helge Husby, Managing Director of Chemring Nobel. "At Chemring Nobel, we pride ourselves on being a responsible and reliable partner with a focus on safety, innovation, and customer service. This award is evidence of our true partnership approach and our aim to consistently meet high standards in all that we do."

INNOVATION

EXPLORING THE FINAL FRONTIER

One of the most exciting areas in which Chemring Energetic Devices ("CED") serves its commercial and government customers is Space – otherwise known as the Final Frontier.

NASA's Artemis programme is a series of missions that include returning humans to the moon, a crewed mission to Mars, and thereafter potentially beyond. Prime Contractors on these programmes include Lockheed Martin, Aerojet Rocketdyne, Boeing, and Northrop Grumman. The Artemis I uncrewed flight test of the Space Launch System (SLS) rocket and the Orion spacecraft around the moon on 16 November 2022 was a huge success. Artemis II, scheduled for November 2024, will be the first crewed flight test of these systems.

ULA, a joint venture between Lockheed Martin and Boeing, is one of two launch vehicle companies awarded a National Security Space Launch Vulcan (NSSL) contract. The contract covers Phase 2 of the NSSL programme, awarding it about 60% of the launching of US military and intelligence satellites through to 2027.

Vulcan is ULA's next-generation heavy-lift launch vehicle, expected to launch in late 2023 and replace Atlas V. This launch vehicle will become the main workhorse for NASA and other US government customers and will also be contracted for commercial missions, like Amazon's Kuiper constellation.

Chemring's US based subsidiary, Chemring Energetic Devices (CED), is supplying critical elements of the Artemis and Vulcan missions and is thrilled to be a part of such exciting programmes. These missions will be active for years to come and are expected to contribute significantly to our understanding of space and pushing the limits of where humanity can go. CED has successfully and consistently provided mission critical devices to Delta IV, Atlas V, Mars 2020, and many other missions and hopes to continue to do the same for SLS, Orion, Vulcan, and more in the years to come.

DELIVERING CONTINUED PROGRESS

Carl-Peter Forster
Chairman

"This has been another year of strong performance across the Group. Growing demand for both our technology-driven solutions and a resurgent demand for traditional defence capabilities have resulted in record order intake during the year. As we adapt to an increasingly volatile and unstable world, the critical role that Chemring plays in support of our customers has never been more important."

INTRODUCTION

The past year has again been marked by heightened unrest and geopolitical tensions, from the wars in Ukraine and Gaza to food, energy security and labour shortages, to the ever-present risk of cyber-attack. All of this has reinforced the need for a robust defence and security industry which is crucial to the maintenance of peace and global stability, the bedrock of sustainability.

Against that background, it has been a year of significant activity across the Group as we have adapted to our customers' changing spending priorities. The need for countries to re-equip and modernise their defence capabilities, which I highlighted last year, has resulted in increased budgets and a greater sense of urgency in the face of increased global competition. This has created significant opportunities for the Group as our customers look to restore and enhance their defence capabilities. Increasing demand for our technology-driven solutions, and a resurgent demand for more traditional defence capabilities resulted in record order intake and an order book at year end at its highest level for over a decade. None of this would be possible without the commitment and dedication of our people and on behalf of the Board I wish to acknowledge and thank them for their professionalism and support.

The outlook for the global defence market is increasingly positive, with strong growth predicted over the next decade. Growing visibility and the increasing desire of our customers to move to long-term partnering agreements give us the confidence to continue to invest in our future capacity and capabilities. We believe in nurturing talent, fostering innovation, and continually upgrading our infrastructure. In doing so we strengthen our ability to deliver world-class solutions and reinforce our position as a trusted partner in safeguarding global security.

STRATEGY

The Group's strategy is to deliver sustainable, profitable growth by operating in niche markets with high barriers to entry, and where we enjoy market-leading, technology-differentiated positions.

Our continued investment to develop intellectual property in priority, growing areas of the defence and security market has supported us in establishing deep long-term customer relationships, often acting as a sole source supplier.

The Sensors & Information sector is a key area of focus for Chemring, with our customers increasingly seeking advanced technology solutions to address their threats and challenges. We will continue to expand our product, service and capability offerings to develop innovative solutions to support them with achieving mission success in protecting their people, assets and data.

> READ MORE ON PAGES 26 TO 29

The Countermeasures & Energetics sector strategy is operationally driven, and we are investing to strengthen and grow our focused, world-leading positions. Russia's invasion of Ukraine in February 2022 has driven unprecedented levels of demand for our specialist energetic capabilities, and we are investing to modernise and expand our manufacturing capacity to respond to our customers' needs. In Countermeasures we will continue the process of modernisation and automation across our sites, sharing technology and manufacturing excellence across the Group where possible.

> READ MORE ON PAGES 30 AND 33

In recent years Chemring has been focused on building a stronger, higher quality and more resilient business. In doing so, it has built a strong and deployable balance sheet which has provided the Group with increased optionality. Our disciplined approach to capital allocation prioritises organic and inorganic investment, a growing and sustainable dividend, other returns to shareholders and a prudent approach to leverage. Favourable market conditions for our niche Energetics businesses underpinned the Group's strategic decision to approve a 3 year £120m investment to increase capacity by £85m per annum. In August 2023 we announced the launch of a share buyback programme of up to £50m. This provides us with additional flexibility to deliver value for our shareholders and maintain our commitment to balance near-term performance with longer-term growth and value creation.

As a Board we will continue to to assess strategically aligned, accretive acquisitions that can accelerate our growth strategy, and for opportunities to leverage our capabilities into adjacent markets. Beyond enhancing shareholder value and complementing our broader growth plans, we have a well-defined set of criteria that any target must meet. So far, our recent acquisition activity has supplemented our Roke business; however, we are continuing to explore inorganic growth opportunities in the US space and missiles sector. Both these areas offer significant prospects for long-term growth and are aligned to the Group's high technology competencies.

Beyond this we will continue to focus on developing a safe, sustainable, and resilient business that is able to deliver progression through continuous improvement in operational performance and execution. We shall continue to invest in both our people and our infrastructure to deliver further growth into the future.

HEALTH, SAFETY AND THE ENVIRONMENT

At Chemring our goal is zero harm. This goes beyond the management of safety and recognises that we have a duty to ensure that we take appropriate actions to minimise the impact of our operations on many different levels, from employee health, safety and wellbeing to climate change.

The Board recognises that the highest levels of safety are required to protect employees, product users and the general public. The Board believes that all incidents and injuries are preventable, and that all employees have the right to expect to return home safely at the end of every working day. Safety therefore remains one of the core values within Chemring and is central to our operating philosophy. A key part of our health, safety and environmental ("HSE") strategy is the collation and analysis of data at every level to focus on the underlying causes of incidents and the impact on our operations. This facilitates appropriate decision making at all levels of our organisation.

Whilst consolidating in a calculative safety culture, we have continued with the deployment of our Asset Integrity Management Maintenance Systems and

ESD Protocols. Towards the end of 2023 we focused on the "people" element of our strategy by introducing the Fundamental Safety Principles with significant focus on every employee's duty to Stop, Warn, Inform, Manage ("SWIM"). These themes will remain our priority throughout 2024 and beyond.

In addition, we will be introducing a new environmental data platform in 2024, to better assess the environmental impacts of our operations and performance against the targets that were set in 2022 in support of our wider ESG commitment. Improving our sustainability performance plays a key role in the way we both run our businesses today, and plan for the future. Further details on this can be found in the sustainability section of this report.

PEOPLE AND OUR COMMUNITY

Our people are our greatest asset and it is through them that we are able to meet our business and customer commitments. Our continued investment in our employees ensures we are both growing and developing the workforce we need to deliver our strategic objectives, further strengthening our organisation.

At the heart of our focus on people is the need to ensure that we have the right culture for all employees to thrive. We strive to create an environment where all employees are able to perform to the best of their abilities, through strong engagement, transparent communications and great leadership at all levels. Our values of Safety, Excellence and Innovation remain relevant to our strategy and are the bedrock of this culture.

Underpinning all of this is an unrelenting focus on the diversity, equity and inclusion ("DE&I") agenda. We are fully committed to improving the diversity of our organisation and creating an inclusive environment for all. Our shared focus across the Group is to improve the female to male gender split within all senior management roles to at least 33%/67% by 2027. I'm pleased to report that our efforts to date have already improved our gender split for 2023 to 32%/68%. With the appointment of Alpna Amar as a non-executive director in June 2023, it is also pleasing to report that the female to male gender split on our Board of directors has improved further to 44%/56%.

To be truly inclusive, we need to listen to all our employees. In addition to our standard processes such as the Employee Voice real-time sentiment tracking tool and local business Employee Resource Groups, the Board is actively involved in meeting directly with our employees. Laurie Bowen, our non-executive director and Chair of the Remuneration Committee, continues to be responsible for employee engagement on behalf of the Board. For the third year running, Laurie has met with employees from across our organisation, with a specific focus this year on our businesses with a strong growth agenda. Laurie met with employees in Roke in England and Chemring Energetics UK in Scotland, as well as our Norwegian employees at Chemring Nobel. In all three businesses she was able to hear about both the challenges and the opportunities that come with strong growth, and was particularly pleased to hear of their pride in their business performance and in seeing investments being made in plant, systems and infrastructure. These insights have again given each leadership team and the Board further information to take action on.

> READ MORE ON THE PEOPLE AGENDA ON PAGES 56 TO 60

DIVIDENDS

The Board continues to recognise that dividends are an important component of total shareholder returns. The Board's objective is for a growing and sustainable dividend and to continue to target a medium-term dividend cover of c.2.5 times underlying EPS, subject *inter alia* to maintaining a strong financial position.

The Board is recommending a final dividend in respect of the year ended 31 October 2023 of 4.6p (2022: 3.8p) per ordinary share. With the interim dividend of 2.3p per share (2022: 1.9p), this results in a total dividend of 6.9p (2022: 5.7p) per share, an increase of 21% on the prior year. If approved, the final dividend will be paid on 12 April 2024 to shareholders on the register on 22 March 2024. In accordance with accounting standards, this final dividend has not been recorded as a liability as at 31 October 2023.

BOARD OF DIRECTORS

On 23 January 2023, the Group announced that, after six years as Chief Financial Officer and a director of the Company, Andrew Lewis had informed the Board of his intention to retire following the completion of his 12-month notice period. A process to find a successor was immediately launched.

On 24 May 2023, the Group announced the appointment of James Mortensen as Chief Financial Officer. He has held various senior roles at Smiths Group PLC, the FTSE 100 diversified engineering business, including having been Chief Financial Officer of the Smiths Medical division. James joined the Group on 1 November 2023 and, following a handover period and the publication of the Group's results for the year ended 31 October 2023, will take up his role on 1 January 2024. At this point Andrew Lewis will step down from the Board. He will leave Chemring on 19 January 2024. The Board thanks Andrew for his contribution to Chemring's success and wishes him every success in the future.

On 13 June 2023, the Group announced the appointment of Alpna Amar as a non-executive director, joining the Board with immediate effect. A qualified Chartered Accountant, Alpna has over 22 years of corporate, operational and commercial finance, strategy, M&A and investor relations experience in both corporate and consulting positions. She is currently the Corporate Development Director at Kier Group plc and prior to this she held senior investor relations and corporate development roles at global automotive suppliers, TI Fluid Systems plc and International Automotive Components Group SA. Upon joining the Board, Alpna became a member of the Audit and Nomination Committees.

CURRENT TRADING AND OUTLOOK

Trading since the start of the current financial year has been in line with expectations. The Board's expectations for the Group's 2024 performance are unchanged. The Group order book as at 31 October 2023 was £922m, of which £403m is currently expected to be recognised as revenue in 2024, giving 79% order cover, which provides excellent visibility for the full year. This leaves £519m of the order book to be delivered in FY25 and beyond, which provides approximately 71% of 2025 and 65% of 2026 expected revenue cover in Countermeasures & Energetics.

With market-leading innovative technologies and services that are critical to our customers, together with the flexibility provided by the Group's strong balance sheet, the Board is confident that Chemring will continue to deliver both organic and inorganic growth, balancing near-term performance with long-term value creation. Chemring's longer-term prospects remain strong.

Carl-Peter Forster
Chairman
12 December 2023

GOVERNANCE AND ETHICS

In recent years significant effort has been placed on strengthening the governance and ethics across the Group, ensuring that we have the necessary policies and procedures in place to enable the business to operate with integrity and transparency, and to the highest ethical standards.

Chemring remains committed to conducting its business in an ethical and responsible manner at all times, and in full compliance with all applicable laws and regulations. We will continue to strengthen our policies and procedures to ensure that the Group's governance remains fit for purpose. The bedrock of our governance is our Code of Conduct and our Operational Framework, both of which bind our purpose, values, behaviour, policies and procedures, and provide the necessary governance to enable us to operate in a safe, consistent and accountable way. Our ESG Committee, which meets regularly throughout the year and is chaired by the Chief Executive, is responsible for the oversight and monitoring of Chemring's governance framework and ethical business conduct and compliance.

> FURTHER DETAILS ON THE COMMITTEE'S ACTIVITIES DURING THE YEAR CAN BE FOUND ON PAGE 84 OF THIS REPORT

Good governance and ethical behaviour underpin our evolving sustainability agenda and ensure that we operate safely, responsibly and in compliance with applicable legislation in all of the jurisdictions in which we operate.

INVESTING IN SUSTAINABLE PERFORMANCE AND GROWTH

Chemring delivers profitable growth by operating in markets where we have differentiators, such as intellectual property, niche technology and high barriers to entry.

We continually review our portfolio to ensure that we maintain sustainable niche positions where technical and qualification barriers to entry enable high margins. These, along with strong and enduring customer relationships, provide us with a strong platform for future growth. We will achieve our growth by total commitment to our enduring purpose, which is to relentlessly innovate to protect our customers.

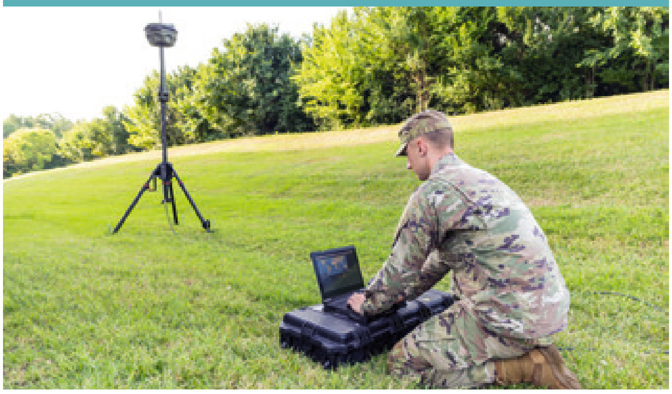
WELL POSITIONED IN NICHE SEGMENTS

Against the background of growing defence budgets, particularly in the US and Europe, Chemring is well positioned in niche segments of the defence market which, over time, have the opportunity to outperform the broader sector.

These include the Group's global market-leading positions on airborne and naval countermeasures, advanced sensors, Electronic Warfare and software engineering. We are also well placed to benefit from resurgent demand for more traditional defence capabilities, including in the space and missiles markets where we are a key supplier of energetic materials and mission-critical specialist devices.

The Group's record order book provides good medium-term visibility. A significant proportion of our revenue is generated from sole or dual source positions, often from long-term partnering agreements. Market-leading positions, incumbent supplier status and high barriers to entry position Chemring well for the future.

MAJOR INTERNATIONAL PROGRAMMES



Chemring is exposed to a substantial pipeline of major international programmes that have the potential to deliver strong long-term growth. These include being a qualified source for the F-35 Joint Strike Fighter countermeasure programme and having technologies and products to address the next-generation US space, missile and biological agent detection programmes – increasingly relevant in a post-pandemic world.

As Cyber and Electromagnetic Activity ("CEMA") becomes increasingly important in today's threat environment, and as a consequence of Russia's invasion of Ukraine, there are a growing number of opportunities for our battlefield systems integration and Electronic Warfare products in the international market.

We are seeing growing customer enquiries for Roke's suite of world-leading Electronic Warfare products and are supporting ongoing customer demonstrations and field trials in the US to secure orders from this potentially significant market.

STRONG GROWTH IN ROKE'S NATIONAL SECURITY AND DEFENCE MARKETS

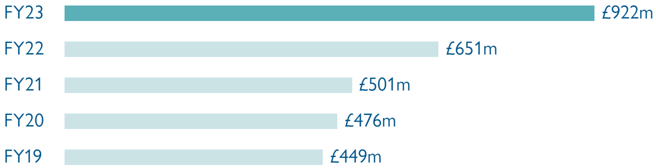
Roke's consulting, technology and R&D service activities are experiencing strong growth, driven principally by ever-increasing demand for information advantage solutions in the defence and national security markets.

The Group's capabilities are well aligned to both the US and UK Government's emphasis on cyber, secure networks, artificial intelligence, data science, autonomy, Open Source Intelligence ("OSINT") and Electronic Warfare ("EW"). This validates our Sensors & Information sector strategy, and should increase the opportunity space for Roke to deploy its market-leading technologies.

Opportunities exist to expand and accelerate Roke's capabilities and offerings, both through acquisitions and exploiting opportunities in adjacent markets and territories.

Our ambition is to grow Roke's revenue to a minimum of £250m by 2028.

ORDER BOOK – GROWTH OVER THE LAST FIVE YEARS (£m)



> DISCOVER MORE ABOUT INVESTING AT
CHEMRING.COM/INVESTORS

MEDIUM-TERM FINANCIAL OBJECTIVES

Since 2019 the Group has communicated certain medium-term financial objectives, which have been rolled forward at each set of results. These included:

- **Targeting a mid-teens return on sales in the medium term.** Underlying profit margins have progressed from 10.1% in FY18 to 14.6% in 2023
- **Improving cash flow.** Across the last three years, underlying operating cash conversion has been 101% of underlying EBITDA, demonstrating the improvement in business practices is permanent and sustainable
- **Reducing indebtedness.** Net debt has decreased from £81.8m in 2018 to £14.4m in 2023, while spending c.£184m on capex over the period

Chemring is focused on building a financially sustainable and robust Group. These actions provide strong foundations for future growth.

BALANCE SHEET STRENGTH

Chemring has a robust balance sheet and strong ongoing operating cash generation, providing a platform for future investment in the business, both organic and inorganic, and sustainable, growing dividend payments. The focus on building a strong and deployable balance sheet has provided increased optionality and in August 2023 the Group announced a share buyback programme of up to £50m providing additional flexibility to deliver value for our shareholders.

COMMITTED TO A SUSTAINABLE FUTURE

At Chemring we firmly believe that stability is at the heart of sustainability and that the defence industry has a critical role to play in making the world a safer place, now and for future generations. We have set ambitious targets to meet our ESG agenda and are improving our disclosure and performance year on year.

- 15.7% reduction in scope 1 and market-based scope 2 emissions from our FY21 baseline
- Waste production decreased by 31.2% versus 2022
- Board of directors now 44% female (2022: 38%)
- Senior leaders now 32% female (2022: 24%)
- Employee positivity 76% (2022: 75%)
- AAA ESG rating by MSCI, top 3% of the Aerospace and Defence sector

CREATING SUSTAINABLE VALUE AND OPPORTUNITY FOR ALL OUR STAKEHOLDERS

Michael Ord
Group Chief Executive

"This has been a year of heightened activity and progress across the Group as we have reacted to growing demand for our products and services, both technology-driven solutions and a resurgent demand for traditional defence capabilities. Changing customer spending priorities in the face of increased global uncertainty and competition have resulted in the order book being at its highest level in over a decade, giving us a strong and sustainable platform for future growth."

INTRODUCTION

Building on the strong foundations that we have put in place in recent years, I am pleased to report that 2023 has been another year of positive performance across the Group.

Global uncertainty, fuelled by the war in Ukraine and increased competition with China, continues to drive many of our customers to reassess spending allocation. National defence and security, along with a greater focus on national, including industrial, resilience are increasingly significant priorities. Demand for our technology-driven solutions and a resurgent demand for traditional defence capabilities have meant that the work we do in support of our customers and their critical needs has never been more important. The commitment and professionalism of our people this year has once again been outstanding and I am, as always, indebted to all my colleagues across Chemring.

The outlook for global defence markets is increasingly robust, with continued growth expected over the next decade. This growing visibility gives us the confidence to continue to invest for the future, balancing near-term performance with longer-term growth and value creation. With a robust strategy and a relentless focus on safety, operational excellence and growth, Chemring is well placed to capitalise on its many opportunities.

2023 PERFORMANCE

It is pleasing to report a strong set of results for the financial year despite the challenges associated with the heavier weighting of performance to the second half of the year, caused by the delays to order intake in 2022 following the extended US Continuing Resolution.

Revenue was up 18% to £472.6m (2022: £401.0m), underlying operating profit was up 16% to £69.2m (2022: £59.4m) and underlying profit before tax was up 17% to £67.9m (2022: £57.9m). Underlying diluted earnings per share was up 8% to 20.0p (2022: 18.5p).

The underlying operating profit of £69.2m (2022: £59.4m) resulted in an underlying operating margin of 14.6% (2022: 14.8%), achieving the mid-teens Group margin objective that we set out in early 2019. The flat margin primarily reflects the increase in higher margin energetics revenue in Countermeasures & Energetics offset by the operating expense investment in Roke Academy, Roke Futures and Roke USA, together with the higher margin-dilutive "pass-through" revenue at Roke.

In the UK, the markets for EW, cyber and data science capabilities, in which Roke is a leading participant, have remained extremely buoyant in the period. Roke has again delivered double-digit growth in revenue and has maintained strong margins despite increased investment in people, infrastructure and product development.

Roke's order intake during the year was up 9% to £183m (2022: £168m) with revenue for the year exceeding £160m for the first time.

A key element of the UK's Integrated Review Refresh 2023 of Defence, Security and Foreign Policy ("IRR 23") was the need to upgrade statecraft for systemic competition. This is driving demand for Roke's national security capabilities, particularly in active cyber defence and technological mission support services to core government customers.

In September 2023 Roke received a significant contract award valued at £40m to deliver the next two years of Project ZODIAC for the UK Ministry of Defence. ZODIAC is the backbone of the British Army's Land ISTAR Programme, and will deliver an integrated intelligence, surveillance, target acquisition, and reconnaissance ("ISTAR") system, which will transform how the Army undertakes data-led decision making in the land environment to gain operational advantage. Roke will act as the Prime Systems Integrator on this advanced technology programme supported by a supply chain of some of the world's leading technology companies.

Roke Futures, which services the needs of public and private sector customers and sits alongside the National Security and Defence business units, has also made strong progress in scaling its business activities throughout 2023, gaining traction with customers including Rolls-Royce, Waygate Technologies, Vodafone and a FTSE 100 multinational mining company.

In the last five years successful execution of its strategy has seen Roke more than double in size. Its headcount has increased from c.400 at the end of 2018 to over 1,000 today, driven in part by the success of its graduate and apprenticeship schemes, and the continued success of the Roke Academy. The continued investment in the development of its people is a key enabler to positioning Roke well to deliver on its future growth ambitions.

The strategic goal for Roke is to continue to focus on growth across all its business areas in the UK, and to leverage international markets, especially the US, to give Roke a wider international presence. We also continue to explore further inorganic growth opportunities and have a robust pipeline of future acquisition candidates.

Roke USA continues to make good progress as it seeks to capitalise on opportunities with the US DoD customer. Highly successful demonstrations of our Resolve and Perceive man portable systems have generated DoD interest in Roke USA developing a system that utilises Roke UK's sophisticated mission analysis software, but which specifically targets the US DoD requirement set. A number of large customer-funded Electronic Warfare development programmes have been initiated and in addition to EW hardware, Roke USA has now established a presence providing research and development services focused on advanced EW algorithms.

Also in the US, our US Sensors business continued its transition away from explosive hazard detection to focus on building winning solutions to convert current US Programs of Record into low rate and full rate production, and on exploiting a growing opportunity in bio-security and surveillance. In a

REVENUE

+18%

post-pandemic and contested world, governments are becoming increasingly concerned by the risks of both naturally occurring and engineered biological threats.

In August 2023 our US Sensors business was informed that the Milestone C procurement decision in respect of the Joint Biological Tactical Detection System ("JBTDS") program had been approved and in September 2023 the business received a Low Rate Initial Production ("LRIP") contract, valued at US$15m. Hardware deliveries under this contract will be made over the next 10 to 14 months, with a Full Rate Production ("FRP") contract expected to be awarded thereafter.

Deliveries under the FRP phase of the Enhanced Maritime Biological Detection System ("EMBD") program have continued as planned, in support of the US Navy. We received a third option quantity exercised under the sole source $99m Indefinite Delivery/Indefinite Quantity contract worth $15.3m, with deliveries expected to be made through to 2024.

Chemring's experience and expertise in fielding biological agent detectors for its US DoD customers provide a strong platform from which to pursue opportunities in existing and adjacent markets, such as homeland security. Through a combination of customer and self-funded research and development programmes we continue to design and test next-generation biological threat sensors for detection, classification, and presumptive identification of aerosol biological threats. Chemring is actively pursuing federal and industry partnerships to bring these products to a broad range of markets.

Following the US DoD's decision in 2022 to transition the Husky Mounted Detection System Program of Record to sustainment earlier than anticipated, Chemring has been able to evaluate the potential sustainment program and determined that in the short to medium term there is insufficient US DoD funding to make it economically viable for Chemring to continue to operate the business. The decision was therefore taken to treat the explosive hazard detection business as a discontinued operation in 2023, with a non-cash impairment of the goodwill associated with its acquisition in 2009 and other assets, totalling £31m, being recorded.

In 2018 Chemring announced that its US-based subsidiary, Chemring Sensors & Electronic Systems ("CSES") had been down-selected by the US DoD as one of two contractors to be taken forward to the next phase of the competition for the Aerosol & Vapor Chemical Agent Detector ("AVCAD") program. Given the competitive nature of this program Chemring did not include any revenues associated with the AVCAD program in its forward guidance to research analysts and the market.

Through 2022 our US Sensors business successfully progressed through the Engineering & Manufacturing Development program phase but is now not expected to progress to any subsequent program phases at this stage. Chemring has therefore recognised an impairment of £15.6m in respect of the previously capitalised development costs.

Whilst the news that we have not progressed on the AVCAD program was clearly disappointing it must not overshadow the significant progress our US Sensors business has made in US DoD biological agent detection programs.

The Group has moved quickly and decisively to reposition and reshape its US Sensors business to ensure sustainable competitive advantage in its targeted biological detection and security markets. The future focus for the Sensors & Information sector continues to be on expanding the Group's product, service and capability offerings in the areas of national security, AI and machine learning, tactical electronic warfare and information security, and securing/delivering against the Group's sole source positions on the US DoD biological Programs of Record. We will continue to actively explore opportunities to expand and accelerate the Sensors & Information sector capabilities and offerings, both by leveraging opportunities in adjacent markets and through further bolt-on acquisitions.

In 2023 the focus for our Countermeasures & Energetics sector was to continue strengthening and protecting our niche, world-leading positions by continuously improving our technological and operational base, and by working closely with our customers in the development of new solutions to meet emerging needs.

Order intake in the year was considerably higher at £541m (2022: £356m), driven by multi-year orders received across the sector.

In Countermeasures we have continued to see sustained customer demand from across our portfolio, maintaining our position as the world leader in the design, development and manufacture of advanced expendable countermeasures. Order intake was £183m (2022: £220m), with notable contract awards including $39m for the delivery of MJU-61 flares and $17m for the delivery of MJU-75 flares, both from our fully automated manufacturing facility in Tennessee in support of the US DoD, and a £24m order for the delivery of a range of countermeasure products in support of the UK MOD from our facility near Salisbury.

The investment in the expansion and automation of our Tennessee facility to meet the expected demand for airborne countermeasures continued during the year. Having completed construction work of the buildings in FY21 and commissioning and characterisation in FY22, FY23 saw the completion of first article testing and the first delivery of units to the customer.

The Countermeasures sector saw a greater weighting of its trading performance and cash generation to the second half of 2023 following the delays to order intake in 2022 following the extended US Continuing Resolution.

In the Energetics sector we continue to see increased levels of activity and demand in the propellants and energetic materials markets as customers re-evaluate their operational usage and stockpile requirements associated with traditional defence capabilities. As a result, our three niche Energetics businesses, which design and manufacture high precision engineered devices and specialist materials, have seen strong customer demand with order intake up 161% to £358m (2022: £137m). Notable contract awards included a £43m order for the delivery of critical components used on the NLAW system from our Scottish facility.

Our Norway-based subsidiary, Chemring Nobel, had a particularly strong performance, finishing the year with a record order book which provides significant visibility over the medium term. Over £40m of orders were won in the final month of the year, which included a £30m order to supply Dyno-Nobel with a range of energetic materials over the next five years. Chemring Nobel continues to work with other customers including Diehl Defence, Rheinmetall, and Nammo on similar long-term contracting models.

CAPITAL ALLOCATION POLICY

CAPEX
- £120m Capex investment in our Energetics businesses to capitalise on unprecedented demand
- Delivering incremental revenue of £85m and operating profit of £21m per annum, full year effect from FY27
- Continual capex investment to increase automation, enhance safety and drive margin improvement

DIVIDENDS
- Key part of total shareholder return
- Targeting medium-term dividend cover of c.2.5 times underlying EPS
- Dividends have grown 20% per annum for the last 3 years

M&A
- Focus on incremental bolt-on acquisitions that complement existing capabilities and accelerate growth in customer priority areas – in particular Roke and US Space and Missiles – while maintaining a disciplined approach to our evaluation criteria

SHARE BUYBACK
- Low risk, high return on investment option for excess cash which creates value for long-term holders
- £9m deployed in 2023 with a further £41m of capital allocated to 2024

OUR PURPOSE IN ACTION

ROKE ACADEMY – NEXT-GENERATION TALENT

As the tech industry leads the way for innovation and continues to grow at an incredible pace, it's not surprising that countless people want to land jobs in this exciting field. The question for many, especially those without coding experience or working in entirely different fields, is how?

Roke has the answer in the form of its Roke Academy.

The Roke Academy is a centre of excellence for learning and development, focusing on non-traditional areas of recruitment to embrace undiscovered talent who may not have previously had the opportunity to enter the tech field.

Roke is looking for individuals interested in tech, programming, or software development, who share a desire to learn and develop their love of technology. Our cohorts come from various backgrounds, from recruitment and the arts to funeral care and even a horse saddle maker! The common denominator is that all our cohort members tend to do some level of coding in their spare time as a hobby or personal interest.

We're after inquisitive people with transferable skills, some of whom may have faced barriers to work for various reasons, whether they have found the traditional recruitment process challenging, are returning to work after a break, or are transitioning from military service. We will support these diverse individuals who can bring unique strengths to our business regarding creativity, data analysis and innovation to progress in their chosen field.

LINK TO STRATEGY
> READ MORE ON PAGES 18 TO 19

1

LINK TO OUR VALUES
> READ MORE ON PAGE 25

INNOVATION

2023 PERFORMANCE continued

In the US, our Chicago business received multiple orders in the period including two contracts totalling \$23m to supply critical components to Lockheed Martin, and a \$46m order to supply key parts on the United Launch Alliance ("ULA") Vulcan launch system, including flight-critical initiators, thrusters and cartridges. Our Chicago business now has a record order book which is in excess of \$165m. Orders in the final month of the year alone exceeded any prior year full year order intake.

The future focus of the Countermeasures & Energetics sector remains on strengthening and protecting our niche, world-leading positions by investing in our technology base and continuously improving and modernising our operations, with a particular focus on safety and automation, and on improving our competitiveness through investment in lean manufacturing capabilities and developing new products and technologies. Simultaneously, and as announced in June and November 2023, we are making significant investments to expand the capacity of our focused Energetics businesses to capture the unprecedented, and sustained, demand for our products that is being driven by the increased threat environment. We are also seeing significant opportunity through partnering with our customer base on future technology advancements to develop new solutions to meet their emerging needs.

The Group's order book at 31 October 2023 was £922m (2022: £651m), of which approximately £403m is scheduled for delivery during 2024, representing cover of approximately 79% (2022: 86%) of expected 2024 revenue.

On a constant currency basis, using the 2022 closing exchange rates, the order book would be £965m. The increase since 31 October 2022 is attributable to strong order intake at Roke and across the Countermeasures & Energetics sector.

This leaves £519m of the order book to be delivered in FY25 and beyond. At this stage, this provides approximately 71% of 2025 and 65% of 2026 expected revenue cover in Countermeasures & Energetics.

Net debt at the year end was £14.4m (2022: £7.2m), the increase since 31 October 2022 being largely attributable to strong operating cash generation offset by the investment in capital projects in the year. Strong underlying operating cash inflow of £80.0m (2022: £85.1m) represented 90% (2022: 110%) of underlying EBITDA. Our three-year rolling average cash conversion has been 101% (2022: 108%), showing that the ongoing focus on working capital improvements is delivering long-term, sustainable, positive results.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

From an ESG perspective, 2023 has seen us make further progress as we proactively manage our sustainability agenda. Focus areas included health and safety, diversity and inclusion, reducing climate change, and employee wellbeing. As a business we are committed to building a sustainable company of which all our stakeholders can be proud, both now and in the future.

It is pleasing that our efforts have been recognised externally. In 2023 we were again given a rating of AAA by MSCI, putting us in the top 3% of the Aerospace and Defence sector. Furthermore, in June 2023 the Group was identified by Investec's Sustainable Investment Research as a 2023 rising star. Its research identifies UK companies in the small and mid-cap market that are demonstrating a growing commitment to ESG. It noted that Chemring has the third most improved Bloomberg ESG score among all UK companies below \$5bn market capitalisation, with this improvement being mainly attributed to better disclosure on social issues, where Chemring has gone from below median in 2020 to leading its peer group.

HEALTH AND SAFETY

Safety is our core value, with the health, safety and wellbeing of our colleagues, their families, our customers and the communities in which we operate being our priority. The successful implementation of our HSE strategy continues, as does our focus of achieving zero harm.

Our safety performance in terms of our total recordable injury frequency ("TRIF") rate was 0.90, which shows a slight increase when compared to last year's 0.78 but is still below our annual limit of 1. Most injuries were either caused by slips, trips and falls, or were musculoskeletal in nature.

Our HSE strategy has focused on three core areas of activity:

CONTROL OF MAJOR ACCIDENT HAZARDS

Over the last four years, we have implemented a number of processes to enhance our focus in this area by ensuring we design, maintain and operate to the highest standard. We continue to invest in modern processes and technology to remove our employees from exposure to energetic hazards.

During the design of these processes we have placed more scrutiny on the application of process hazard analysis. In 2019 we mandated that all Countermeasures & Energetics businesses would need to conduct regular reviews to identify the potential for major process safety events. This year saw the continued iteration of that review process, with an increase in the number of hazard scenarios being identified as the rigour of process hazard analysis matured. As a result of this maturing process, we continue to develop an understanding of our residual risks and throughout the year have taken further steps to reduce these to a level as low as is reasonably practicable. To help reduce our residual risks the implementation of a common computerised maintenance management system continues to be rolled out across selected businesses, improving management and accountability for safety-critical assets.

We continue to share best practice through the Technical Safety Committee, Technical Learning Group and our quarterly "Shared Learning" events.

It should be noted that for the second year running there have been no injuries associated with energetic events.

INJURY REDUCTION

Injury prevention focuses on the reduction of injuries through the adoption of safety as an inherent part of everything we do. This is enacted through safety leadership, clear expectations, accountability and establishing a safety culture that drives learning and improvement, not blame.

This year we aligned our corporate reporting platform to the three pillars of our HSE strategy, People, Plant and Processes, to better understand the root causes of our incidents and where to focus our levels of assurance. These additional data points will help our continued focus on becoming a learning organisation. This data has reconfirmed trends regarding musculoskeletal injuries due to the manual handling nature of some of our processes, together with cuts to fingers and hands. The relevant businesses continue to manage these risks whilst considering further automation.

HSE RISK MANAGEMENT

Safe delivery of our business continues through the management of risk and is built around understanding our hazards, and establishing clear expectations and consistency. Our HSE Management System Framework Standard puts our HSE policy into practice by setting standards on nine core elements across the Group to drive a robust and common approach to the management of HSE. Each business within the Countermeasures & Energetics sector is audited every year and the Sensors & Information sector every three years to ensure compliance, with high-priority non-compliances being reported and monitored at Executive Committee level. The changes made in 2022 to our Operational Assurance Statement process continue to help the businesses focus on compliance with the HSE Framework which in turn provides useful insights when planning the Line of Defence 2 ("LOD2") audits.

We measure our HSE performance to reflect both occupational and process safety. In doing so we have several data points, one of which is an external review of our prevailing safety culture. Last year we invited back a team of experts to review our progress. The review highlighted good progress as we journey towards becoming a high-reliability organisation. The review confirmed our businesses as approaching a Group-wide calculative status, with robust processes and systems generating data and signals around our high-hazard operations. The level of collaboration has also increased, with many businesses sharing best practice on a regular basis to help accelerate our performance, all of which is supported by a positive tone from the top and underpinned by risk-informed, visible, and proactive safety leadership. This year has seen a focus on supporting the leadership through the introduction of the Leadership Guide and the provision of training support.

ENVIRONMENT

In 2023 we made further progress on our journey to becoming net zero by 2030, achieving a 9.1% reduction in scope 1 and scope 2 market-based GHG emissions (2022: 7.3%). A key challenge for the Group's ESG Committee is to manage our ESG-related risks – balancing both the near and longer-term targets that were set in 2021 with the need to continually look for ways in which we can improve further.

In addition to reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD"), the Group has committed to further improve its non-mandatory disclosure and completed its second CDP submission this year. By translating the TCFD recommendations and pillars into actual disclosure questions and a standardised annual format, CDP provides investors and disclosers with a unique platform where the TCFD framework can be brought into real-world practice in a comparable and consistent way.

As our disclosure increases, so has the need to ensure that the data that we report to the market is accurate. We have now put in place an auditable framework for our emissions reduction activities, with external subject matter experts appointed to verify the data and to report to the Group's Audit Committee. Next year we will be introducing a new environmental data platform to better assess the environmental impacts of our operations.

CULTURE

We have ambitious goals in Chemring and it's essential that we invest in our workforce to achieve them. By having the right people in the right place at the right time with the right skills, and working in a safe, healthy and inclusive environment, we build our future success.

> DISCOVER MORE ABOUT OUR CULTURE AT
CHEMRING.COM/SUSTAINABILITY/PEOPLE

We continue to invest in nurturing a values-based culture. Safety, Excellence and Innovation drives everything we do and is firmly embedded in every part of our business. Our approach is that of a "Global Voice" that sets the standards and expectations that we promote across the Group whilst the "Local Accent" brings impact and relevance to each individual business, respecting that each territory has its own unique cultural characteristics.

Our story in 2023 has been one of growth and opportunity, with much of the people agenda focused on how we can enable short-term performance as well as drive longer-term value creation. Our talent management efforts, resourcing strategies and development programmes have all matured in 2023 and are focused on helping to create the workforce we need both now and in the future.

It has also been a year in which innovative approaches have been taken in using our technology to connect colleagues in ways where significant international travel would have previously been required. Our Aspire@Chemring programme, designed to support the development of those colleagues identified as potential candidates for senior roles in the future, had another extremely successful year. A global cohort of 75 colleagues from across all of our businesses completed 3,500 learning hours over the 11-month programme. We partnered with three top business schools (MIT, Tuck, and Columbia) to provide the cohort with elective modules which best aligned with their individual development goals. By leveraging technologies to learn, collaborate and have shared experiences on-line, we also significantly reduced the environmental footprint of a global development programme, supporting our ESG commitment to reducing emissions.

Post-pandemic we have also seen a shift in our talent markets for employees having a greater desire for a purpose driven career, not just from the generation joining the workforce for the first time, but also for those with established careers where employees took the opportunity to reassess their priorities both during and after the pandemic. This has driven a need for us to consider what is important to both current and future employees when choosing Chemring for their career journey.

Our employee engagement efforts are focused largely on actively listening to our colleagues to understand how we can support them to be successful at Chemring. Whether it be Employee Voice, our on-line real-time sentiment tool, Employee Resource Groups, or town hall style events - all employees have the opportunity to share their thoughts and be listened to. Each business uses these as opportunities to consider changes and take action directly from employee feedback.

Listening to our employees is also at the heart of our diversity, equity and inclusion efforts. Our employees are helping us to identify where we can improve across many aspects of the DE&I agenda, whether it is focused on gender, ethnicity, neurodiversity or any other characteristic that makes up our workforce. We see a diverse workforce as a key enabler for continuing to innovate our products and services for our customers.

Whilst 2023 has been a successful year, we must continuously improve our people practices and look forward to further supporting our workforce in 2024 and beyond.

CONCLUSION

I am delighted with the financial and operational progress that continues to be made across the Group as we continue to build a strong, high quality and technology-focused business.

This has been another year of solid progress across the Group. We maintain our relentless focus on living our shared values of Safety, Excellence and Innovation, and in doing so we are driving our collective purpose: delivering innovative protective technologies to help make the world a safer place. With market-leading technologies and services that are critical to our customers, our niche market positions and our strong balance sheet, I remain confident that we will continue to grow in the future.

Michael Ord
Group Chief Executive
12 December 2023

CHANGING MARKET DYNAMICS

Chemring is an international technology company, and we have a significant organisational footprint in the US, the UK, Europe and Australia.

The ongoing geopolitical turbulence has resulted in many countries re-appraising their defence and national security priorities, including increasing budgets, to specifically address the security challenges posed by Russia and China. Against this heightened threat environment, the role of multi-lateral organisations such as the North Atlantic Treaty Organization ("NATO") and the European Union ("EU") is also becoming more significant.

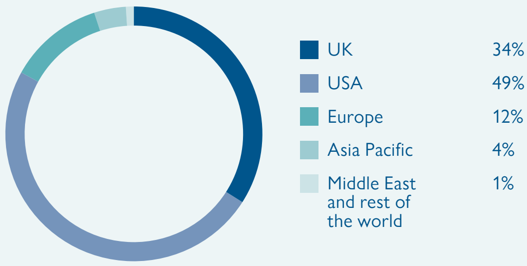
The Russia-Ukraine conflict has specifically refocused attention on the broad spectrum of defence capabilities relevant to a significant peer conflict. It has also brought a renewed focus on modernisation and replacement of NATO capabilities, including those being donated to assist Ukraine.

China's extensive military modernisation programme has, in many cases, generated a requirement for increasingly cutting-edge solutions to protect against a continuum of threats. These range from long-range hypersonic missiles through to sub-threshold "grey-zone" activity, with the latter involving the extensive use of digital-based threats such as cyber-attacks and disinformation campaigns.

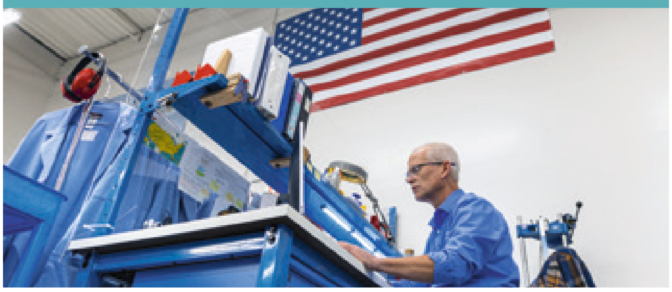
The Group's diverse and niche capabilities make it well placed to support our customers' abilities to respond to this deteriorating security environment.

GLOBAL SALES

% of Chemring's global sales (2019 – 2023)



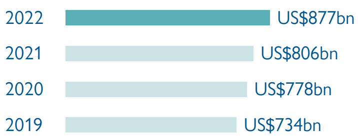
UNITED STATES



TOTAL SPEND

US$877bn

Source: SIPRI



OUR POSITION

Our US-based Energetics business has a strong and distinct position in the design, development and manufacture of precision engineered devices for rapidly-growing niche markets in aerospace and defence. Our US-based Countermeasures business is the market leader in expendable infra-red ("IR") pyrotechnic decoys that protect airborne and naval assets from guided missiles.

In US Sensors, we are the largest provider of advanced biological sensors to the US DoD. Our ground-penetrating radar, explosive hazard detection ("EHD") system for the Husky vehicle is now in sustainment and we have taken the decision that the EHD business will not continue to operate. Our Roke USA business continues to drive a campaign to leverage Roke's UK attributes and bring disruptive land Electronic Warfare ("EW") capabilities to address the US's mission-critical requirements through both product and service channels.

MARKET TRENDS

The US continues to represent the largest individual defence market in the world, and at US$842bn the US Presidential Defense Budget request for 2024 is the highest ever. This strategy driven budget, reflecting US concerns over the Indo-Pacific threat environment and the need to support Ukraine, also marks a record commitment to Research, Development, Test, and Evaluation ("RDT&E"), with US$145bn earmarked for new technology investment.

OUR CHALLENGES AND OPPORTUNITIES

The US's focus on bolstering its defence and national security technology base to fulfil defence needs can create opportunities for us to deploy Group-wide capabilities and technologies in customer priority areas. These include launch systems, hypersonics, EW, sensors, biotechnology, artificial intelligence ("AI"), cyber and quantum computing. Demand for the advanced F-35 Lightning II military jet continues to be strong, and our contribution to this core air platform's countermeasures suite confirms our leadership position in this capability area.

LINK TO STRATEGY

> READ MORE ON PAGES 18 TO 19

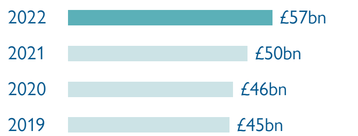
1 2

UNITED KINGDOM

TOTAL SPEND

£57bn

Source: SIPRI



OUR POSITION

In the UK, our Roke business unit is exploiting its highly relevant, full lifecycle capabilities in cyber-security, GEOspatial INTelligence ("GEOINT"), sensors, communications, land Electronic Warfare ("EW"), Artificial Intelligence ("AI") and machine learning for the continued benefit of national security and defence customers. Private and public sector organisations are also increasingly seeking to utilise Roke's experience in intelligent, data-driven, digital solutions to enhance their own operational effectiveness.

Our UK Energetics business is the sole source supplier for multiple land, air and naval propellants and pyro-mechanical devices, and has critical, through-life programme positions on several high-demand systems. Similarly, our UK Countermeasures business continues to retain its international leadership position in protecting air and naval forces from guided missiles threats, through the design, development, and supply of radio frequency ("RF") and infra-red ("IR") pyrotechnic decoys.

MARKET TRENDS

The Integrated Review Refresh 2023 ("IRR 23"), set against the backdrop of a "more volatile and contested world", confirmed that a further £5bn will be allocated to the UK Ministry of Defence ("UK MOD") over the next two years. This is in addition to the £24bn, over five years, increase committed in 2020, and the £560m pledged in the Autumn Statement 2022.

Most of the IRR 23 additional funding will be to support the modernisation of the UK nuclear enterprise, including support to in-service submarines, and the next phase of investment in the Australia-United Kingdom-United States ("AUKUS") partnership, with the balance being allocated to replenishing energetic capabilities and investment toxincrease the resilience of the UK domestic infrastructure.

The Defence Command Paper 2023 ("DCP 23") restated the aim for UK Defence to achieve Science and Technology ("S&T") superpower status as a core element of its national strategic advantage. Priority areas for S&T investment include AI, semiconductors, quantum technologies, future telecommunications, and engineering biology. DCP 23 also pledged an additional £2.5bn investment into UK energetics through the coming decade.

OUR CHALLENGES AND OPPORTUNITIES

The UK MOD accounts for circa 13% of Group revenues, and it is an important partner for developing and qualifying new products and solutions, and for expanding and sustaining sovereign UK manufacturing capabilities.

The priorities identified in the IRR 23 are well aligned to Group strengths and will enlarge the opportunity space for the capabilities of our Roke and UK Energetics businesses – in the near-term and beyond.

Finally, as the sole source supplier of countermeasures to the UK's F-35 Lightning II fleet, Chemring is well placed to benefit from the commitment made by the UK MOD to raise the number of aircraft in the UK's F-35 Lightning II fleet to 74. The delivery of these additional aircraft, referred to as "Tranche 2," will commence before the end of the decade, with completion expected in the early 2030s.

LINK TO STRATEGY

> READ MORE ON PAGES 18 TO 19

1 2

EUROPE

TOTAL SPEND

US$357bn

Source: SIPRI

2022	US$357bn
2021	US$344bn
2020	US$333bn
2019	US$315bn

OUR POSITION

Although the Group continues to vie with highly capable competitors and national champions in Europe, we have succeeded in selling our niche capabilities to several European customers including Germany, France, Italy and Spain. Moreover, our Norwegian-based Energetics business provides speciality materials to many leading prime contractors across the region.

MARKET TRENDS

The Russia-Ukraine war has brought large-scale conflict to Europe and, having experienced the steepest increase in three decades, European military expenditure is now at Cold War levels. The total spend across Central and Western Europe is some €345bn which, in real terms, surpasses the levels seen at the end of the Cold War (1989). The sharpest increases have been in Finland (+36%), Lithuania (+27%), Sweden (+12%) and Poland (+11%).

France is aiming to increase its defence spending to €413bn over the next seven years, and Germany is making progress on reaching the 2% GDP NATO target for defence investment and on spending the €100bn special modernisation fund.

New and existing NATO members are reacting to the Ukraine crisis and preparing for a long confrontation with Russia requiring a comprehensive sense of resilience, regardless of Ukraine's outcome. Finland joined NATO on 4 April 2023, and Sweden's membership is pending approval by Hungary. Moreover, NATO is establishing a multi-sovereign venture capital fund for security and defence innovation through emerging, disruptive and dual-use technologies.

Finally, the EU is also pledging €500m with a new regulatory framework to bolster EU defence industry capabilities.

OUR CHALLENGES AND OPPORTUNITIES

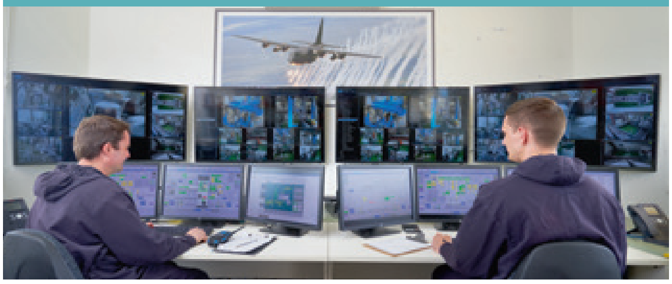
The outlook for the European market is positive, and several opportunities for our niche capabilities are emerging as countries invest to protect their own national interests and re-equip Ukraine. The Group will continue to support the requirements of European allied nations.

LINK TO STRATEGY

> READ MORE ON PAGES 18 TO 19

1 2

AUSTRALIA



TOTAL SPEND

AU$47bn

Source: SIPRI

2022	AU$47bn
2021	AU$46bn
2020	AU$41bn
2019	AU$38bn

OUR POSITION

Chemring's in-country capabilities are founded on the Group's integral position in the F-35 Lightning II international countermeasures supply chain. Chemring Australia is an important part of the country's industrial base, with our modern plant being a state-of-the-art manufacturing facility for airborne countermeasures.

MARKET TRENDS

Australia's 2023 Defence Strategic Review ("DSR") sets out the country's investment priorities and doctrinal posture, through to 2032-33, for developing a more capable military. The DSR specifically considers the deteriorating geostrategic environment in the Indo-Pacific region and the direct threats to Australia's national interests resulting from these international tensions. In the 2023 budget, Australia's defence spending is set to rise to AU$52.6bn in 2023–24 – an increase of 7%.

The Advanced Capabilities Pillar, known as Pillar II, of the Australia, United Kingdom and United States ("AUKUS") partnership, notes the tri-lateral delivery – that is joint research and development ("R&D") and acquisition of advanced cyber, AI, autonomy, quantum, undersea, hypersonic and counter-hypersonic, EW, innovation, and information sharing capabilities. Co-operation under AUKUS Pillar II has the potential to have wide-ranging effects on defence and national security in all three countries.

OUR CHALLENGES AND OPPORTUNITIES

With Chemring having an industrial presence in all three AUKUS nations, the Group is well placed to respond to relevant opportunities resulting from the pact, as well as other potential bi-lateral and tri-lateral co-operative efforts.

LINK TO STRATEGY

> READ MORE ON PAGES 18 TO 19

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LINK TO STRATEGY

1. Niche markets
2. Market-leading positions

INVESTING FOR GROWTH

At Chemring, our purpose is to help make the world a safer place. Across the physical and digital environment our exceptional teams deliver innovative technologies and products that detect and defeat ever-changing threats.

Connected to this purpose, our vision for the future is to be our customers' preferred supplier – operating in niche markets with high barriers to entry and where we enjoy sole source, or market leading, positions. In achieving this vision, our ambition is to double the value of the Group over the next five years.

Taken together, our purpose and vision define our strategy and provide the framework in which our strategic focus areas lie. We will continue to operate as both a manufacturing and technology company, in markets that align with our vision and purpose, and invest to capitalise on the unprecedented levels of market demand that we are seeing in our portfolio areas.

Alongside delivering on our significant organic growth opportunities, we will continue to review and assess our portfolio, and explore the opportunity for focused incremental acquisitions.

OUR PURPOSE

To help make the world a safer place. Across the physical and digital environment our exceptional teams deliver innovative technologies and products that detect and defeat ever-changing threats.

OUR VISION

To be our customers' preferred supplier operating in niche markets with high barriers to entry and where we enjoy sole source, or market-leading, positions.

OUR STRATEGY

Our strategy is based on the following two pillars:

1. Capitalise on the growth in our **niche markets** with high barriers to entry
2. Grow our **market-leading and sole source positions**

OUR ESG PILLARS

Our approach is focused around the following four areas:

- Health and safety
- Environment
- People
- Ethics and business conduct

OUR VALUES

- Safety
- Excellence
- Innovation

Delivering as both a manufacturing and technology company in markets that align with our purpose and vision

1 NICHE MARKETS

The rise in global tensions which includes a significant conflict in Europe and greater instability in the Asia Pacific region, is driving a substantial increase in overall defence spending.

Russia and the war in Ukraine has produced a step-change in demand for our niche energetics capabilities, along with a greater focus on national, including industrial, resilience. Simultaneously, responding to China's modernisation investment is generating long-term requirements for our technology-enabled solutions in areas such as active cyber defence, operational mission support, Electronic Warfare ("EW"), space launch, missile systems, and biological security. We will invest to capitalise on this increased and enduring customer demand by specifically expanding our capacity and developing our offerings in our selected technology franchises.

In the contested geopolitical environment, countermeasures capabilities will also continue to remain relevant.

STRATEGY IN ACTION

In Norway, our Energetics business is a niche strategic supplier to several US and European prime contractors, with many seeking long-term strategic supply agreements. We are investing to expand our production capacity to capitalise on this long-term market demand and fully exploit our strong strategic position.

In the UK, the renewed focus on peer-level competition has grown the demand for Roke's active cyber defence and operational mission support services. Our government clients are increasingly seeking to establish multi-year arrangements for the supply of these capabilities, with Roke regularly taking significant leadership roles.

ORDER BOOK

£922m

+42%

2 MARKET LEADING AND SOLE SOURCE POSITIONS

In addition to operating in niche markets where we are seeing significant spending increases, we also enjoy several strong market positions where our competitive position is reinforced and differentiated through our market leading, critical technology.

These technology-enabled capabilities mean that the Group is well placed to benefit from the extraordinary journey of growth and transformation being currently experienced by the missile and space sectors.

Our technology expertise in speciality, precision engineered devices for missile and aerospace applications is vital for our customers' mission requirements and we are investing in new product development to maintain our leadership position in these priority areas. We are also investing to expand our product portfolio and secure positions on new production programmes in these specialist markets.

STRATEGY IN ACTION

Our Scottish Energetics business is the sole source supplier for multiple land, air and naval systems, including propellant materials and pyro-mechanical devices. It enjoys a unique competitive position, and we are investing to expand and further develop its manufacturing capabilities.

Our Chicago business is an established incumbent in the US aerospace and defence market, supplying most prime contractor and government customers. We are capturing growing demand for current products, expanding into new platforms and programmes, and investing in new product development and capacity expansion.

ORDER INTAKE

£756m

+37%

MEASURING OUR PROGRESS

The Group's strategy is underpinned by focusing on a number of key performance indicators ("KPIs").

These KPIs enable progress to be monitored on the implementation of the Group's strategy, levels of investment, operational performance and business development. They also give an early insight into how well the principal risks and uncertainties are being managed.

SAFETY

1 NUMBER OF ENERGETIC EVENTS CAUSING HARM OR INJURY

0

2023 0

2022 0

Number of energetic events causing harm or injury.

WHY IS IT A KPI?

A process safety event is one of the key strategic safety risks of the business. This indicator measures those events that have caused injury or harm.

2023 PERFORMANCE

There were no life-changing or serious injuries associated with energetic events in 2023 or 2022.

2 NUMBER OF NEAR MISS AND POTENTIAL HAZARD REPORTS

4,907

2023 4,907

2022 4,036

Number of near miss and potential hazards reported.

WHY IS IT A KPI?

This indicates employee awareness of hazards and the greater the reporting the more engaged our people are.

2023 PERFORMANCE

As we journey towards our goal of zero harm we need a workforce that is fully engaged and proactive in reporting unsafe actions and conditions. One measure is the reporting of near misses, providing us with the opportunity to learn and prevent accidents from happening. It is therefore very encouraging to see we have maintained a high level of near miss reporting this year.

3 NUMBER OF RECORDABLE INJURIES

21

2023 21

2022 17

FREQUENCY RATE

0.90

2023 0.90

2022 0.78

Number of recordable injuries per 200,000 man hours worked.

WHY IS IT A KPI?

This is the rate for all injuries including those requiring medical treatment, a restricted workday and lost time injuries. It is a more sensitive indicator of occupational safety than the lost time injury frequency rate, as more minor events are captured.

2023 PERFORMANCE

We had 21 employee injuries this year, compared to 17 last year. This resulted in a slight increase in our recordable injury rate, from 0.78 to 0.90, but the rate remains below our limit of 1. There were no fatalities or serious injuries during the year.

Similar indicators are used to review performance by each of the Group's businesses, albeit that the exact nature of these varies between business units to reflect the differing nature of their operations.

The KPIs that the Board and senior management utilise to assess Group performance are set out below. All financial KPIs refer to continuing operations and therefore exclude businesses classified as discontinued and held for sale.

ORDERS

4

ORDER INTAKE GROUP

£756m

Order intake is measured at expected sales value and represents the last 12 months' activity.

WHY IS IT A KPI?

The trend of order intake gives an indication of market conditions and our competitiveness within our markets.

5

ORDER BOOK GROUP

£922m

Order book is measured at expected sales value and indicates future potential.

WHY IS IT A KPI?

The level of order book, in particular for delivery in the next year, gives a degree of confidence in expected future financial performance.

2023 PERFORMANCE

Order intake across the Group has increased by 37% to £756m (2022: £551m). This was driven by strong order intake across the Countermeasures & Energetics sector up 52% to £541m (2022: £356m) where customers in the Energetics businesses are increasingly placing multi-year orders resulting in Energetics order intake being up 161% to £358m (2022: £137m). In Sensors & Information, Roke saw order intake increase by 9%, and our US Sensors business received a US$15m delivery order for the third year of EMBD full rate production and a $15m LRIP order for JBTDS.

The order book was up 42% to £922m (2022: £651m), with £403m currently due as revenue in FY24, approximately 79% coverage of FY24 targeted revenue.

REVENUE

6

REVENUE GROUP

£473m

Revenue is measured at sales value less any applicable sales taxes.

WHY IS IT A KPI?

The trend of revenue gives an indication of both the state of the end market and our business' ability to execute orders on time to satisfy customer needs.

2023 PERFORMANCE

Group revenue was in line with our expectations, with strong performance at Roke and good growth in our Energetics businesses.

> "This has been a year of heightened activity and progress across the Group as we have reacted to growing demand for our products and services. With record order intake and an order book at the highest level in over a decade, the Group remains well placed to maintain sustainable performance and growth."

Michael Ord
Group Chief Executive

UNDERLYING OPERATING PROFIT AND MARGIN

7

UNDERLYING OPERATING PROFIT GROUP

£69.2m

2023	£69.2m
2022	£59.4m

UNDERLYING OPERATING MARGIN GROUP

14.6%

2023	14.6%
2022	14.8%

Underlying operating profit excludes non-underlying items that, by their size or nature, need to be separately disclosed to properly understand the Group's underlying quality of earnings. Underlying operating margin is calculated as underlying operating profit divided by revenue.

WHY IS IT A KPI?

Underlying operating profit provides a consistent year-on-year measure of the trading performance of the Group's operations. A focus on operating margin allows the impact of changes in revenue and cost base to be monitored, enabling comparisons to be made of management performance and trading effectiveness.

2023 PERFORMANCE

The underlying operating profit increased by 16%. The changes in margin of each sector reflect the market conditions, volume changes and performance improvement actions, as set out in this strategic report.

UNDERLYING EARNINGS PER SHARE

8

UNDERLYING DILUTED EARNINGS PER SHARE

20.0p

2023	20.0p
2022	18.5p

CHANGE FROM PREVIOUS YEAR

8%

2023	8%
2022	29%

Calculated as underlying earnings after tax divided by the number of shares in issue.

WHY IS IT A KPI?

The measurement of underlying EPS reflects all aspects of the Group's income statement including the management of interest and tax.

2023 PERFORMANCE

Underlying EPS increased by 8% in 2023, driven by increased underlying operating profit, and lower interest which was offset by an increase in the Group effective tax rate.

WORKING CAPITAL AND INVENTORY

9

WORKING CAPITAL GROUP

£82.3m

2023	£82.3m
2022	£93.9m

Working capital is defined as inventories, trade and other receivables, less trade and other payables excluding payroll-related and other liabilities totalling £30.3m (2022: £31.4m).

WHY IS IT A KPI?

Efficiently turning profit into cash demands a degree of control over working capital.

2023 PERFORMANCE

Working capital as a percentage of revenue was lower at 17% (2022: 21%), demonstrating the continued effective management of working capital.

10

INVENTORY GROUP

£101.7m

Inventory is measured at cost.

WHY IS IT A KPI?

The primary focus for improvement in working capital is inventory.

2023 PERFORMANCE

Inventory increased, as did advance payments from customers, reflecting the timing of customer procurement in Countermeasures & Energetics.

NET DEBT AND CASH FLOW

11

NET DEBT: UNDERLYING EBITDA

0.16x

Measured as net debt divided by underlying EBITDA for the previous 12 months.

WHY IS IT A KPI?

This is a measure of leverage within the business and is a banking covenant.

2023 PERFORMANCE

This has increased in 2023, as underlying EBITDA has increased and net debt has increased largely due to the deployment of £9m into the share buyback programme.

12

UNDERLYING OPERATING CASH FLOW

£80.0m

CONVERSION OF UNDERLYING EBITDA INTO UNDERLYING OPERATING CASH

90%

Cash flow from operating activities before tax outflows, non-underlying items and pension payments.

WHY IS IT A KPI?

This is a key measure to ensure profit turns into cash in short order.

2023 PERFORMANCE

Operating cash conversion was 90% (2022: 110%) and on a rolling 36-month average was 101%, showing the effective management of working capital through the cycle.

BUSINESS MODEL

CREATING VALUE

Our business model creates value for all our stakeholders. We focus on providing innovative capability solutions that reliably meet our customer requirements on time and every time.

WHAT WE DO

INVEST IN PEOPLE, PROCESSES AND PRODUCTS

Chemring is a technology business with approximately 2,600 employees worldwide. We invest in our future by developing the capabilities of our people, maintaining safe and efficient operations, and anticipating and developing next-generation solutions to meet our customers' needs.

BIDDING AND WINNING ORDERS

We operate in niche segments of the international defence and security market. Our strategy-led investments ensure we are well positioned to offer advanced and dependable technology solutions to meet our customers' needs, and we continually look for new growth opportunities to deploy our capabilities.

In Countermeasures & Energetics, we are the world's largest supplier of countermeasures, through our leading technology and manufacturing position. Our niche Energetics businesses win orders based on the technical performance and superiority of our products. In Sensors & Information, we maintain our leadership position in multiple capabilities to develop differentiated solutions for meeting ever-more demanding customer requirements.

DELIVER SOLUTIONS

We focus on providing innovative and competitive solutions that meet our customers' needs efficiently and on time. In addition to our capital and technology investments we also invest to drive a culture of continuous improvement which is a key component of minimising the cycle time from order to delivery.

KEY STRENGTHS

EMPLOYEES

We have a highly skilled and knowledgeable workforce operating in specialist capability areas. Their dedication and expertise is critical to us delivering innovative solutions to our customers' challenges.

CUSTOMER RELATIONSHIPS

We enjoy strong, long-term and collaborative relationships with defence and intelligence customers in the member countries of the multilateral "Five Eyes" (the US, the UK, Canada, Australia and New Zealand) alliance. We have specific, opportunity driven relationships in selected other markets where we can apply our capabilities.

SUPPLIER COLLABORATION

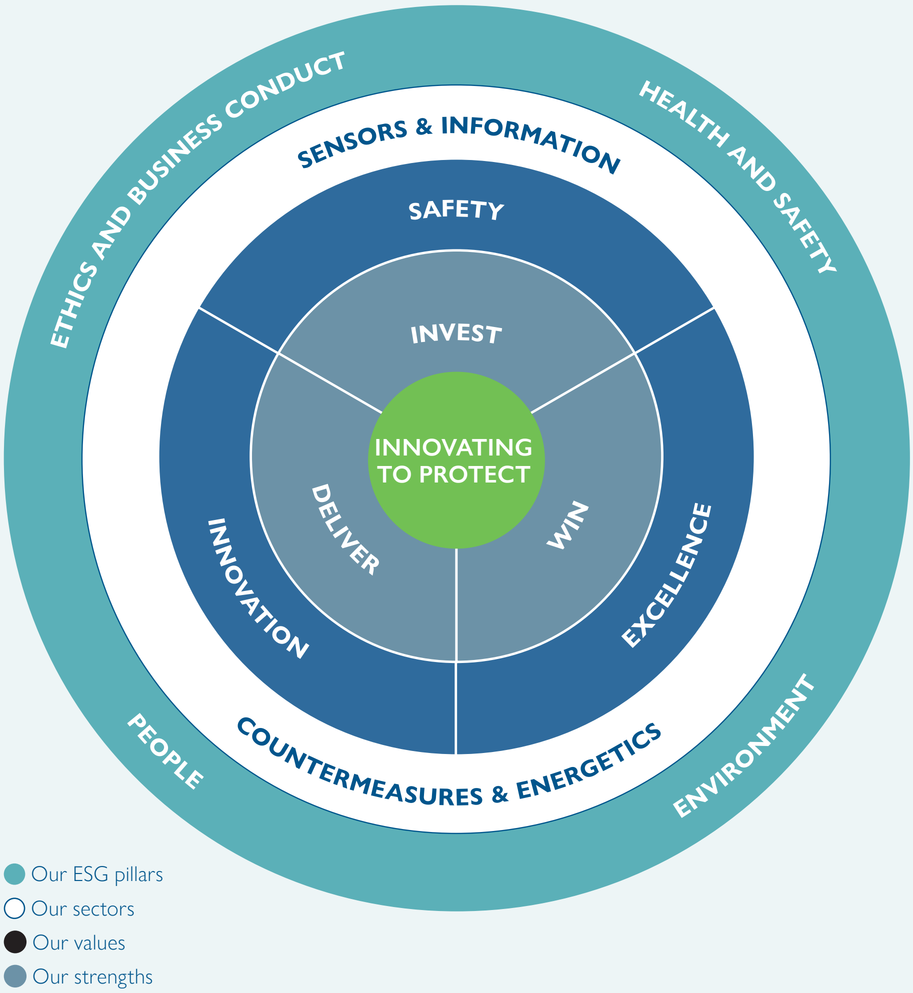
We form key partnerships with our suppliers to enhance customer value.

FACILITIES

We are investing in the resilience and capacity of our facilities to produce our products safely, securely, and efficiently as well as delivering our expected growth.

TECHNOLOGY

We create market-leading technology-based solutions to meet our customers' most critical needs.



OUR VALUES

SAFETY
We place safety first in everything we do.

- We ensure we operate safely and manage risk.
- We promote best safety practices across our operations and beyond.
- We are committed to ensuring we minimise our impact on the environment.

EXCELLENCE
We are focused on ensuring we consistently meet high standards in all that we do.

- A culture of continuous improvement is core to our approach.
- We act to ensure that we maintain and deliver operational excellence.
- We always deliver on our promises.

INNOVATION
We create innovative solutions to our customers' challenges.

- We inspire imaginative solutions.
- We work together to turn ideas into technologies and solutions.
- We value collaboration and sharing experience.

> READ MORE ABOUT OUR SUSTAINABILITY ON PAGES 38 TO 41

OUTCOMES

INVESTMENT
Our investment in property, plant and equipment in the year totalled £38.5m. In addition, we invested £113.6m in product development, of which £102.0m was customer funded. A £120m capacity expansion plan to 2026 has been initiated to capitalise on growing demand in the Energetics market, delivering incremental revenue of £85m per annum.

INVESTMENT

£152.1m

(2022: £118.2m)

CASH FLOW
We aim to convert 100% of underlying EBITDA to underlying operating cash flow over the medium term, accepting that timing differences will arise at individual period ends. In 2023, the conversion ratio was 90%, and the average underlying cash conversion of underlying EBITDA on a rolling 36-month basis is 101% (2022: 108%). This reflects the strong operating cash generation and the continued focus on managing working capital.

UNDERLYING CASH CONVERSION

90%

(2022: 110%)

DIVIDENDS
For the year ended 31 October 2023, our dividend will be 6.9p per share (2022: 5.7p), an increase of 21% on the prior year, subject to the approval of the final dividend at the Annual General Meeting.

DIVIDENDS

6.9p

(+21%)

STAKEHOLDER VALUE

CUSTOMERS
Our customers are governments, prime contractors and other commercial businesses. We provide innovative and reliable solutions to satisfy their requirements.

INVESTORS
Returning cash to shareholders is a critical element of our disciplined capital allocation strategy. Through successfully executing our corporate strategy and developing our business, we grow the value of their investment over time.

EMPLOYEES
The skills and experience of our employees are essential for us satisfying our customer needs. We provide development opportunities and safe, stimulating and rewarding working environments for all our people to fulfil their potential.

SUPPLIERS
We build meaningful relationships with our suppliers who partner with us to deliver innovative solutions and are supported consequently through our procurement of their goods and services.

COMMUNITIES
We make a positive contribution to the local communities that we impact by actively supporting the development of economic prosperity through providing high value jobs.

GOVERNMENTS
We pay taxes in the jurisdictions in which we operate, thereby supporting the development of public infrastructure and services such as healthcare, education, transport systems and law enforcement.

> READ MORE ABOUT OUR STAKEHOLDERS ON PAGES 34 TO 37

CLIMATE CHANGE
We recognise the material and enduring effects of climate change, and its increasing impact on our markets. We are actively seeking ways to reduce our impacts on the environment and build resilience to climate and other nature-related risks by focusing on energy and waste, understanding their effect on our sites and operations.

> READ MORE ON PAGES 44 TO 55

FOCUS ON

SENSORS & INFORMATION

KEY FACTS

REVENUE
£187.0m
(2022: £120.5m)

UNDERLYING OPERATING PROFIT
£34.2m
(2022: £25.4m)

ORDER BOOK
£171m
(2022: £154m)

UNDERLYING OPERATING MARGIN
18.3%
(2022: 21.1%)

STATUTORY OPERATING PROFIT
£10.7m
(2022: £22.4m)

In our Sensors & Information sector we are a leading supplier of consulting and technology services, trusted by government and industrial partners worldwide to solve the most technically challenging defence and security-critical issues.

Our products include core technologies for detecting, intercepting and jamming electronic communications, and world-leading systems for detecting biological agents. Operating across defence, national security, law enforcement and commercial domains the Sensors & Information sector is constantly innovating to enable customers to deliver competitive advantage and to defend their people, assets and information.

STRATEGY

The Sensors & Information sector is a key area of long-term growth for Chemring, reflecting increasing customer demand and opportunities in this domain. We continue to focus on expanding the Group's product and service capability offerings in the areas of tactical Electronic Warfare ("EW"), artificial intelligence ("AI"), Open-Source Intelligence ("OSINT"), machine learning and information security. We are also focused on developing and executing a technology-based strategy for growth beyond current US DoD Programs of Record in our US sensors technology areas.

The Group's specialist consulting and technology services business, Roke, operates in growing cyber and digital-services markets. Investing in attracting and retaining the best technical talent, together with continued geographic expansion in the UK to follow our customers' mission, is key to long-term profitable growth in this area. We also continue to actively explore opportunities to expand and accelerate Roke's capability offerings to drive medium and long-term growth, including leveraging opportunities in adjacent markets and territories. In the short term this will require continued operating expense investment across the Roke business.

Cubica Group, acquired in 2021, has been fully integrated into the new Roke Futures business area. Roke Futures services the needs of public and private sector customers seeking to improve their operational effectiveness and performance through intelligent digital solutions and automation. Geollect, acquired in December 2022, has provided the technology platform underpinning Roke's Intelligence-as-a-Service offering – our response to the rapidly growing demand for OSINT. Geollect has also brought capabilities to supplement Roke's offerings in data ingestion, AI, machine learning and data science. We continue to explore further inorganic growth opportunities and have a robust pipeline of future acquisition candidates.

MARKETS

Russia's invasion of Ukraine and China's rapid military modernisation have seen increased defence investment across a range of allies including European members of NATO. The need for countries to invest in capabilities to deter and defeat such peer-level adversaries is key. In this context, genuine partnerships and alliances, such as Five Eyes, AUKUS, and NATO, have become a critical element of the geopolitical landscape, with greater co-operation and alignment between allies essential.

The US continues to be the largest defence and security market in the world and remains opportunity-rich for the Sensors & Information sector. The US$842bn FY24 President's Budget Request for the US DoD is the largest ever and has a strong modernisation agenda including investment priorities for technology-enabled solutions in cyber, Electronic Warfare and chem/bio-security. Chemring's capabilities should give us the opportunity to address many of these requirements.

The US Government's focus on peer-level competition in the Indo-Pacific area, with associated dis-investment in capabilities for counter-insurgency operations, saw our HMDS system transition into sustainment phase. This led us to evaluate the potential sustainment programme and we determined that we would not continue with the explosive hazard detection business.

In the UK, the March 2023 Integrated Review Refresh 2023 ("IRR 23") of Defence, Security and Foreign Policy validated the fundamentals of our market position and strategy. The IRR focused on the UK's ability to deter, defend and compete across all domains, most notably in the areas of cyber, information advantage, the digitalisation of defence, artificial intelligence, and multi-domain integration. A key element of the IRR 23 was the need to upgrade statecraft for systemic competition. This is driving demand for Roke's national security capabilities, particularly in active cyber defence and technological mission support services for core government customers. These well-funded priorities, which were reconfirmed by the July 2023 Defence Command Paper ("DCP") update, are expected to continue the growing demand for Roke's market-leading technologies.

In both these home markets, the need to keep pace with rapidly-evolving and complex threats aligns well with our Sensors & Information strategy. The consistent capability requirements across Five-Eyes, AUKUS, and NATO countries should increase the opportunity space for Chemring to deploy its market-leading technologies, such as cyber and AI, in these areas of growing requirement.

> DISCOVER MORE ABOUT SENSORS & INFORMATION AT
CHEMRING.COM/WHAT-WE-DO/SENSORS-AND-INFORMATION

PURPOSE IN ACTION

ROKE TO DELIVER £40M CONTRACT FOR THE NEXT PHASE OF PROJECT ZODIAC

Roke has signed a £40m contract to deliver the next two years of Project ZODIAC for the British Army. ZODIAC is the backbone of the Army's Land ISTAR Programme. It will deliver an ISTAR system, which will transform how the Army undertakes data-led decision making in the Land environment to gain operational advantage.

As the Prime Systems Integrator for the project, Roke will integrate sensors, deciders and effector systems to deliver a Minimum Viable Product ISTAR system that will operate in the Degraded, Denied, Intermittent and Limited-Bandwidth communications environment of the modern battlefield.

ZODIAC will provide an integrated and distributed system of applications and underlying system architecture that will enable the Army to understand, decide and act with greater precision and speed and digitally integrate with key allied partners. The system will be complemented by a software and data DevSecOps pipeline to enable rapid enhancement, long term system evolution and the management of pre/post-mission data loads. This pipeline will be key to transforming how the Army operates.

Aligning with the goals set out in the most recent UK MOD's Defence Command Paper, Roke's work on this project will be integral to digitalising the Army's Sensor-Decider-Effector chain, contributing to faster decision-making, lower cognitive burden on operators, and more efficient use of the Army's resources. ZODIAC will provide the platform for the introduction of AI into the Army's ISTAR processes, increasing the quality of decision-making and speeding up the tempo of operations. ZODIAC will contribute to the UK MOD's objective of achieving Digital Deterrence: realising a strategic deterrence effect through digital advantage.

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EXCELLENCE

SENSORS & INFORMATION continued

PURPOSE IN ACTION

ROKE IS WORKING WITH A FTSE 100 MINING COMPANY ON A MULTI-SENSOR PROJECT

Roke's client is at the forefront of sustainable innovations in mining that deliver exceptional results across the whole mining value chain. This project offers significant business opportunities to improve efficiency at mines by sensing the grades of materials on the top surface of each truck. This enables trucks to be routed to the most appropriate processing facility to extract the maximum value from the load.

Roke's team of consultants and system architects provide technical support to:

- deliver the system architecture;
- design the data ingest layer;
- review the designs and assessment testing of the novel system to ensure they meet the requirements; and
- provide auxiliary sensor solutions to aid the efficiency and safety of the new platform.

As a strategic innovation partner, Roke's technology and consultancy teams work with the client to ensure the successful delivery of the innovative multi-sensor platform.

According to industry analysts, this type of innovation will lead to increased yield, cost efficiencies, and improved performance in safety and environmental impact by pioneering the use of artificial intelligence ("AI") in the mining sector. Overall, the mineral extractives industry will achieve higher commodity prices, greater profits, and cash flows using AI and automation, reflecting positively on their share price and investor value.

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INNOVATION

PERFORMANCE

Order intake in the year was up 10% to £215m (2022: £195m). This was driven by a 9% increase in Roke's order intake, with a growing number of multi-year contracts for products and services, which include an element of "pass-through" (see table below for an analysis of the impact of this), and the receipt of a US$15m delivery order for the third year of EMBD full rate production. Our US Sensors business also received a $15m low rate initial production ("LRIP") contract for the JBTDS Program of Record in September 2023.

Roke "pass-through" impact	2023 £m	2022 £m	Change
Order intake			
Products and services	**156**	132	18%
Pass-through	**27**	36	(25%)
As reported	**183**	168	9%
Revenue			
Products and services	**128**	94	36%
Pass-through	**32**	16	100%
As reported	**160**	110	45%

Revenue for Sensors & Information increased by 55% to £187.0m (2022: £120.5m) and underlying operating profit increased by 35% to £34.2m (2022: £25.4m), as underlying operating profit margin declined to 18.3% (2022: 21.1%) driven by the operating expense investment in Roke Academy, Roke Futures and Roke USA, and the increase in margin dilutive "pass-through" revenue as shown in the table above. Adjusting for the "pass-through" revenue, the Sensors & Information underlying operating profit margin would have been 22.1%. On a constant currency basis revenue would have risen 55% to £187.3m and underlying operating profit would have increased by 35% to £34.3m. The statutory operating profit for the year was £10.7m (2022: £22.4m), with the decrease driven by the non-cash impairment of Chemical Detection assets.

In the UK, the markets for EW, cyber and data science capabilities, in which Roke is a leading participant, have remained buoyant in the period. As shown above, Roke has delivered strong growth in orders and revenue with double-digit growth in underlying operating profit and has maintained strong margins despite increased investment in people, infrastructure and product development.

In September 2023 Roke received a significant contract award valued at £40m to deliver the next two years of Project ZODIAC for the UK MOD. ZODIAC is the backbone of the British Army's Land ISTAR Programme, and will deliver an integrated intelligence, surveillance, target acquisition, and reconnaissance ("ISTAR") system, which will transform how the Army undertakes data-led decision making in the Land environment to gain operational advantage. ZODIAC will provide an integrated and distributed system of applications and underlying system architecture that will enable the Army to understand, decide and act with greater precision and speed and digitally integrate with key allied partners. Roke will act as the Prime Systems Integrator on this advanced technology programme supported by a supply chain of some of the world's leading technology companies. The Group expects to see the majority of deliveries under ZODIAC in FY24 and early FY25.

In Roke's defence markets, the increasing importance of Cyber and Electromagnetic Activity ("CEMA") in today's threat environment, heightened further as a consequence of Russia's invasion of Ukraine, has led to a growing number of enquiries for Roke's suite of world-leading Electronic Warfare products.

A notable highlight in the period has been the progress made in the Roke Futures business area, which has continued to make strong progress in scaling its business activities in 2023. Roke Futures delivers technology solutions to clients outside of National Security and Defence markets and is gaining traction with customers including Rolls-Royce, Waygate Technologies, Vodafone and a FTSE 100 multinational mining company, through the development of innovative technology solutions and approaches. Roke technologies and capabilities, such as autonomy and intelligent sensing, can fundamentally change the way in which minerals are processed, unlocking production capacity through improvements in efficiency and the reduction of waste.

In the last five years, successful execution of its strategy has seen Roke double in size. Its headcount has increased from c.400 at the end of 2018 to c.1,000 today, driven in part by the success of its graduate and apprenticeship schemes, and the continued success of the Roke Academy.

During 2023 the Roke Academy welcomed its second and third cohorts of engineers, with the first cohort, who joined in July 2022, now operating as fee earners out of the new Woking office. This year's two cohorts have brought in 50 new engineers, of whom ten are female, all from a wide variety of backgrounds.

The Roke Academy's new graduate bootcamp is now running with tailored training in place to meet the practical needs of Roke's business units in ensuring graduates develop a commercial mindset in addition to core technical skills. The Roke apprentice scheme has been re-designed and now works more closely with line managers and project managers; helping them to understand the demands of apprenticeships and the work study balance. This year we saw a total of 27 new apprentices and graduates – which also brought in increased diversity into the Roke business. All these activities are positioning Roke well to deliver on its future growth ambitions.

Roke USA continues to make good progress as it seeks to capitalise on opportunities with the US DoD customer. Highly successful demonstrations of our Resolve and Perceive man portable systems have generated US DoD interest in Roke USA developing a system that utilises Roke UK's sophisticated mission analysis software, but which specifically targets the US DoD requirement set. A number of large customer-funded Electronic Warfare ("EW") development programmes have been initiated and in addition to EW hardware Roke USA has now established a presence providing research and development services focused on advanced EW algorithms.

Also in the US, our US Sensors business continued its transition away from explosive hazard detection to focus on building winning solutions to convert current US Programs of Record into low rate and full rate production, and on exploiting a growing opportunity in bio-security and surveillance. In a post-pandemic and contested world, governments are becoming increasingly concerned by the risks of both naturally occurring and engineered biological threats. Advances in synthetic biology now give our national adversaries the capability to deliberately engineer organisms to create hazards and cause harm.

Following the successful completion of the engineering and manufacturing development ("EMD") phase of the Joint Biological Tactical Detection System ("JBTDS") program, a low rate initial production ("LRIP") Production Readiness Review, with supporting Manufacturing Readiness Assessment, took place in mid-May. In August 2023 our US Sensors business was informed that the Milestone C procurement decision in respect of the JBTDS program had been approved and in September 2023 the business received a LRIP contract, valued at $15m. Hardware deliveries under this contract will be made over the next ten to 14 months, with a full rate production contract expected to be awarded thereafter.

Deliveries under the full rate production phase of the Enhanced Maritime Biological Detection System ("EMBD") program have continued as planned. This fully automated sensor to rapidly detect, collect, identify and sample airborne biological warfare agents is supporting the US Navy. We received a third option quantity exercised under the sole source $99m Indefinite Delivery/Indefinite Quantity contract worth $15.3m, with deliveries to be made in FY23 and FY24.

Chemring's experience and expertise in fielding biological agent detectors for its US DoD customers provides a strong platform from which to pursue opportunities in existing and adjacent markets, such as homeland security. Under development funding from the Department of Homeland Security's Countering Weapons of Mass Destruction ("CWMD") office, Chemring is designing and testing an advanced bio sensor for detection, classification, and presumptive identification of aerosol bio threats using electro-optics technology. Chemring's system not only dramatically shortens the time taken to identify the threat, but significantly reduces total lifecycle cost of ownership over fielded systems that require recurring consumables. The system, along with a Chemring low-cost bio aerosol trigger sensor, have been down-selected and tested as part of multi-agency field events to evaluate emerging capabilities against operational mission requirements.

Chemring continues to invest in its BIOFAST™ next-generation bio threat identifier platform, a point-of-need capability providing rapidly adaptable, cost effective, and high performance testing of bio warfare and infectious disease threats. Chemring is actively pursuing federal and industry partnerships to bring the product to a broad range of markets.

Following the US DoD's decision in 2022 to transition the HMDS Program of Record to sustainment earlier than they had previously indicated, we evaluated the potential sustainment program and determined that in the short to medium term there is insufficient US DoD funding to make it economically viable for Chemring to continue to operate the business. The decision has therefore been taken that the explosive hazard detection ("EHD") business will not continue to operate and it has therefore been treated as a discontinued operation in 2023. A non-cash impairment, within discontinued operations, of the goodwill associated with the acquisition of the EHD business in 2009 and other assets, totalling £31.4m, has been recorded.

In addition, having undertaken a wider strategic review of the US Sensors business the Group has concluded that the prospect of securing a Program of Record in the chemical detection part of the business is no longer probable and therefore we have chosen to record a non-cash impairment of the previously capitalised development costs and other assets, totalling £18.5m, which has been recorded as a non-underlying item. Given the competitive nature of this program Chemring did not include any revenues associated with the AVCAD program in its forward guidance to research analysts and the market.

The Group has moved quickly and decisively to reposition and reshape its US Sensors business to ensure sustainable competitive advantage in its targeted biological detection and security markets.

OPPORTUNITIES AND OUTLOOK

The focus for Sensors & Information continues to be on expanding the Group's product, service and capability offerings in the areas of national security, AI and machine learning, tactical Electronic Warfare and information security, and securing positions on the US DoD Programs of Record.

In the UK, the national security and defence markets continue to grow with a focus on emerging technologies in connectivity, cyber, automation and data analytics. Driven by the needs of our national security, defence and commercial customers to access open source intelligence, Roke has created an Intelligence-as-a-Service business which combines proprietary datasets, AI, and customer facing platforms to provide nation state level intelligence to both government and commercial customers. Viewed as a key enabler of tactical success, our expectations are that this business can grow at 35% CAGR. Roke will continue to focus its efforts on growing across all its business areas, delivering research, design, engineering and advisory services using its high-quality people and capabilities.

In the 2022 annual report, we stated that our vision for the next five years was to maintain Roke's recent record of growth, doubling annual revenue to greater than £200m organically, whilst maintaining strong margins. With the increased activity that we have seen across all Roke's business areas we have revised that vision, raising our ambitions to increase Roke's annual revenues to greater than £250m organically by 2028, whilst maintaining strong margins.

As demonstrated with the acquisition of Geollect in December 2022, the integration of which is progressing as planned, we will continue to actively explore opportunities to expand and accelerate the Sensors & Information sector capabilities and offerings, both by leveraging opportunities in adjacent markets and through further bolt-on acquisitions. However, any acquisition must meet a strict set of criteria, enhance shareholder value and fit in with our wider growth plans.

In our US sensors business the EMBD program provides good short-term visibility and following the LRIP award on JBTDS in 2023 we expect this program to enhance medium-term visibility but first full rate production revenue is not expected until 2025.

The order book for Sensors & Information at 31 October 2023 was £171m (2022: £154m) driven by strong order intake and an increase in multi-year contracts in Roke and the award of JBTDS LRIP in US Sensors. Of this, £122m is expected to be delivered in 2024, providing 61% cover of expected 2024 revenue. 2024 trading performance for Sensors & Information is expected to show a continuation of the momentum seen in 2023, with continued growing demand for Roke's products and services. Medium-term growth opportunities in the US are driven by the Group's sole source positions on the biological detection Programs of Record moving into full rate production.

FOCUS ON

COUNTERMEASURES & ENERGETICS

KEY FACTS

REVENUE
£285.6m
(2022: £280.5m)

UNDERLYING OPERATING PROFIT
£50.5m
(2022: £48.9m)

ORDER BOOK
£751m
(2022: £497m)

UNDERLYING OPERATING MARGIN
17.7%
(2022: 17.4%)

STATUTORY OPERATING PROFIT
£48.8m
(2022: £46.8m)

In our Countermeasures & Energetics sector, we have deep technical expertise in high-hazard precision engineering and manufacturing. Chemring is the world leader in the design, development and manufacture of advanced expendable countermeasures and countermeasures suites for protecting air and sea platforms against the growing threat of guided missiles.

Our niche, world-class Energetics portfolio provides high-reliability, single-use devices, propellant and high-quality explosive materials. These are used to perform critical functions for the space, aerospace, defence and industrial markets including satellite deployment, aircrew egress and aircraft safety systems.

STRATEGY

The Countermeasures & Energetics sector strategy is operationally driven. We will continue to strengthen and protect our niche, world-leading positions by investing in our technology base and continuously improving and modernising our operations, with a particular focus on safety and automation. Simultaneously, and as announced in June 2023, we are making significant investments to expand the capacity of our focused Energetics businesses to capture the unprecedented, and sustained, demand for our products that is being driven by the increased threat environment. We see significant opportunity through partnering with our customer base on future technology advancements to develop new solutions to meet their emerging needs.

Protection solutions against conventional threats in the traditional domains of air, sea and land remain vital, and are important areas for the Group to maintain technology leadership.

Our Countermeasures businesses continue to adopt a holistic approach to their activities, sharing intelligence, products, and processes, and promoting the benefits of these capabilities to an international customer base. This includes the development of multi-shot countermeasures that combine multiple payloads in one flare body to deliver enhanced aircraft protection. The investment in the US manufacturing operations for our Countermeasures & Energetics sector will improve safety through remote operations, improve quality though automation and deliver extrusion capacity required for next-generation flare production.

Our strategy for our Energetics businesses remains to focus on the high value differentiated areas of the market where market demand is most robust. Beyond the elevated levels of demand driven by the contested and volatile geopolitical environment, our Chicago operation is well placed to benefit from robust growth in the space segment.

MARKETS

Russia's invasion of Ukraine is likely to have an enduring catalytic effect on defence and security budgets with countries looking to deter aggression and protect their own international interests.

In the Countermeasures & Energetics sector the need for our niche capabilities will continue to remain relevant in the contested military environment, so long-term demand and associated funding are expected to remain robust.

Given the threat environment, NATO members (and non-NATO European countries) have already committed to increasing their defence spend to replenish energetic stockpiles in significant quantities. These are likely to be maintained at higher levels for future, and demand for the Group's capabilities is expected to increase.

Chemring continues to hold a leadership position in the addressable air countermeasures market. Demand in the countermeasures sector over the next five years is primarily being driven by US and international requirements, coupled with new technologies being developed in the UK that will be shared across the Group's businesses.

Sole source positions on several products and platforms in conjunction with high barriers to entry are evidenced by our strong order book.

> DISCOVER MORE ABOUT SENSORS & INFORMATION AT **CHEMRING.COM/WHAT-WE-DO/COUNTERMEASURES-AND-ENERGETICS**

PURPOSE IN ACTION

SEVEN YEARS IN SPACE BEFORE ACTION – CHEMRING'S PART ON NASA'S OSIRIS-REx SPACECRAFT MISSION

Back in 2015 our Chicago business, Chemring Energetic Devices, supplied critical components for NASA's unique Asteroid Bennu mission to return a sample from the ancient asteroid on the OSIRIS-REx spacecraft.

OSIRIS-REx launched from the Atlas V 411 Rocket on 8 September 2016, on a seven-year mission, successfully rendezvousing with Bennu in 2018. The spacecraft carried out two rehearsals preparing for the sampling procedure, which successfully took place on 20 October 2020.

Three years and 200 million miles later, on 24 September 2023, the spacecraft completed its mission of returning a sample of the asteroid to Earth. Its sample return capsule ("SRC") touched down in the Utah desert in a picture-perfect landing. Just before re-entering Earth's atmosphere, the SRC separated from the spacecraft body, which required two of Chemring's cable cutters.

The SRC contained about a cup's worth of asteroid rocks collected from the surface of Bennu; the black pebbles and dirt are older than Earth and are undisturbed remnants of the solar system's early days of planet formation.

This mission will help scientists investigate how planets are formed and how life began and improve our understanding of asteroids that could impact Earth.

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LINK TO OUR VALUES

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INNOVATION

© NASA HQ PHOTO

COUNTERMEASURES & ENERGETICS continued

PURPOSE IN ACTION

NEW ENERGETICS PROPELLANT FACILITY

Work has begun on a new £40m propellant facility at Chemring Energetics UK's ("CEUK") Ardeer site. The propellant facility forms part of an ongoing capital expenditure programme to modernise and upgrade the whole CEUK site following the completion of the new testing and proofing facility earlier this year.

Across Chemring, a key focus throughout FY23 has been continuously improving our technological and operational base. The new propellant facility in Ardeer will provide a more streamlined and efficient manufacturing process with improved capacity.

By reducing the physical distance between the various elements of the production process, the new facility will enable the team to produce current volumes more effectively whilst increasing the capacity to meet growing market demands.

The completed facility will comprise five main process buildings, five storage buildings or magazines, one packing building, and one welfare building for colleagues, including offices, training facilities, and rest areas.

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INNOVATION

EXCELLENCE

MARKETS continued

Demand for the F-35 Lightning II stealth multi-role combat aircraft continues to be strong, and our contribution to this advanced platform's countermeasures suite confirms our leadership position in this capability area. F-35 Lightning is a franchised US defence programme and remains a key driver of growth in this sector, with the US planning to buy 2,456 aircraft through to 2044, and the UK confirming it intent to expand its number of platforms to 74. International sales performance also remains robust, with Germany placing an order for 35 F-35A in December 2022 and Canada ordering 88 aircraft in January 2023. As a provider of countermeasures for this fifth-generation fighter, these programmes will contribute to us sustaining our leadership position in the addressable air countermeasures market.

In the specialist energetic devices and materials businesses, the Ukraine conflict, the change in stockpile assessments across NATO nations, and the threat of a future conflict with China have all combined to present us with the opportunity to capitalise on this elevated and enduring customer demand by expanding our capacity. Increasingly, customers are signing long-term contracts in order to secure supply and this improved visibility is enabling greater focus on our investment into manufacturing capacity, efficiency and product R&D.

The outlook for the global defence market is increasingly positive, with strong growth predicted over the next decade. In particular, we are now seeing governments' announcements of budget increases manifesting into new orders.

PERFORMANCE

Order intake in the year up 52% at £541m (2022: £356m), driven by multi-year orders received across the sector.

In the Energetics sector we continue to see increased levels of activity and demand in the propellants and energetic materials markets as customers re-evaluate their operational usage and stockpile requirements associated with traditional defence capabilities. As a result, our three niche Energetics businesses, which design and manufacture high precision engineered devices and specialist materials, have seen strong customer demand with order intake up 161% to £358m (2022: £137m).

Our Norwegian-based subsidiary, Chemring Nobel, had a particularly strong performance, finishing the year with a record order book which provides significant visibility over the medium term. Over £40m of orders were won in the final month of the year, which included a £30m order to supply Dyno-Nobel with a range of energetic materials over the next five years. Chemring Nobel continues to work with other customers including Diehl Defence, Rheinmetall and Nammo on similar long-term contracting models.

Our Scottish facility received notable contract awards including a £43m order for the delivery of critical components used on the NLAW system.

In the US, our Chicago business received multiple orders in the period including two contracts totalling $23m to supply critical components to Lockheed Martin, and a $46m order to supply key parts on the United Launch Alliance ("ULA") Vulcan launch system, including flight-critical initiators, thrusters and cartridges. Our Chicago business now has a record order book which is in excess of $165m. Orders in the final month of the year alone exceeded any prior full year order intake.

This strong performance demonstrates the value that our customers place on Chemring's niche products and reinforces our decision to invest in expanding capacity at our Energetics sites.

In Countermeasures we have continued to see sustained customer demand from across our portfolio, maintaining our position as the world leader in the design, development and manufacture of advanced expendable countermeasures. Order intake was £183m (2022: £220m), with notable contract awards including $39m for the delivery of MJU-61 flares and $17m for the delivery of MJU-75 flares, both from our fully automated manufacturing facility in Tennessee in support of the US DoD, and a £24m order for the delivery of a range of countermeasure products in support of the UK MOD from our facility near Salisbury.

The investment in the expansion and automation of our Tennessee facility to meet the expected demand for airborne countermeasures continued during the year. Having completed construction work of the buildings in FY21 and commissioning and characterisation in FY22, FY23 saw the completion of first article testing and the first delivery of units to the customer.

The Countermeasures sector saw a greater weighting of its trading performance and cash generation to the second half of 2023, following the delays to order intake in 2022 following the extended US Continuing Resolution.

Revenue for Countermeasures & Energetics was up by 2% to £285.6m (2022: £280.5m). The sector reported an underlying operating profit of £50.5m (2022: £48.9m) as underlying operating margin increased to 17.7% (2022: 17.4%), driven by the richer margin mix in our Energetics businesses. On a constant currency basis revenue would have been up 4% to £290.4m and operating profit would have been up 8% to £52.9m.

The statutory operating profit for the year was £48.8m (2022: £46.8m).

OPPORTUNITIES AND OUTLOOK

The Countermeasures & Energetics sector focus remains on maintaining and growing the Group's market-leading positions, in particular in the growing markets for propellants and precision engineered energetic devices, and in countermeasures for key platforms such as the F-35.

The Group's niche propellant and devices businesses in Scotland and Chicago are increasingly securing long-term contracts with customers, supporting greater short and medium-term visibility and providing a framework for long-term planning and investment decisions. Similarly, demand for high-quality high explosives has enabled Chemring Nobel in Norway to work proactively with its customer base on long-term contracting models, providing significantly improved visibility.

As planned, we will continue to complete the process of modernisation and automation across our sites. This is now embedded in our Countermeasures sites and our future focus will be on our Energetics facilities. The improved market conditions for our Energetics businesses reflected in our order intake and order book has presented a strong organic growth opportunity to expand capacity at these sites in parallel with the planned modernisation to capitalise on the long-term demand we are seeing. In June and November 2023, we announced a three-year investment programme through to FY26 at a cost of approximately £120m which, when completed, is expected to generate incremental revenue of circa £85m and incremental operating profit of circa £21m per annum. Alongside this we will continue to invest in new product development to ensure that our product portfolio remains highly relevant to our customers and will continue the process of operational alignment to share technology and manufacturing excellence across the Group.

The Countermeasures & Energetics order book at 31 October 2023 was up 51% to £751m (2022: £497m). The increase compared to the 2022 year-end closing order book is largely attributable to the strong order intake across the Energetics businesses whose customers are increasingly placing multi-year orders. Of the 31 October 2023 order book, approximately £281m is currently expected to be delivered in 2024, representing 90% coverage of expected 2024 revenue and approximately 71% of 2025 and 65% of 2026 revenue.

ARMED FORCES
COVENANT

EMPLOYER
RECOGNITION
SCHEME

GOLD AWARD 2022

PURPOSE IN ACTION

CHEMRING COUNTERMEASURES UK ("CCM UK") RECEIVES DEFENCE GOLD EMPLOYEE RECOGNITION SCHEME AWARD FOR COMMITMENT TO ARMED FORCES

CCM UK is honoured to have achieved the esteemed Gold Award from the Ministry of Defence's Employer Recognition Scheme for its unwavering support and dedication to the Armed Forces community in the South East region.

This recognition, the highest bestowed upon organisations, signifies CCM UK's exemplary commitment to the Armed Forces and inspires others to follow suit.

As a Gold Award recipient, CCM UK actively promotes and maintains a positive environment for employees who are veterans, Reservists and Cadet Force adult volunteers, as well as spouses and partners of those serving in the Armed Forces.

With over 30 veterans and reservists within its Armed Forces community, CCM UK implements various policies and initiatives aimed at facilitating a seamless transition from military service to civilian employment, ensuring continued support for their valuable contributions.

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INNOVATION

RESPONDING TO OUR STAKEHOLDERS' NEEDS

Section 172 (1) of the Companies Act 2006 requires the directors to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing so, section 172 requires the directors to have regard, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

In discharging our section 172 duties the directors have regard to the factors set out above and any other factors which we consider relevant to the decision being made. We acknowledge that every decision we make will not always result in a positive outcome for all of our stakeholders. However, by considering the Company's purpose, vision and values, together with our strategic objectives and having a process in place for decision making, we aim to ensure that our decisions are considered and proportionate.

Further details on how the Board operates and reflects stakeholder views in its decision making are set out in the corporate governance report on pages 84 to 93. Further information on how the Board has had regard to section 172 matters during the year can also be found in the following sections of the annual report:

SECTION 172 FACTOR	KEY EXAMPLES	PAGE
CONSEQUENCES OF ANY DECISION IN THE LONG TERM	- Our purpose in action - Investment case - Business model - Market overview - Strategy	6 10 24 16 18
INTERESTS OF EMPLOYEES	- Our purpose in action - Stakeholder engagement - Health and safety - Our people	6 34 42 56
FOSTERING BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS	- Business model - Stakeholder engagement - Market overview - Strategy - Ethics and business conduct	24 34 16 18 61
IMPACT OF OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT	- Introduction to sustainability - Health and safety - Environment - Our people	38 42 44 56
MAINTAINING HIGH STANDARDS OF BUSINESS CONDUCT	- Ethics and business conduct - Corporate governance report	61 84
ACTING FAIRLY BETWEEN MEMBERS	- Investment case - Stakeholder engagement - Corporate governance report	10 34 84

STAKEHOLDER ENGAGEMENT

The Board recognises that positive interaction and collaboration with all of our stakeholders is essential to the delivery of sustainable long-term value. Effective engagement allows the Board to understand relevant stakeholder views on material issues which may impact the business and helps to inform the Board's decision making. We engage with a wide range of stakeholders at the Board level, at a Group level and within our business units. In understanding what matters to our stakeholders we are able to take this into account when setting our strategy and also in planning our day-to-day business operations. The table below sets out how we engage with our key stakeholders.

CUSTOMERS

WHY WE ENGAGE
Ensuring that we provide innovative solutions that meet our customers' needs, efficiently and on time, is crucial to the delivery of our strategy and the long-term success of the business. Understanding our customers' needs can only be achieved through regular interaction and collaboration.

HOW THE BUSINESS ENGAGES
- Regular meetings, teaming arrangements and engagement at all levels of our customers' organisations
- Partnering with customers on a broad range of technology and product development programmes
- Participating in industry forums and working groups, and hosting customer visits to our sites
- Attending and exhibiting at selected trade shows, which enables high-level interaction and the opportunity to brief customers on key product developments and other initiatives

HOW THE BOARD ENGAGES
- The Group Chief Executive and President of our US operations support our businesses through regular interactions with senior customer representatives, and provide feedback to the Board
- External market updates and customer views are obtained to support the Board's strategy review
- Our US Government Security Committee works closely with the US Government to ensure that we operate in full compliance with our Special Security Agreement and updates the Board on a regular basis
- Site visits enable the Board to develop a deeper understanding of our products, technical capabilities and customer requirements

HOW WE MONITOR
- Order intake
- R&D expenditure
- Capital investment
- Process safety events

OUTCOMES
- Customer-focused inputs into the Group strategy
- Innovation and investment driven by customer requirements
- Collaborative, strategic customer relationships
- Improved customer satisfaction

LINK TO STRATEGY
> READ MORE ON PAGES 18 TO 19

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EMPLOYEES

WHY WE ENGAGE
Our people are at the heart of our business. They are critical to the delivery of our strategy and the future growth of the business. We recognise the importance of attracting, developing and retaining the best talent, and the need to provide a safe and inclusive environment where individuals can thrive.

HOW THE BUSINESS ENGAGES
- Regular all-hands meetings and team briefings
- Works councils, trade unions, representative bodies and forums which support and connect people with shared characteristics or interests
- Our real-time employee engagement tool, "Employee Voice", enables employees to provide immediate and anonymous feedback on developments within the business
- Publication of a monthly video blog by the Group Chief Executive, regularly featuring other members of the senior leadership team
- Publication of regular company notices and the in-house magazine, Chemring-I, which features news and events from across the Group
- Development programmes and succession planning

HOW THE BOARD ENGAGES
- Monthly reporting to the Board on health and safety matters
- Output from Employee Voice is regularly provided to the Board and supplemented by periodic culture "check-ins" facilitated by an external consultant
- Direct engagement with the Board's nominated non-executive director, Laurie Bowen, through meetings with employees from across the business and at different levels of the organisation
- Board engagement with a wide range of employees during collective and individual site visits throughout the year
- Board sets diversity targets and the Nomination Committee reviews diversity initiatives, senior leadership succession plans and talent development programmes

HOW WE MONITOR
- Employee Voice participation and positivity scores
- People-related data including retention rates and diversity statistics
- Safety performance indicators
- CEO pay ratio
- External ESG ratings
- Whistleblowing reports

OUTCOMES
- Development of people strategy and related investment
- Safe, healthy and motivated workforce
- Focus on diversity and inclusion
- Improved employee retention
- Attractive proposition for potential new employees

LINK TO STRATEGY
> READ MORE ON PAGES 18 TO 19

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SUPPLIERS

WHY WE ENGAGE

We rely on our suppliers to provide us with quality raw materials, products and services. Constructive engagement ensures that our suppliers are able to meet our high expectations on safety, quality, value, delivery performance and ethical business conduct. We recognise that prompt payment terms and strong supplier relationships are important in building a long-term, sustainable and supportive supply chain.

HOW THE BUSINESS ENGAGES

- Day-to-day interaction with suppliers is conducted largely by supply chain management teams within our businesses
- Long-term agreements are entered into with our key suppliers, which provide visibility on future requirements and enable us to agree performance targets to assist with our drive for continuous improvement
- All suppliers are issued with our Supplier Code of Conduct, which sets out the standards of ethical business conduct we expect of them

HOW THE BOARD ENGAGES

- Business continuity and supply chain dependency reviews included within the internal audit programme
- Reports on supplier due diligence and compliance reviewed by the ESG Committee
- Annual consideration and approval of the Modern Slavery Act Statement

HOW WE MONITOR

- Payments made within payment terms
- Statistics on issue of the Supplier Code of Conduct and inclusion of suppliers in the Chemring Compliance Portal

OUTCOMES

- Collaborative, long-term relationships
- Delivery of safe and reliable products and services to customers
- Appropriate working capital management

LINK TO STRATEGY

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> READ MORE ON PAGES 18 TO 19

SHAREHOLDERS

WHY WE ENGAGE

The continued support of our shareholders is something that we value greatly. We therefore recognise the importance of providing all of our shareholders with regular updates on the Group's operational and financial performance, strategy and future prospects, and ensuring that shareholder views are taken into consideration in relation to major developments in the business.

HOW THE BUSINESS ENGAGES

- Engagement with shareholders predominantly led by the Group Chief Executive, the Group Finance Director and the Group Director of Corporate Affairs
- Publication of our interim and full year results statements, along with regular trading updates throughout the year
- Sustainability Report published on our website
- Face-to-face meetings or video calls following the publication of any significant news update or at the request of the shareholder
- Formal presentations and structured roadshows for our institutional investors following the publication of the Group's interim and full year results
- Our website provides financial, business and governance information on the Group and an alerts service enables subscribing shareholders to receive notification of corporate updates

HOW THE BOARD ENGAGES

- Board receives feedback collated by our brokers and other financial advisers from our institutional investors, in which their views can be expressed on a non-attributable basis
- Our Annual General Meeting provides the opportunity for our private shareholders to hear from and engage directly with the Board
- The Chairman, the Senior Independent Director and Chair of the Remuneration Committee meet with shareholders to discuss specific matters

HOW WE MONITOR

- Earnings per share
- Dividends paid
- Total shareholder return
- ESG metrics
- External ESG ratings

OUTCOMES

- Development of capital allocation and dividend policy
- Development of ESG strategy
- Supportive, long-term shareholder base
- Access to funding

LINK TO STRATEGY

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> READ MORE ON PAGES 18 TO 19

COMMUNITIES AND THE ENVIRONMENT

WHY WE ENGAGE

We recognise the important role that each of our businesses play in their local communities and we actively encourage our businesses to support local initiatives and charitable causes. Equally, our businesses take pride in the contribution that they make to their local communities, both as a local employer and in the work they do to support good causes. We also recognise the impact of our business on wider society and our responsibility to contribute to a sustainable future for all.

HOW THE BUSINESS ENGAGES

- Our community investment policy confirms our commitment to support selected charitable causes with a focus on the military and armed services, STEM-related initiatives and those linked to the local communities in which our businesses operate
- Each business has its own locally held charity budget and at a Group level charitable donations are considered by the Executive Committee
- In addition to making cash donations, we also encourage and support employees who undertake voluntary work in the local community
- Our people across the Group are involved with a number of educational initiatives and as a business we have relationships with several universities, whereby funding is provided for students' research activities
- Sponsorship through the Horizons Bursary Scheme run by the Institution of Engineering and Technology, which provides financial support during degree study for students who have faced or continue to face adversity whilst they study; these students are all studying STEM degree courses which are relevant to the disciplines required within Chemring
- Implementation of environmental and carbon reduction initiatives

HOW THE BOARD ENGAGES

- Development of ESG strategy, objectives and targets subject to Board oversight
- ESG Committee, chaired by the Group Chief Executive, reports regularly to the Board on ESG-related matters
- ESG-related targets included in the senior leadership annual bonus plan and performance share plan

HOW WE MONITOR

- Charitable donations
- Environmental performance indicators
- External ESG ratings

OUTCOMES

- Development of ESG strategy
- Informed communities
- Contribution to local businesses and employment
- Contribution to wider society
- Sustainable business operations

LINK TO STRATEGY

> READ MORE ON PAGES 18 TO 19

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GOVERNING BODIES AND REGULATORS

WHY WE ENGAGE

Our businesses operate in highly regulated environments and we need to ensure that we maintain our licences to operate and continue to run our businesses in full compliance with all laws and regulations. We also need to keep ahead of planned regulatory developments which may impact our operations in future.

HOW THE BUSINESS ENGAGES

- Maintenance of a regular dialogue with contacts within governments and at our regulators
- Participation in industry working groups and trade representative bodies
- Consultation with local governing bodies on planned business developments and investments

HOW THE BOARD ENGAGES

- Board oversight of our Code of Conduct, our Operational Framework and the associated assurance processes ensures our businesses are meeting governmental and regulatory requirements
- Interaction with the US Board's Government Security Committee provides assurance to the Board that the business is operating in accordance with our Special Security Agreement

HOW WE MONITOR

- Regulatory changes
- Compliance statistics
- Safety-related capital investment

OUTCOMES

- Ethical and compliant business conduct
- Trusted supplier to government customers
- Government support for proposed acquisitions
- Sustainable business operations

LINK TO STRATEGY

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COMMITTED TO A SUSTAINABLE FUTURE

Michael Ord
Group Chief Executive
and Chairman of the ESG Committee

"Chemring acknowledges its responsibilities to contribute to a sustainable future. We have a strong and recognised obligation to ensure the responsible operation of our business and are fully committed to long-term sustainable value creation through safe, values-based and ethical business conduct at all times."

PURPOSE
Chemring helps make the world a safer place. Across physical and digital environments, our exceptional teams deliver innovative technologies and products that detect and defeat ever-changing threats.

VISION
To be a leading provider of critical and innovative technologies that detect and protect people, platforms, missions and information against constantly changing threats.

Improving our sustainability performance plays a key role in the way we both run our businesses today and plan for the future, as we manage our ESG-related risks. We also recognise that our ESG credentials are an increasingly important factor in our ability to attract and retain first-class people. Engaged, motivated, empowered and appropriately-skilled employees are integral to our success.

Whilst our approach to sustainability continues to mature we are committed to implementing transparent policies and procedures, and to fostering an inclusive culture across the Group where everyone does the right thing and takes responsibility for their actions. Increasingly this focus will develop from working as a trusted partner to our many customers and ensuring that our internal standards are fit for purpose, to working with our supply chain to ensure that they too work to the same standards. In doing so we will build a sustainable company of which all our stakeholders can be proud, now and in the future.

OUR APPROACH TO SUSTAINABILITY
The long-term success of the Chemring business can only be enhanced by a positive interaction with all of our stakeholders and therefore a positive and engaged approach to corporate responsibility and sustainability is important to us. Our approach is focused around the following key areas:

- health and safety;
- environment;
- people;
- ethics and business conduct; and
- governance.

Our approach to corporate responsibility and sustainability is embedded within the business units and all senior leaders have specific objectives around these areas identified which are linked to their incentive plans.

PROGRESS IN 2023
Chemring's purpose is to help make the world a safer place and the ongoing wars in Ukraine and Gaza continue to tragically highlight the critical role that the defence and security industry plays in preserving peace, democracy and freedom in the western world. It has reinforced the argument that for sustainability to thrive, it requires global stability at its foundations. We are proud of the role that Chemring plays in providing that stability and are equally focused on ensuring that we manage and progress our own sustainability agenda, and in particular our ESG-related risks.

ESG forms part of our everyday thinking, from how we run our businesses from day to day, to long-term strategic planning. Climate-related issues, such as emissions, are now addressed in every monthly Board report and ESG is a regular, scheduled Board agenda item. It is also a standing agenda item for every meeting of the Group's Executive Committee and forms part of the monthly reporting cycle of each of our business units.

2023 has seen us make further progress as we proactively manage our sustainability agenda. Focus areas included health and safety, diversity and inclusion, reducing climate change, and employee wellbeing. As a business we are committed to building a sustainable company of which all our stakeholders can be proud, both now and in the future.

It is pleasing that our efforts have been recognised externally. In 2023 we were again given a rating of AAA by MSCI, putting us in the top 3% of the Aerospace and Defence sector. Furthermore, in June 2023, the Group was identified by Investec's Sustainable Investment Research as a 2023 rising star. Their research identified UK companies in the small and mid-cap market that are demonstrating a growing commitment to ESG. They noted that Chemring has the third most improved Bloomberg ESG score among all UK companies below $5bn market capitalisation, with this improvement being mainly attributed to better disclosure on social issues, where Chemring has gone from below median in 2020 to leading its peer group.

Across the Group we continue to actively seek ways to reduce our impact on the environment and build resilience to climate change by focusing on energy, waste and water, and understanding the impact of global climate change on our operations. These four focus areas have been identified based on an overall evaluation of environmental impacts and risks, with a focus on impacts that we can influence and have consequently influenced financial planning.

We are setting Group targets, focusing on energy usage to drive further improvements in this area. Our strategy is to reduce our global greenhouse gas ("GHG") emissions through improving energy efficiency to reduce consumption and by purchasing electricity from renewable sources.

Many of our businesses have environmental management systems and have undertaken local initiatives and programmes to reduce environmental impacts. To improve energy efficiency, improvements across all facilities have been undertaken, from installing new storage tanks to upgrading facilities to more efficient variable speed pumps, heating, ventilation and air conditioning ("HVAC") systems, and general upgrades to buildings and refurbishment to improve energy efficiency for heating and lighting at multiple locations. These portfolio-wide activities have been supplemented by site-specific initiatives, such as upgrades to storage tanks, water cooling pumps, and the use of electric vehicles. We have also focused on waste management, with the two priority areas being the reduction of waste generation and the reduction of waste sent to landfill. Our efforts have resulted in a decrease of 31.2% in waste generation, with only 10.9% (2022: 19.0%) going to landfill.

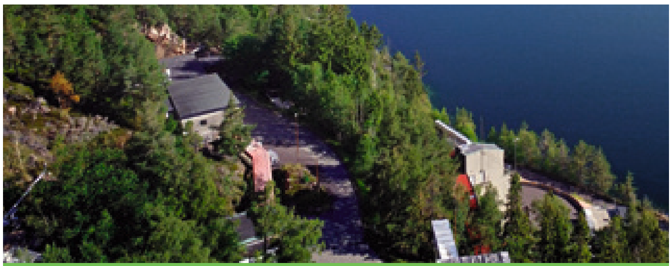
In 2021 we committed to becoming net zero for market-based scope 1 and 2 emissions by 2030 and working to be a net zero organisation by 2050. Chemring's definition of net zero is to reduce greenhouse gas emissions to zero or to a residual level consistent with reaching net-zero emissions at the global or sector level, and to neutralise any residual emissions by the net zero target date, and any GHG emissions released into the atmosphere thereafter with certified emission reductions. Our net zero commitments are in line with the United Nations and SBTi definition. Against those longer-term targets we set the near-term target of reducing scope 1 and 2 GHG emissions year-on-year, with this being linked to remuneration and rewards across all our senior teams. In 2023 we have continued to make good progress, reducing our overall scope 1 and scope 2 market-based GHG emissions by 9.1% (2022: 7.3%). We have now reduced our scope 1 and scope 2 market-based GHG emissions by 15.7% against our FY21 baseline.

As our disclosure has increased, so has the need to ensure that the data that we report to the market is accurate. We have in place an auditable framework for our emissions reduction activities, with external subject matter experts appointed to verify the data and to report to the Group's Audit Committee.

A key focus for both the Board and the Group's ESG Committee has been to ensure that we not only actively manage our sustainability agenda in order to meet the near and longer-term targets that were set in FY21, but that we continually look for ways in which we can improve further. Next year we will be introducing a new environmental data platform to better assess the environmental impacts of our operations.

In addition to our environmental performance management, this year has seen us continue to progress our activities around diversity, equity and inclusion ("DE&I"), and employee development and wellbeing.

Chemring is committed to ensuring that we are able to attract and develop an appropriately diverse workforce. Our DE&I agenda has evolved this year, moving from a 2022 initiative to business as usual. Our employees continue to help us identify where we can improve across many aspects of the DE&I agenda, whether it is focused on gender, ethnicity, neurodiversity or any other characteristic that makes up our workforce. We see a diverse workforce as a key enabler for continuing to innovate our products and services for our customers.



PURPOSE IN ACTION

ENERGY AND MATERIAL SAVING PROGRAMMES ACROSS CHEMRING

Improving our sustainability performance across Chemring plays a key role in how we run our businesses today and plan for the future. All Chemring businesses have active sustainability programmes, both globally and locally, to reduce our environmental impact. We are on a path to becoming net zero by 2030. Some of our projects include:

CHEMRING NOBEL, NORWAY

System for excess heat from the acid recovery process: In 2022, the team introduced a new hot water system to heat new acid storage tanks, the raw materials for nitration, and hot water for the filtration process. The system is designed for further expansion of excess heat sources, and new sources for heating have also been identified.

The energy saving equates to 0.85 GWh per year.

NEW COMPRESSOR FOR COMPRESSED AIR

In 2022, the old fixed-speed compressor was replaced by a new variable-speed compressor with a proper drying system. The excess heat from the compressor is used for heat tracing, the snow melt system, and to heat the filtration building.

The energy saving equates to 150-200 MWh per year.

STORAGE TANKS IN NORWAY

400V power supply to seawater/cooling water system: Work has started on replacing the current 230V power supply to seawater and freshwater pumps with a 400V supply. The pumps will be supplied with variable speed rather than fixed speed.

The energy saving equates to 80 MWh per year.

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LINK TO OUR VALUES
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INNOVATION

OUR SUSTAINABILITY GOALS

	SUSTAINABILITY OBJECTIVES	SUPPORTIVE ACTIONS AND ACTIVITY	FURTHER INFORMATION
ENVIRONMENTAL Respecting and protecting our planet by actively seeking ways to reduce our environmental impact	- Reduce our impact on the environment and build resilience to climate change by focusing on energy, waste and water, and by understanding the impact of global climate change on our operations - Challenge our business unit leaders to safely improve operational, resource and energy efficiency and to minimise environmental impact - Invest in support of product development and production techniques that meet our customers' needs and support their environmental goals	- Chemring will be net zero by 2030 (scope 1 and scope 2 market-based) - Chemring is working towards being a scope 3 net zero organisation by 2050 and is committed to supporting its value chain - We will reduce our total direct (scope 1) and indirect (scope 2) GHG emissions year on year - We will continue to focus our efforts on reducing energy consumption and on embracing green technology - We will target zero waste to landfill by 2030	> ENVIRONMENT ON PAGES 44 TO 55
SOCIAL The safety, wellbeing and development of our people is at the heart of our business	- Maintain compliance with both internal and external standards of safety and the wellbeing of our workforce - Ensure that, in support of our wider commitment to ethnic and gender diversity, our workforce represents the diversity of the local communities we operate in - Implement effective policies and procedures and continually invest in support of operational excellence and the development of our people - Promote inclusion and diversity at all levels - Promote fair employment and skills development	- We will set a recordable injury frequency rate limit of below 1 in line with upper quartile benchmark performance - We will continue to work towards reducing the risks of high-hazard events - We will increase the proportion of women in all senior management positions across the business to at least 33% by 2027	> HEALTH AND SAFETY ON PAGES 42 TO 43 > OUR PEOPLE ON PAGES 56 TO 60
GOVERNANCE Conducting business in an ethical and responsible manner at all times	- Operate with integrity and transparency and to the highest ethical standards across all our businesses - Ensure the highest standards of product safety and comply with all relevant standards - Promote a culture where everyone does the right thing and takes personal responsibility for their actions - Actively seek to increase representation of ethnicity and gender on our Board, within our leadership teams and across all our localities - Protect information security and data privacy - Maintain prudent and responsible financial and tax planning and management	- We will aim to maintain compliance with the UK Listing Rules on gender and ethnic diversity on the Board - All Chemring employees and third parties acting on our behalf must comply with the Chemring Code of Conduct, wherever they are located in the world	> ETHICS AND BUSINESS CONDUCT ON PAGES 61 TO 62

ICON	GOAL	DESCRIPTION
3	**Good health and wellbeing**	Ensure healthy lives and promote wellbeing for all at all ages
5	**Gender equality**	Achieve gender equality and empower all women and girls
7	**Affordable and clean energy**	Ensure access to affordable, reliable, sustainable and modern energy for all
8	**Decent work and economic growth**	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
10	**Reduced inequalities**	Reduce inequality within and among countries
12	**Responsible consumption and production**	Ensure sustainable consumption and production patterns
13	**Climate action**	Take urgent action to combat climate change and its impacts
16	**Peace, justice and strong institutions**	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

PROGRESS IN 2023 continued

The Board has played an active role in supporting our DE&I activity with Board members taking part in various employee round-table discussions and networking events. Laurie Bowen, as the non-executive director with responsibility for employee engagement on behalf of the Board and as Chair of the Remuneration Committee, met with groups of colleagues from different business areas and at different levels in the organisation. Laurie was able to hear directly from these groups their views on working at Chemring, as well as being able to share with them the work of the Board. These groups included colleagues at all levels from operators to the senior leadership teams at Roke, and Chemring Energetics UK in Scotland, as well as at Chemring Nobel in Norway. The groups Laurie met were overwhelmingly positive about their experiences of working at Chemring and pointed to many examples of support from the Group. Laurie also gathered input as to how we can continue to develop, and colleagues provided clear and constructive input on areas such as enhancing cross-business collaboration which are being acted on.

Our talent management efforts, resourcing strategies and development programmes have all matured in 2023 and are focused on helping to create the workforce we need both now and in the future. We see development as not only a strategic enabler to meet our business and customer needs, but a key way in which we engage and motivate our employees. Established Chemring development programmes include our two-year Early Careers Programme, our supervisor focused "Leading our people" programme, and our Aspire@Chemring programme which is designed to connect and equip a global cohort of future senior leaders.

On the wellbeing side, we have continued to roll out a number of campaigns to engage our global and diverse workforce, not just as individuals, but as teams within their communities. The focus of this for 2023 was our "Around Chemring in 80 Days" challenge. The challenge provided a platform for all our sites to increase engagement with our workforce in health, leisure and wellbeing activities, while sharing challenge-related stories globally and promoting knowledge of our business units across the Group.

Our ESG strategy over the current and future years will seek to identify those areas where our activities can have most impact. Plans are now in place to continue this journey and to ensure that we meet the growing disclosure requirements of our stakeholders and demonstrate our ability to successfully address ESG-related issues.

We will also continue to work with our advisers and shareholders to identify how we can constructively feed into and inform the debate on the future of ESG reporting and the creation of a common set of standards against which we can be measured. Chemring is now a business whose evolving purpose is innovating to protect, and with that we are focused on protecting our customers, people, platforms, missions and information.

As a business we remain fully committed to building a sustainable company of which all our stakeholders can be proud, both now and in the future.

PURPOSE IN ACTION

AROUND CHEMRING IN 80 DAYS CHALLENGE

During May to July 2023, teams from across the Group joined the Around Chemring in 80 Days challenge.

The challenge invited teams of ten from all our businesses to travel virtually to each of our Chemring sites, tracking their mileage as they went. Team members clocked up miles by participating in any activity, be it running, walking, swimming, yoga, or trampolining.

Actual miles achieved by each team were converted to "Chemring miles" and tracked via a map showing when they reached the various Chemring locations.

43 teams took part in the challenge.

The main objective of this challenge was to motivate people to get moving, improve their physical and mental health, and have some fun with colleagues. Throughout the challenge, photos and activities were shared across the Group, along with information about our businesses and sites.

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LINK TO OUR VALUES
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INNOVATION

ESTABLISHING A STRONG HEALTH AND SAFETY CULTURE

Our goal is zero harm, not as a statistical target but as a moral imperative, which will be achieved by establishing a strong calculative safety culture.

POLICIES AND PRACTICES

The Board recognises that the highest levels of safety are required to protect employees, product users and the general public. The Board believes that all incidents and injuries are preventable, and that all employees have the right to expect to return home safely at the end of every working day. The Group Chief Executive has overall responsibility for health, safety and environmental ("HSE") matters across the Group.

The Group HSE Director reports directly to the Group Chief Executive and is responsible for the ongoing development and assurance of the Group's health, safety and environment strategy, known as our Journey to Zero Harm. The Group HSE Director is a member of the Executive Committee and reports on the performance of all businesses against agreed limits and objectives. The Group Chief Executive reports monthly to the Board on all key HSE KPIs.

The Board requires that all businesses systematically manage their health and safety hazards, set objectives and monitor progress by regular measurement, audit and review. Each managing director is responsible for the implementation, management and ongoing compliance of health and safety within their business, and for providing adequate resources to satisfy the Board's requirements. All managing directors have health, safety and environmental-related objectives incorporated within their annual incentive plan.

Managers and supervisors in the Group's businesses are required to ensure compliance with procedures, and to provide leadership and commitment to promote and embed a solid calculative culture. The Board emphasises the importance of individual responsibility for health and safety at all levels of the organisation, and expects employees to report all hazards, to be involved in implementing solutions and to adhere to the Fundamental Safety Principles, which are underpinned by local rules and procedures.

A key element in the continuous improvement of health and safety management is collaboration at all levels resulting in the sharing of best practice and lessons learnt from incidents across the Group's businesses and the wider industry. Accidents, incidents and near misses are investigated, with actions generated to prevent recurrence.

CONTROL OF MAJOR ACCIDENT HAZARDS

Our Countermeasures & Energetics businesses are required to manage major accident hazards which are governed by stringent legislation within their respective operating countries. Over the last four years, we have implemented several processes to enhance our focus in this area by ensuring we design, maintain and operate with integrity. We continue to invest in modern processes and technology to remove our employees from exposure to energetic hazards. During the design of these processes we have placed more scrutiny on the application of process hazard analysis.

ACHIEVEMENTS

This year has seen a continued focus on becoming a solid calculative organisation, ensuring our systems create data-informed discussions and decision making at all levels, with particular focus on:

- control of major accident hazards;
- injury reduction; and
- HSE risk management.

Actions taken in delivering the HSE plan included:

- continued roll-out of the asset integrity management system;
- implementation of the electrostatic discharge protocols; and
- deployment of the Fundamental Safety Principles supported by the Leadership Guide and the provision of training.

In 2019 we mandated that all Countermeasures & Energetics businesses would need to conduct regular reviews to identify the potential for major process safety events. The reviews are based on a "stress test" that addresses the following questions:

- Have potential major accident hazards been identified?
- Are there effective controls in place to prevent and contain a major event?
- Are these controls being actively monitored?

This year saw a continued iteration of that review process, with an increase in the number of hazard scenarios being identified as the rigour of process hazard analysis matured. As a result of this maturing process, we continue to develop an understanding of our residual risks and throughout the year have taken further steps to reduce these to a level as low as is reasonably practicable. To help reduce our residual risks the implementation of a common computerised maintenance management system continues to be rolled out across selected businesses, improving management and accountability for safety-critical assets.

We continue to share best practice through the Technical Safety Committee, Technical Learning Group and our quarterly "Shared Learning" events.

INJURY PREVENTION

Injury prevention focuses on the reduction of injuries through the adoption of safety as an inherent part of everything we do. This is enacted through safety leadership, clear expectations, accountability and establishing a safety culture that drives learning and improvement, not blame.

This year we aligned our corporate incident reporting platform to the three pillars of our HSE strategy, People, Plant and Processes, to better understand the root causes of our incidents and where to focus our levels of assurance. These additional data points will help our continued focus on becoming a learning organisation. This data has reconfirmed trends regarding musculoskeletal injuries due to the manual handling nature of some of our processes, together with slips, trips and falls. The relevant businesses continue to manage these risks whilst considering further automation.

HSE RISK MANAGEMENT

Safe delivery of our business continues through the management of risk and is built around understanding our hazards, and establishing clear expectations and consistency. Our HSE Management System Framework Standard puts our HSE policy into practice by setting standards on nine core elements across the Group to drive a robust and common approach to the management of HSE. Each business within the Countermeasures & Energetics sector is audited annually to ensure compliance, with high-priority non-compliances being reported and monitored at Executive Committee level. The changes made in 2022 to our Operational Assurance Statement process continue to help the businesses focus on compliance with the HSE Framework which in turn provides useful insights when planning the Line of Defence 2 ("LOD2") audits. Safe delivery of our business continues through the management of risk and is built around understanding our hazards and establishing clear expectations and consistency.

OUR HSE PERFORMANCE

We measure our HSE performance to reflect both occupational and process safety. In doing so we have several data points, one of which is an external review of our prevailing safety culture. Last year we invited back a team of experts to review our progress. The review highlighted good progress as we journey towards becoming a high reliability organisation. The review confirmed our businesses as approaching a Group-wide calculative status, with robust processes and systems generating data and signals around our high-hazard operations. The level of collaboration has also increased, with many businesses sharing best practice on a regular basis to help accelerate our performance, all of which is supported by a positive tone from the top and underpinned by risk-informed, visible, and proactive safety leadership. This year has seen a focus on supporting the leadership through the introduction of the Leadership Guide and the provision of training support.

OCCUPATIONAL SAFETY

Our safety performance in terms of our total recordable injury frequency ("TRIF") rate is currently at 0.90, which shows a slight increase when compared to last year's 0.78 but remaining below our annual limit of 1.

Most injuries were caused by slips, trips and falls, or were musculoskeletal in nature.

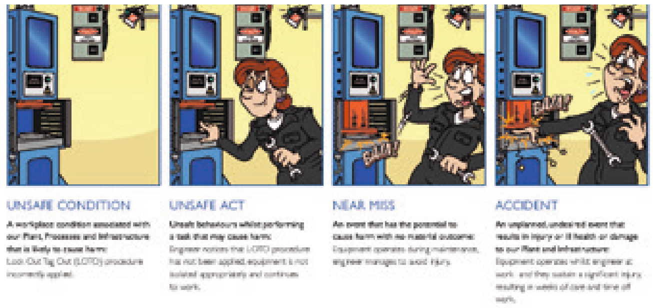
We focus not only on actual injuries but also hazards and near miss events. We therefore place an emphasis on near miss and hazard reporting as a leading indicator of our maturing safety culture. This year we had 3,097 occupational safety near miss and hazard reports, compared to 2,828 in 2022. We had a total of 12 high-potential ("HIPO") incidents compared to 13 last year.

We are embedding this learning into the organisation through quarterly Learning from Incidents reviews with all business leaders and increased use of Safety Alerts, not only to share incident learning but also as good practice.

PROCESS SAFETY

In addition to our reactive metrics we also measure process safety near miss events, with a total of 1,559 recorded in 2023 compared to 880 in the previous year. Near miss reporting is crucial if we are to understand and prevent incidents, which is why we encourage all our employees to stop, warn and inform so we can manage any emerging risks. The increase in near miss reporting represents good progress as an organisation willing to learn and improve on a continuous basis. During 2022 we consolidated the reporting of our leading indicator for process safety events ("PSEs"), which are categorised as level 1, 2 and 3, with 3 being the event with the most serious potential. We set a limit of below 2 for PSEs at level 2 and 3 per 100 production employees. This year we exceeded our limit with a PSE rate of 2.87 (2022: 1.86). Having reviewed the data we believe this is down to improved reporting, due to a better understanding of upset conditions, and higher levels of data assurance with PSE events reviewed on a bi-weekly basis.

It should be noted that for the second year running there have been no injuries associated with energetic events.



PURPOSE IN ACTION

SAFETY SCENARIOS HIGHLIGHT HAZARD HOT SPOTS

Across Chemring, we continue to make good progress on our Journey to Zero Harm whilst establishing a calculative safety culture.

During 2023, we launched and embedded our Chemring Fundamental Safety Principles. Key to this is continuously providing safety training and communications materials tailored to the Hazards our people are facing in Chemring. To do this, we have created a series of targeted safety scenarios to allow our employees to explore several different outcomes.

The safety scenarios are based on actual events that have occurred or have been reported to prevent incidents. Our Occupational Safety, Health and Environmental scenarios are linked to our Spot it, Stop it, Share it ("SSS") campaign and our Process Safety scenarios are linked to our Stop, Warn, Inform and Manage ("SWIM") requirements.

Each quarter, we issue a new safety scenario in a new format of animation for use across Chemring. These animations have been a great way of sharing common scenarios in one universal format across our businesses regardless of country, culture, and language. These are posters or talked-through scenarios in training or toolbox talks.

The scenarios have been created dynamically, providing a new, tailored approach for Chemring. They visually demonstrate how an unsafe condition and unsafe actions can lead to a near miss, dangerous occurrences or ultimately, an accident.

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INNOVATION

HSE STRATEGY FORWARD OUTLOOK

In 2023 we have continued to focus on maturing the plant and process elements of our strategy through the continued delivery key programmes such as the Asset Integrity Management Maintenance Systems and ESD Protocols. Towards the end of 2023 we focused on the people element of our strategy by introducing the Fundamental Safety Principles, with significant focus on every employee's duty to Stop, Warn, Inform, Manage ("SWIM"). These themes will remain our priority throughout 2024.

Our progress against this strategy will be reported in the next annual report.

REDUCING OUR ENVIRONMENTAL IMPACT

Our goal of zero harm goes beyond the management of safety. We are committed to environmental sustainability, both globally and in our local communities, and reducing our environmental impact.

OUR COMMITMENT

In 2021 we committed to reduce our total direct and indirect greenhouse gas ("GHG") emissions year-on-year and to be net zero by 2030. In this report we include information on our climate-related risks and opportunities in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). We have made good progress on our goals, with an overall 15.7% reduction in scope 1 and market-based scope 2 emissions from our 2021 baseline, and we have achieved a 9.1% year-on-year reduction in 2023. We also have identified a path to become net zero by 2030. We continue to make Carbon Disclosure Project ("CDP") submissions and we have developed the quality and range of scope 3 carbon emission data that we report on with a clear path to reporting all material scope 3 emissions. This work is overseen by our ESG Committee with regular progress reports to the Board.

INTRODUCTION

Our environmental performance information is presented in accordance with the Streamlined Energy and Carbon Reporting ("SECR") Guidance (March 2019), as specified under the Companies Act 2006 (strategic report and directors' report) Regulations 2013. Data is presented for our financial year, from 1 November through to 31 October, and includes information on significant environmental aspects: energy consumption, associated GHG emissions; freshwater use; and waste generation. Our GHG emissions calculations are undertaken in accordance with the GHG Protocol Corporate Accounting and Reporting Standard as outlined in our basis of reporting document, this can be found on the Group's website at www.chemring.com/basisofreporting23.

OUR APPROACH

We are actively seeking ways to reduce our impact on the environment and build resilience to climate change by focusing on energy, waste and understanding the impact of global climate change on our operations. These focus areas are periodically reviewed by our ESG Committee and are due to be reviewed and expanded on in 2024 in line with broader sustainability goals and reporting guidelines.

OUR STRATEGY

Our strategy is to reduce our global GHG emissions through improving efficiency to reduce consumption and waste.

- Scope 1 associated emissions are being addressed through the adoption of green fuels and upgrading of facilities and equipment to be more efficient or to use alternative greener energy sources.
- Scope 2 associated emissions are being addressed by implementing energy efficient practices and upgrading facilities to aid in energy efficiency. We are also using certified renewable energy through the acquisition of verified REGO and REC certificates.
- Scope 3 emissions tracking continues to be developed and explored to ensure we have a clear understanding of these emissions, so that we can plan a clear and effective route to becoming a net zero organisation by 2050.

IMPROVEMENTS IN 2023

1) Storage tank upgrade project is estimated to save 700MWh of energy and provide a reduction of 13.3tCO_2e emissions per annum.
2) Upgrade of fixed speed 230V pumps for sea water/cooling water system to a variable speed 400V pump is estimated to save 80MWh of energy and provide a reduction of 1.52tCO_2e emissions per annum.
3) System for return of condensate from a distillation column to feed a tank for a steam boiler is estimated to save 1,500MWh of energy and provide a reduction of 28.5tCO_2e emissions per annum (project is supported by Enova public funding).
4) General upgrade to buildings and refurbishment to improve energy efficiency for heating and lighting at multiple locations reducing energy use and CO_2e emissions.
5) LED lighting replacement ongoing across the organisation.
6) Passive Infra-red Sensor ("PIR") light controller installation ongoing across the organisation.
7) Electric vehicle trials to start at one of our facilities with the aim of reducing use of fossil liquid fuels in site vehicles resulting in an estimated 21.08tCO_2e of emissions reduction if the trial is successful.
8) Steam line insulation lagging replacement project is ongoing and will reduce energy use and CO_2e emissions.
9) Continued HVAC systems upgrades will reduce energy use and CO_2e emissions.

CLIMATE CHANGE RESILIENCE

We recognise that climate change has the potential to have an impact on our operations, having experienced flooding from a severe weather event at our Tennessee facility in 2018 and wildfires in areas surrounding our Australia operations in 2019. In 2024 we are further developing our climate-related scenario analysis to ensure our scenarios are accurate and up to date with the latest data, to ensure we are regularly reviewing the physical and transition risks of global climate change on our operations and supply chain.

ENERGY USE AND ASSOCIATED GHG EMISSIONS FOR 2023

In 2023 we reviewed and updated our carbon reduction plans in all our businesses to achieve our target of becoming a net zero organisation for scope 1 and scope 2 market-based GHG emissions by 2030.

Location	Scope 1	Scope 2 (market-based)
UK operations	76.19%	-%
US operations	14.35%	89.54%
Norway operations	6.78%	10.46%
Australia operations	2.68%	-%
	100.00%	100.00%

In 2023 we achieved a 9.1% reduction in market-based scope 1 and scope 2 market-based GHG emissions, from 19,175 tCO_2e in 2022 to 17,430 tCO_2e in 2023. Location-based emissions have decreased by 0.95% in 2023, compared to 2022. When normalised for gross revenue, market-based scope 1 and 2 emissions reduced 16.4%, from 43.3 tCO_2e to 36.2 tCO_2e per £m of revenue.

	2023			2022		
	UK	**US, Norway, Australia**	**Group total**	UK	US, Norway, Australia	Group total
Scope 1 emissions – continuing operations						
Combustion of fuel in any premises, machinery or equipment operated, owned or controlled by the Group						
CO_2e (tonnes)						
Gas	**4,807**	**485**	**5,292**	4,901	460	5,361
Heating oil	**1,070**	**460**	**1,530**	1,000	388	1,388
Bio fuels	**2**	**—**	**2**	1	—	1
LPG	**49**	**186**	**235**	39	239	278
Fuels consumed by Group-owned and leased vehicles, excluding business travel and employee commuting						
CO_2e (tonnes)						
Diesel	**73**	**76**	**149**	95	78	173
LPG	**—**	**25**	**25**	—	25	25
Petroleum	**2**	**217**	**219**	—	216	216
The operation or control of any manufacturing process by the Group						
CO_2e (tonnes)						
On-site waste incineration	**23**	**225**	**248**	26	160	186
Refrigerants discharged	**2**	**211**	**213**	25	518	543
Total scope 1 emissions CO_2e (tonnes)	**6,028**	**1,885**	**7,913**	6,087	2,084	8,171
Scope 2 emissions – continuing operations						
Total emissions CO_2e (tonnes)						
Electricity – location-based	**2,483**	**12,174**	**14,657**	2,426	12,372	14,798
Electricity – market-based	**—**	**9,517**	**9,517**	—	11,004	11,004
Total scope 1 and 2 emissions – continuing operations						
Location-based CO_2e (tonnes)	**8,511**	**14,059**	**22,570**	8,513	14,456	22,969
Market-based CO_2e (tonnes)	**6,028**	**11,402**	**17,430**	6,087	13,088	19,175
Total energy consumption (MWh)	**44,581**	**86,151**	**130,732**	44,361	87,478	131,839

We engaged ERM CVS to provide independent limited assurance of our 2023 total scope 1 and total scope 2 location-based GHG emissions data as well as total scope 2 market-based GHG emissions data. Their Independent Assurance Report can be found on pages 14 to 15 of our Sustainability Report 2023. The basis of reporting document can be found on the Group's website at www.chemring.com/basisofreporting23.

	2023	2022
Total scope 1 and scope 2 emissions CO_2e (tonnes) – location-based	**22,570**	22,969
Total scope 1 and scope 2 emissions CO_2e (tonnes) – market-based	**17,430**	19,175
Group revenue, continuing and discontinued operations (£m)	**481.9**	442.8
Total CO_2e (tonnes) per £m of revenue – location-based	**46.8**	51.8
Total CO_2e (tonnes) per £m of revenue – market-based	**36.2**	43.3

SCOPE 3 CARBON EMISSIONS DATA COLLECTION

This year we have expanded the collection of a subset of scope 3 emissions in categories 1,3, 5 and 6:

- **Category 1** Purchased goods and services; currently we collect data for water supply.
- **Category 3** Energy and fuel related activities.
- **Category 5** Waste generated in operations and waste disposal; we collect emissions data based on destination.
- **Category 6** Business travel; currently we collect data on air travel, automotive hire and hotel usage in the UK, and air travel in the US.

Category	Tonnes CO_2e UK	Tonnes CO_2e US, Norway, Australia	Tonnes CO_2e Group total
1 Water supply	26	16	42
3 Energy and fuel related activities	1,792	3,979	5,771
5 Waste generated in operations and waste disposal	33	182	215
6 Business travel	872	500*	1,372

* US air travel only.

We are reviewing the following categories and expect to start data collection during FY24:

Category	Coverage
1 Purchased goods and services	Global
2 Capital goods	Global
4 Upstream transportation and distribution	Global
6 Business travel	Global
7 Employee commuting	Global
9 Downstream transport and distribution	Global

WATER CONSUMPTION

In 2023 we used a total of 906,624m^3 of freshwater. This is a reduction from 2022 of 37,145 m^3 following improvements in leak detection and the repair of water pipes in our Energetics facility in Scotland.

None of our operations are in water-stressed regions as defined by the United Nations. Our Australian facility continues to collect and use rainwater that falls on the site for facility needs.

PURPOSE IN ACTION

COMMITMENT TO ENVIRONMENTAL TRANSPARENCY

Chemring has furthered its commitment to environmental transparency by disclosing its environmental impact through CDP, a global non-profit that runs the world's leading environmental disclosure platform.

In 2023, we completed CDP's Climate Change submission.

With a record 23,000+ companies disclosing through CDP in 2023, disclosing data on environmental impact is now a business norm. Our data will be added to the most comprehensive inventory of self-reported environmental data in the world – helping to drive action through greater transparency. By disclosing through CDP, Chemring is prepared to respond to the increasing demand for environmental transparency from financial institutions, customers and policymakers. In our climate change submission, we shared information on a number of areas including governance, risks and opportunities, business strategy, targets, verification and breakdowns of emissions and energy data.

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	2023 UK	2023 US, Norway, Australia	2023 Group total	2022 UK	2022 US, Norway, Australia	2022 Group total
Freshwater (m^3)						
Freshwater use	**236,288**	**670,336**	**906,624**	437,274	506,495	943,769

WASTE GENERATION

In 2023, efforts to improve efficiency and reduce waste across the business resulted in a 31.2% decrease in waste production from our businesses with only 10.9% of all waste going to landfill.

Our total hazardous and non-hazardous waste was 1,787 and 978 tonnes respectively. Of this, 73% of hazardous and 48% of non-hazardous waste was recycled.

Our total waste to incineration was 387 tonnes with 59% of the waste being incinerated for energy recovery. This is equal to 8% of all waste generated.

	2023			2022		
	UK	US, Norway, Australia	Group total	UK	US, Norway, Australia	Group total
Waste (tonnes)						
Recycled, non-hazardous	**134**	**333**	**467**	129	1,064	1,193
Recycled, hazardous	**40**	**1,271**	**1,311**	59	1,302	1,361
Not recycled, non-hazardous	**176**	**335**	**511**	172	739	911
Not recycled, hazardous	**117**	**359**	**476**	36	517	553
Total waste (tonnes)	**467**	**2,298**	**2,765**	396	3,622	4,018

At our Countermeasures & Energetics businesses we generate unique waste which is often best managed by destroying it at on-site treatment facilities.

With respect to waste management there are two priority areas: the reduction of waste generation and the reduction of waste sent to landfill. To help improve in these areas we are engaging with our end destinations of waste to ensure it is processed and treated in the best available method to ensure as little possible goes to non-beneficial landfill. We aim to update our waste reduction plans as more detailed data from this engagement becomes available.

LAND QUALITY

Our facility in Chicago, US, is located on a site which has “superfund” status under the US contaminated land regime. The business continues to work with consultants and the regulatory authorities to ensure that its legal obligations in relation to this matter are fully satisfied.

In 2023, we incurred costs in connection with environmental remediation of the sites of the munitions businesses formerly owned by the Group in Belgium and Italy in accordance with the terms of sale of those businesses. The Group carries a £3.5m (2022: £3.9m) provision in respect of environmental liabilities, which the Board considers to be adequate (see note 23).

The Task Force on Climate-related Financial Disclosures ("TCFD") establishes a number of recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.

The Board notes the recommendations in relation to the mandatory disclosures of climate related financial risk arising from Listing Rule 9.8.6(8) and has concluded that the business strategy is of Intermediate Resilience given the mitigations already implemented and planned.

We consider our disclosure to be consistent with all the TCFD Recommendations and Recommended Disclosures including section C of the 2021-TCFD Annex entitled "Guidance for all Sectors" and section E of the TCFD Annex entitled "Supplemental Guidance for Non-Financial Groups" excluding full completeness of scope 3 emission (we currently report several categories in scope 3 but not all) and cross-industry climate related metric categories of which we currently report GHG Emissions and Remuneration from the cross-industry climate metric categories. We are continuing to embed the relevant capabilities across the organisation to track and disclose the complete data sets and metrics. In 2024, we will focus on developing our reporting of all scope 3 categories and cross industry metrics, aspects and climate-related risk and strategies to enable future disclosure.

Our statement to meet these requirements, providing information on the governance of climate-related issues, integration with overall risk management, strategy in managing climate-related issues and opportunities, and the metrics to measure progress towards our targets, is set out in the following pages.

GOVERNANCE

BOARD OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES	The Board is responsible for overseeing climate-related risks and opportunities in delivering the Group's strategy and running the Group's operations. The Group Chief Executive is the Board director responsible for sustainability across the Group which includes climate-related risks and opportunities. The Board reviews the Group Risk Register as a scheduled agenda item every six months in which both physical and transitional climate-related-risks alongside opportunities are considered. Progress of our decarbonisation strategy is embedded within our senior executives' remuneration. The ESG Committee ensures that appropriate climate and environmental systems are in place and remuneration is set as necessary to aid the reduction in the Group's environmental impact. Other elements, including associated action plans, capital expenditure and budgeting and financial planning related to targets, are overseen and reviewed by the Board. Further detail included on page 172. During 2023, the Board and ESG Committee received updates on the development of our 2030 and 2050 targets, and the initiatives to increase usage of green energy sources, reduce energy consumption and increase efficiency of energy use, as well as improve the Group's capability to monitor and measure carbon emissions. The Board recognises that to meet our net zero goals we need to have a more robust and developed system to ensure accurate data collection and monitoring, as well as strong working relationships with our supply chain. > FURTHER DETAIL ON PAGES 38 TO 41
MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES	To facilitate and ensure a centralised approach to sustainability across all our businesses, the Group ESG Committee (consisting of members of the Group's Executive Committee) was formed during 2021. The Committee is chaired by the Group Chief Executive and has oversight of all the Group's ESG-related activity including that of assessing and managing climate-related risks and opportunities. > FURTHER INFORMATION ON OUR GOVERNANCE STRUCTURE CAN BE FOUND ON PAGE 84 The Group Chief Executive, informed by the ESG Committee, is responsible for ensuring that the Board is updated regularly on all key matters including the impact of climate-related issues. Members of the ESG Committee are informed through their respective departments on matters relevant to climate-related issues. Executive directors and members of the senior leadership team within the Group are incentivised to achieve the Group's carbon reduction targets through their annual bonus and long-term incentive plan (the Performance Share Plan ("PSP") as detailed on page 105 including results for the current year.

STRATEGY

CLIMATE-RELATED RISKS AND OPPORTUNITIES IDENTIFIED OVER THE SHORT, MEDIUM AND LONG-TERM

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

The risks and opportunities associated with climate are reflected in our strategy and plans, and we strive for continuous improvement to reflect our purpose, our growth strategy, the external landscape and the expectations of our stakeholders. Climate risks and opportunities, covering both physical and transitional aspects of climate change, were considered during the year. Associated time horizons associated were viewed as short-term (0 to 2 years), medium-term (2 to 5 years), or long-term (5 to 30 years). The basis for the time horizons was to align with our internal strategic and financial planning processes. Short-term being the immediate budget period, medium-term covering the remaining detailed financial planning period and long-term being outside of these periods. From this, the key risks and opportunities that could have a material financial impact on the organisation have been identified. Where material, the Group is committed to managing regulatory, reputational and market risk related to climate change.

We have set net zero and carbon zero targets. These carbon reduction ambitions will drive efficiency, innovation, and collaboration across our Group. We recognise and understand that our supply chain emissions are going to be significantly larger than those of our scope 1 and 2 emissions, and it is critical that we accurately monitor and collaborate with our suppliers to reduce our scope 3 emissions by 2050.

Our strategy to reduce carbon emissions encompasses material climate-related risks and opportunities that have the potential to impact our business model and strategy over the short, medium and long-term taking into consideration our assets and infrastructure.

Details of the principal risks and uncertainties which could have a material impact on the Group's business model, strategy, future performance or reputation, of which climate change has been identified as a risk, are covered in the principal risks and uncertainties section on pages 69 to 76.

To facilitate and ensure a centralised approach to sustainability across all our businesses, the Group ESG Committee (consisting of members of the Group's Executive Committee) was formed during 2021. The Committee is chaired by the Group Chief Executive and has oversight of all the Group's ESG-related activity including that of assessing and managing climate-related risks and opportunities.

> CLIMATE-RELATED RISKS AND OPPORTUNITIES ARE OUTLINED IN MORE DETAIL ON PAGES 50 TO 55

THE BOARD

The Board oversees climate-related risks and opportunities affecting the Group, incorporating these considerations into the overall strategy, including climate-related expenditures and investments. Certain responsibilities are delegated to Board committees.

Meets monthly

INFORMING

REPORTING

THE BOARD DELEGATES SPECIFIC ESG, INCLUDING CLIMATE CHANGE, OVERSIGHT TO ITS COMMITTEES

RISK MANAGEMENT COMMITTEE

Oversees the implementation of the risk management policy and framework; identifies the principal risks to which the Group is exposed; monitors risk mitigation plans; and maintains the Group risk register.

Meets every three months

EXECUTIVE COMMITTEE

Manages climate-related risks and opportunities, driving the decarbonisation strategy across the business and value chain as part of the integrated business planning process.

Meets bi-monthly

NOMINATION COMMITTEE

Manages succession planning, ensuring future skills for both executive and non-executive Board members, with a focus on climate-related expertise.

Meets every six months

REMUNERATION COMMITTEE

Determines the remuneration policy, incorporating long-term incentive plan ("LTIP") performance conditions related to climate change and other ESG matters.

Meets every six months

INFORMING

REPORTING

ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE

Oversees the Group's ESG performance, monitors executive progress in strategically addressing climate transition risks, and ensures alignment with objectives and targets.

Meets every three months

GROUP HEALTH, SAFETY & ENVIRONMENT DIRECTOR

Responsible for environmental strategy and assurance, including climate-related aspects and the decarbonisation strategy. A key member of the Executive Committee and ESG Committee, providing regular updates on the environmental and net-zero programme. Oversees the Environmental Policy, outlining the commitment to addressing environmental impacts, including climate-related issues.

INFORMING

REPORTING

BUSINESS UNIT

The local business units support the implementation of the Group's ESG strategy including climate change risk and are responsible for the day-to-day compliance.

SUSTAINABILITY COMMITTEE

Co-ordinates the advancement of decarbonisation ambitions, comprising functional representatives, business leads, and environmental specialists. This group reports to the Group Health, Safety & Environment Director.

Meets monthly

STRATEGY continued

CLIMATE-RELATED RISKS AND OPPORTUNITIES IDENTIFIED OVER THE SHORT, MEDIUM AND LONG TERM continued

THE RESILIENCE OF CHEMRING’S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO	In 2021/22 the Group began to develop its climate-related scenario analysis to improve understanding of the behaviour of certain risks given different climate outcomes. In 2023 we expanded on our three public climate-related scenarios which we deem to be reliable and related to our business operations to aid our understanding of the business’ resilience to climate change. In 2024 we are further developing our climate-related scenario analysis to ensure our scenarios are accurate and up to date with the latest data. We will revisit these scenario analyses to ensure these remain appropriate. The scenarios are as follows: - Sustainable Development (“SDS”)[1], outlining a global low carbon transition which limits the global temperature rise to 1.65 °C by 2100, with 50% probability; - Stated Policies (“STEPS”)[1], outlining a combination of physical and transitions risk impacts as temperatures rise by 2.6°C by 2100, with 50% probability; and - RCP 8.52[2], an extreme physical risk scenario, where global temperatures rise between 4.1 and 4.8°C by 2100. Scenarios have been supplemented with additional sources that are specific to each risk to inform assumptions included in projections. The Group continues to refine its approach to quantitative aspects of this modelling and will report further information as this develops. Assumptions have been made as part of this scenario analysis: - Chemring will have the same business activities that are in place today. That means impacts should be considered in the context of the current financial performance, prices and operational locations. - Impacts are assumed to occur without the Company responding with any mitigation actions, which would reduce the impact of risks. - The analysis considered each risk and scenario in isolation, when in practice they may occur in parallel as part of a wider set of potential global impacts. - Carbon pricing was informed by the Global Energy Outlook 2021 report from the International Energy Agency (“IEA”). > RESULTS OF THE SCENARIO ANALYSIS ARE OUTLINED ON PAGES 51 TO 55

1. IEA (2021), World Energy Model, IEA, Paris, https://www.iea.org/reports/world-energy-model.
2. IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

RISK MANAGEMENT

ALL BUSINESS UNITS ARE REQUIRED TO ASSESS RISK IN RELATION TO THE DELIVERY OF THEIR STRATEGY AND OBJECTIVES, WITH CLIMATE-RELATED RISKS FORMING PART OF THIS CONSIDERATION

CHEMRING’S PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS	Current and emerging climate-related risks and opportunities are considered, whether they arise within the Group’s operations or within the value chain, including existing and emerging regulations. In 2021/22, climate risks and opportunities relevant to the Group were identified and reviewed with the aid of external consultants, and refined through consultation with key Chemring personnel, including members of the ESG Committee, the Risk Management Committee and the Board. Risks and opportunities were assessed in line with the Group’s methodology to assess principal risks. A probability and impact matrix defines the likelihood of the risk, assessed based on historical evidence or experience that such consequences have materialised (Very Unlikely, Unlikely, Neutral, Likely, Very Likely). The magnitude of impact is also classified (Low, Low-Medium, Medium, Medium-High, High) and, where possible, a single figure estimate for the financial impact was calculated.
CHEMRING’S PROCESSES FOR MANAGING CLIMATE-RELATED RISKS	Once each climate-related risk and opportunity was identified, the Group sought to quantify the financial impact, appropriate strategic response, and the cost of implementing the mitigations. This process includes considering the long-term impacts arising from the risks identified on our products and services. This in turn helped to determine the materiality, allowing the Group to prioritise resources to manage its most significant climate-related impacts, determine the best management response or highlight areas requiring further investigation. All of the Group’s climate change risks and opportunities are covered by existing or planned mitigation and adaptation strategies. Further detail set out in Principal Risk and Uncertainties on page 69 to 76.
PROCESSES FOR IDENTIFYING, ASSESSING, AND MANAGING CLIMATE-RELATED RISKS INTEGRATED INTO CHEMRING’S OVERALL RISK MANAGEMENT	Climate is considered as a Group principal risk alongside the risks identified in the wider risk management process. This ensures climate-related risks are integrated into the Group’s overall enterprise risk management framework. The management of each business is responsible for the identification, management and reporting of local risks, in accordance with the Group’s risk management framework. The Risk Management Committee meets quarterly and, utilising the input from the business risk registers and the US risk register, identifies those principal risks which are material to the Group as a whole. The climate-related risks and opportunities were reviewed by the Board during the financial year.

METRICS AND TARGETS

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH CHEMRING'S STRATEGY AND RISK MANAGEMENT PROCESS WITH CLIMATE-RELATED RISKS FORMING PART OF THIS CONSIDERATION

SCOPE 1, 2 AND, IF APPROPRIATE, 3 GHG EMISSIONS AND THE RELATED RISKS	Chemring monitors scope 1 and 2 emissions with aspects of scope 3 disclosed on page 45 to 46. The Group also discloses other environmental metrics such as freshwater use and waste generated, as reported on pages 46 to 47.
CHEMRING'S TARGETS FOR MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS	As a crucial first step in Chemring's approach to addressing climate-related risks and opportunities in FY21, Chemring set appropriate near and longer-term sustainability goals, with targets against which our progress could be measured. These included but were not limited to reducing our direct (scope 1) and indirect (scope 2) emissions year-on-year, to be net zero by 2030 (scope 1 and 2 market-based) and to be net zero by 2050. > EMISSIONS TARGETS FOR THE GROUP ARE OUTLINED ON PAGE 40

CLIMATE-RELATED RISKS

RISK: WILDFIRES	
Type	Physical
Area	Own operation/Downstream/Upstream
Primary potential financial impact	Loss of reputation, market share and revenue
Time horizon: short (0 to 2 years), medium (2 to 5 years) or long-term (5 to 30 years)	Short/Medium-term
Likelihood	Likely
Magnitude of impact to Group	Low impact
Est financial impact	Not quantified
Est financial asset impact	Not quantified
Est cost of response	Not quantified
Description	Wildfires pose a massive risk to individuals, communities, and businesses. Most organisations that experience a fast-moving wildfire turn to ashes, or at the very least, are left structurally unsound and incapable of operational continuity, the effects of which are felt by their communities on an economic and social level.
Impact	Climate change imposes an increased risk to the likelihood and severity of wildfires which could have the potential to disrupt production and product delivery due to physical damage to surrounding infrastructure and Chemring facilities, as well as incurring additional costs of remediation. Such events also endanger Chemring's personnel, who are a fundamental priority to protect.
Mitigation	Although none of the Chemring operations have been directly affected by wildfires, Chemring has initiated an enhanced vegetation management programme for trimming and removing potential wildfire hazards surrounding our operations in high wildfire threat areas and Chemring is aware of local mitigations in place such as planned burns. Chemring business units seek to manage supply issues relating to unforeseen environmental risk through assessing supply chain sustainability and ensuring where possible alternative suppliers are available for key or crucial parts or services. Chemring is looking at energy supply to facilities with the potential for it to be affected by wildfires, with the ambition to ensure back-up power systems are in place to ensure safe shut down and isolation in case of loss of power to the facilities.
Strategic change required	No change required, continued monitoring and analysis as per normal operations.
Conclusion	Using analysis conducted for the risk assessment of wildfires in Australia (the area in which the likelihood for the risk is highest), differences in scenarios were analysed to understand the change in land annually exposed to wildfires in Victoria. Looking at the worst-case climate change scenario (RCP 8.5), the median shifts by ~0.1% to the SDS scenario. The minimal impacts from this risk are highlighted within the Australia region in the physical risks table (Table 1).
Resilience rating	Intermediate Resilience

CLIMATE-RELATED RISKS continued

RISK: EXTREME WEATHER EVENTS	
Type	Physical
Area	Own operation/Downstream/Upstream
Primary potential financial impact	Loss of reputation, market share and revenue
Time horizon: short (0 to 2 years), medium (2 to 5 years) or long-term (5 to 30 years)	Short-term
Likelihood	Very likely
Magnitude of impact	Low impact
Est financial impact	Not quantified
Est financial asset impact	Not quantified
Est cost of response	Not quantified
Description	Extreme weather events resulting from cyclones, earthquakes, storms, etc. will be intensified by climate change, having the potential to impact Chemring's operations the effects of which are felt by their communities on an economic and social level.
Impact	Extreme weather events can cause disruption to supply chains across the globe as well physical damage to Chemring's facilities and could result in disruption to production and product delivery and impact overall revenue. Such events also endanger Chemring's personnel, who are a fundamental priority to protect.
Mitigation	Operations deemed at risk of flooding from extreme weather events have had drainage improvements made with further mitigations planned to reduce the impact of flooding type events. Chemring business units seek to manage supply issues relating to unforeseen environmental risk through assessing supply chain sustainability and ensuring where possible alternative suppliers are available for key or crucial parts or services. Chemring is looking at energy supply to facilities with the potential to be affected by extreme weather events, with the ambition to ensure back-up power systems are in place to ensure safe shut down and isolation in case of loss of power to the facilities.
Strategic change required	No change required, continued monitoring and analysis as per normal operations.
Conclusion	In looking at future scenarios, the physical risk of severe weather events remained localised to sites within the US. Even in the RCP 8.5 scenario, the risk of expected damage from river flooding projected out to 2050 remains similar to scenario SDS. This is also summarised within Table 1.
Resilience rating	Intermediate Resilience

RISK: TECHNOLOGY	
Type	Transition
Area	Own operation/Downstream
Primary potential financial impact	Higher capex expenditure
Time horizon: short (0 to 2 years), medium (2 to 5 years) or long-term (5 to 30 years)	Medium/Long-term
Likelihood	Unlikely
Magnitude of impact	Low impact
Est financial impact	Not quantified
Est financial asset impact	Not quantified
Est cost of response	Not quantified
Description	Climate-related requirements are changing in key customer procurement contracts, which presents potential issues with capability development, technology transfer or efficient manufacturing.
Impact	This would influence expenditure, along with other potential impacts, including loss of contracts and disposal or write-off of legacy/stranded assets, as well as aknowledge gap between the current systems and future systems affecting training in skilled resource pool.
Mitigation	In response to this risk, Chemring maintains continual assessment of government priorities in terms of technology roadmaps and procurement requirements as necessary. Additionally, close relationships with customers are maintained to facilitate effective risk management and long-term planning. Chemring is part of an industry working group to address these new climate-related requirements. Under the SDS scenario, the Ministry of Defence has outlined its approach to climate change and sustainability strategy.
Strategic change required	No change required, continued monitoring and analysis as per normal operations.
Conclusion	At present we do not expect this to affect the Group given the low amount of carbon emitted in the use phase of products. Future procurement decisions may focus on the sustainability of a supplier's business operations, for which Chemring has an internal transitional plan for becoming a net zero organisation by 2050.
Resilience rating	Intermediate Resilience

TABLE 1 – OVERALL PHYSICAL RISK IMPACTS SPLIT BY GEOGRAPHIC REGION AND SCENARIO ANALYSED (STEPS EXCLUDED DUE TO DATA LIMITATIONS)

	Site location			
Scenario	Australia	Europe	UK	North America
SDS	Low impact	Low impact	Low impact	Low impact
RCP 8.5	Low impact	Low impact	Low impact	High impact

Low impact Medium impact High impact

CLIMATE-RELATED OPPORTUNITIES

OPPORTUNITY: RESOURCE EFFICIENCY	
Type	Transition
Area	Own operation
Primary potential financial impact	Reduction in cost
Time horizon: short (0 to 2 years), medium (2 to 5 years) or long-term (5 to 30 years)	Short/Medium-term
Likelihood	Likely
Magnitude of impact	Low impact
Est financial impact	Not quantified
Est financial asset impact	Not quantified
Est cost of response	Not quantified
Description	Improvements to both product and energy efficiency will help to reduce waste, cost and CO_2e emissions for operations.
Impact	Chemring strives to employ the best available technology for its operations and ensures rigorous monitoring and maintenance of facilities to maintain a high level of efficiency, along with initiatives such as upgrading building facilities. LED lighting retrofits have the benefit of saving on direct energy costs. Plans for future initiatives are in place with planned financial savings.
Opportunity	Opportunity for any future expansion or development within the business to implement energy efficient methods such as heat pumps, LED lighting etc.
Strategic change required	No change required, continued monitoring and analysis as per normal operations.
Conclusion	This opportunity is largely unaffected by external changing policy scenarios, as future initiatives are already in place with planned financial savings.
Resilience rating	Intermediate Resilience

OPPORTUNITY: LOW EMISSIONS ENERGY	
Type	Transition
Area	Own operation
Primary potential financial impact	Reduction in cost
Time horizon: short (0 to 2 years), medium (2 to 5 years) or long-term (5 to 30 years)	Short/Medium-term
Likelihood	Very likely
Magnitude of impact	Low impact
Est financial impact	Not quantified
Est financial asset impact	Not quantified
Est cost of response	Not quantified
Description	There are increased renewable energy with zero CO_2e emissions options becoming available across the globe. With improvements to technology, renewable energy is becoming increasingly inexpensive.
Impact	Chemring will benefit from de-linking energy costs to fossil fuel prices through the procurement of renewable energy for its sites. In addition, this will reduce the Group's exposure to GHG emissions and thereby lower sensitivity to changes in the cost of carbon. The carbon price (US$/t$CO_2e$) is projected to increase as follows:
Opportunity	There is an opportunity to benefit from the emissions avoided by sourcing energy from fossil fuel-based providers.
Strategic change required	Incorporating an internal carbon price assigns a monetary value to greenhouse gas emissions, empowering business units to integrate this cost into investment decisions and daily operations. This utilisation of internal carbon pricing serves as a strategic approach to effectively navigate climate-related business risks and proactively prepare for the shift towards a low-carbon economy.
Conclusion	Future scenarios that drive up fossil fuel prices such as the phase-out of subsidies (SDS) and incentives for clean energy transitions such as those under the European Green Deal (STEPS) provide further impetus for procuring energy from more renewable sources.
Resilience rating	Basic Resilience

Scenario	2030	2040	2050
STEPS	65	75	90
SDS	120	170	200
Difference	85%	127%	122%

RATING SYSTEM FOR IMPACT

1. **LOW IMPACT**
   Definition: Low impact refers to climate-related risks or opportunities that are anticipated to have a relatively minor effect on Chemring Group PLC's financial performance, resilience, reputation, or strategic direction.

   Characteristics: These risks might have limited financial consequences, manageable operational disruptions, or a relatively low level of exposure. Conversely, low-impact opportunities may contribute modestly to Chemring Group PLC's overall strategy.

2. **MEDIUM IMPACT**
   Definition: Medium impact signifies climate-related risks or opportunities that have the potential to cause noticeable effects on Chemring Group PLC's financial performance, resilience, reputation or strategic direction.

   Characteristics: Risks at a medium impact level may lead to moderate financial consequences, more significant operational disruptions, or a moderate level of exposure. Medium-impact opportunities can contribute meaningfully to Chemring Group PLC's strategy and performance.

3. **HIGH IMPACT**
   Definition: High impact denotes climate-related risks or opportunities that pose a substantial threat or benefit to Chemring Group PLC's financial performance, resilience, reputation or strategic direction.

   Characteristics: Risks with a high impact level may result in significant financial consequences, severe operational disruptions, or a high level of exposure. High-impact opportunities have the potential to be transformative, significantly influencing Chemring Group PLC's strategy and performance.

RESILIENCE RATING

1. **Basic Resilience:** Limited formalised resilience strategies, reactive approach to challenges, and basic contingency planning of climate-related risks and opportunities, with limited integration into overall financial strategy.
2. **Intermediate Resilience:** Defined resilience strategies addressing key risks, proactive measures in place, and a moderate level of integration with business operations, with a clear assessment of climate impacts on the business, integration into strategic planning.
3. **Advanced Resilience:** Robust resilience strategies incorporating comprehensive risk assessments, proactive adaptation strategies, and strong integration with overall business strategies and a deep understanding of climate-related risks and opportunities, well-integrated into financial decision-making processes, and a commitment to continuous improvement in line with evolving standards.
4. **Exemplary Resilience:** Industry-leading resilience strategies, transparency, comprehensive scenario analysis, proactive adaptation strategies, and a demonstrated commitment to driving positive climate impacts with continuous improvement, innovation in risk management, and a company-wide culture that prioritises adaptability and anticipates emerging challenges. Setting a benchmark for best practices in TCFD reporting.

INVESTING IN OUR PEOPLE

At Chemring our people are at the heart of everything we do. We invest in our people at all levels, across every location and function. This focus ensures we have the right talent enabled to perform, whatever the challenge.

The past few years have seen changes in all of our external talent markets, from the effects of the COVID-19 pandemic changing people's expectations of work, leveraging the advantages of hybrid working where possible, through to inflationary pressures and a higher cost of living for all our people. It has made it more important than ever to ensure that we are focusing on our people, delivering an employee experience that motivates and empowers our workforce.

OUR OVERALL PEOPLE APPROACH IS FOCUSED ON FIVE KEY AREAS:

1. HAVING THE RIGHT TALENT READY TO PERFORM
2. AN UNDERSTANDING OF OUR TALENT PIPELINES
3. CLEAR LEADERSHIP AND CAPABILITY DEVELOPMENT PROGRAMMES
4. A FOCUS ON THE ENGAGEMENT AND RETENTION OF OUR PEOPLE
5. AN UNDERPINNING OF DIVERSITY, EQUITY & INCLUSION IN EVERYTHING WE DO THROUGH OUR CULTURE AT CHEMRING

CULTURE AT CHEMRING

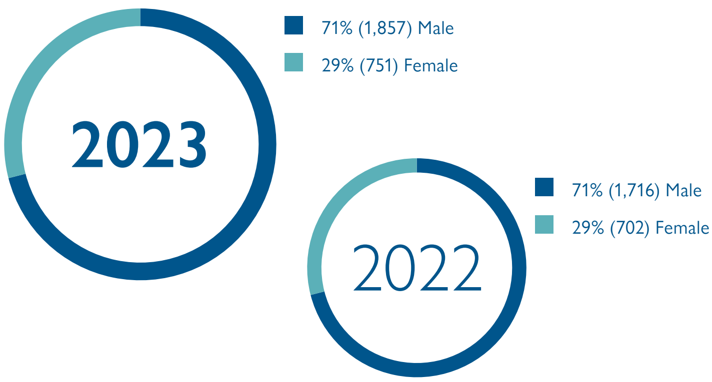
Everything we do is underpinned by our culture at Chemring. As a group of companies, we embrace what ties us together and respect what differentiates us. Our principle of Global Voice, Local Accent defines the approach to investing in our people to bring the best of our corporate programmes in areas such as talent, development and a focus on engagement whilst ensuring our businesses bring their local unique customs and practices to empower their workforce.

We have a values-based culture of Safety, Excellence and Innovation and 2023 saw an even greater focus on our safety culture through the launch of our Fundamental Safety Principles supporting our goal of zero harm.

OUR POPULATION

Each and every business unit has a focus on the skills it needs from its workforce to meet our customer commitments. Additionally, their focus continues to be on the diversity of the talent coming into our organisation to ensure we have a healthy and vibrant mix of backgrounds, experiences and perspectives to bring innovative ideas and support a mindset of continuous improvement. Chemring strives for diversity on a broad basis including gender, age, background, education, disability, neurodiversity and nationality (within the constraints of our regulatory requirements) and this diversity brings a more agile, engaged and higher-performing workforce.

Gender diversity is one measure that we monitor throughout our population and programmes. Our total global population in 2023 was:



PURPOSE IN ACTION

ASPIRE@CHEMRING – FIRST COHORT GRADUATION!

Earlier this year, the first cohort of the Aspire@Chemring talent development programme successfully completed the course and graduated.

The programme started in May 2022 with the aim of preparing and developing the future senior leadership of Chemring. The modules were designed to help them develop the skills, best practices, and strong leadership network they need to succeed.

A total of 75 people graduated from this first cohort, who had been nominated for the programme by senior leaders.

The Aspire@Chemring programme is made up of six modules in total, each delivered virtually by a mix of internal and external experts. The first half of the course focused on leading human performance, with the second half centred around leading organisational performance.

Chemring partnered with an innovative digital executive education platform provider, which gave access to three top business schools to provide the cohort with a series of elective modules from which they could choose two. The modules were delivered by business school partners (MIT, Tuck, and Columbia Business Schools), and the cohort selected the modules which best aligned with their individual development goals.

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INNOVATION

We benchmark both to our external local talent markets and to relevant peers and will continue to consider how we can improve the diversity within our organisation.

Our population has grown significantly in the past year and this change in volume has driven a focus on maturing our people activities to ensure they create a best in class employee experience for all colleagues, whether they be recent joiners or those with longer service. One area of strategic focus is our use of technology and data to drive people decisions. Where appropriate, we are investing in HR systems at a business unit or regional level to streamline activity, reduce waste and improve data quality. This approach also extends to offering a modern "digital" employee experience where possible through access to communications, employee information and even access to roles available across the Group. Access and transparency are key to our approach to creating a more digital employee experience.

OUR TALENT PIPELINES

To create the diverse and broad employee population we need, we look at a number of pipelines both internally and externally. Our external talent pipelines cover a broad range of sources, from direct hires into specific key segments in our organisation, to early careers professionals who are yet to discover their passions and find their home within the organisation. Additionally, we take innovative approaches to creating pipelines where they traditionally have not existed, such as the Roke Academy where those with a diverse and varied work career are given the chance to retrain in the skills we need for the future.

Our Early Careers Programme in the UK goes from strength to strength with a record 145 early careers professionals going through our two-year programme across our UK businesses. Bringing in a strong cohort of apprentices and graduates each year helps us to grow our talent and constantly challenges us to grow and listen to the next generation of Chemring leaders.

Our focus on talent also extends to supporting the pipelines of talent to move through our organisation. Our talent assessment activities are centred around the need to plan and develop to solve today's challenges and tomorrow's opportunities. We actively seek how to create opportunities for those experiences to be gained by our talent before they are needed.

One such programme is Aspire@Chemring which launched in May 2022 and ran for 11 months. Aspire@Chemring was designed to connect a global cohort of future senior leaders to develop some of the experiences required at the highest levels of our leadership.

Where possible we also work in alignment with wider industry and government organisations to increase the skills and mobility of talent into our organisations. In the UK we have partnered with the Institute of Engineering and Technology ("IET") for the last five years to sponsor bursary students from disadvantaged backgrounds to create opportunities for education which may previously not have been open to them. This diversity of background brings a different perspective, which is brought into Chemring through our IET bursary students taking summer internships and permanent positions.

LEADERSHIP AND CAPABILITY DEVELOPMENT

Along with a focus on finding the best talent to join our organisation, we put equal measures on developing from within to ensure we have the right skills in the right place at the right time. Over the last few years, Chemring has been able to create a series of programmes designed to support the needs of leadership at each level.

As well as our focus on leadership, it is equally important to invest in the technical, operational and functional skills to deliver first-class products and services. Our Countermeasures and Energetics businesses have been focussing on maintaining operator competence in 2023 as a priority area whilst Roke has been developing their professional & consultancy capabilities, as a key enabler of their growth ambitions.

We see development as a strategic enabler for meeting our business and customer commitments. We also see it as a key way in which we engage our employees. All leadership proactively talk with their teams about their aspirations, goals and development needs through processes such as Performance Conversations - which reinforces how important each colleague's contribution is. Open conversations about performance help us focus on what individuals need to be successful and allow development to be seen as a positive investment of time and prioritised accordingly. This is a win-win for both our workforce and our organisation.

Established Chemring programmes include our two-year Early Careers Programme in the UK, and our supervisor-focused Leading Our People Programme through to our Aspire@Chemring Programme which will launch with our second cohort in early 2024.

LEADERSHIP AND CAPABILITY DEVELOPMENT continued

Additionally, we are fully engaged in the UK with the Apprenticeship Levy, and maximise our levy fund to create apprentice level positions (48 active apprenticeships in 2023) as well as to fund apprentice programmes for more established colleagues in functional and leadership positions looking to further develop their education.

ENGAGEMENT AND RETENTION

Our workforce is one of our key assets, and we work to ensure it thrives. The external talent market is highly buoyant with industry turnover rates at record levels. We are aware of the risk this presents and we never take our workforce for granted. Employee experience and day-to-day engagement are of the highest priority.

Listening to our colleagues is a fundamental leadership principle, both as individuals and as an organisation. Our company-wide approach to continuously listening to our colleagues is called Employee Voice. Through regular sentiment surveys, our leadership teams are able to review how our employees feel about working at Chemring. Our positivity score across the globe stands at 76% for 2023, compared to 75% for 2022. We will continue to review trends at an organisational level to support our data-driven decision making, and equally important, at the individual level.

There are many ways in which our colleagues are engaged with individually, from one-to-one performance conversations to works councils and Employee Resource Groups ("ERGs"). In many of our businesses, leadership make themselves available through all-hands "town hall" meetings in which any employee can raise questions.

Our Board is actively involved in understanding the needs and engagement of the workforce. Laurie Bowen, Chair of the Remuneration Committee and the non-executive director responsible for employee engagement on behalf of the Board, meets with colleagues from different business areas and levels in the organisation to hear their views on working at Chemring. In 2023, Laurie visited three of our businesses that are focused on investment and growth: Roke, Chemring Energetics UK and Chemring Nobel. This year, common themes emerged, including the appreciation of leadership for communicating how individual products and services support the organisation's purpose of building engagement; that safety is now an integral part of the culture of how things are done; and that growth and investment are building pride across our workforce. The groups identified specific opportunities to improve, which were openly and constructively communicated; and summarised to the leadership team for action.

Thanks to this feedback, our local leadership teams at these locations can ensure that employee feedback informs and supports their growth agendas. Employee feedback remains a key channel for insights into how we can shape Chemring's employee engagement priorities both at a local level and Group-wide level.

Our local business ERGs, in particular, are helping us to understand "what good looks like" in many areas of the inclusion agenda; one size does not fit all.

This approach is how we focus on developing our culture so that it serves our employees and our customers. We work to the principle of embracing what ties us together and respecting what differentiates us. Our values driven culture is based on our values of Safety, Excellence and Innovation and is the foundation all our businesses work to.

PURPOSE IN ACTION

EARLY CAREERS CONFERENCE SUCCESS

In June, the Chemring People Team hosted the Early Careers Conference as part of the Chemring Early Careers Programme. The in-person event was held in Southampton, UK, and brought together 135 graduates and apprentices from across Chemring Countermeasures UK, Chemring Energetics UK and Roke.

One of the key benefits of the conference was the opportunity to network with leadership team members and get first-hand career advice and guidance while the cohort is still in the early stages of their careers.

The two-year programme combines virtual sessions throughout the year and the face-to-face Early Careers Conference. The programme has been designed to support our graduates and apprentices from across Chemring's UK businesses to build the foundational early career and professional skills needed in the workplace today.

One of the most important and valuable aspects of the Early Careers Programme is being part of a community of colleagues at the same stage in their careers. It enables members of the cohort groups to connect across the different businesses and gain broader exposure to the entire organisation while sharing skills and knowledge with peers.

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INNOVATION

DEVELOPING OUR PEOPLE

48	Apprenticeships currently in progress
145	Graduates and apprentices took part in UK-wide Early Careers Development programme
75	Experienced managers graduated from the first cohort of Aspire@Chemring, our first fully virtual leadership development programme

DIVERSITY, EQUITY AND INCLUSION ("DE&I")

We have worked hard over the past 12 months to evolve our focus on DE&I from an initiative to business as usual. DE&I underpins every process, action and decision made in Chemring.

In FY23 we went back to basics to define what was important to focus on in our drive to improve our gender balance in senior management positions. We defined that it was important to capture all members of senior management who influence the day to day employee experience and lead our culture. We therefore tightened the definition of the population we monitor to ensure that all these senior leadership positions continue to be developed towards a more gender balanced and inclusive population.

Senior management positions are now defined as Executive/Senior Leadership, Direct Reports to Executive/Senior Leadership (if in a leadership role) and Key Positions holding a senior position or role of influence in the organisation. This revised our baseline to 30% female and 70% male at the start of FY23, on our way to our 2027 target of at least 33% female and 67% male.

Through this increased focus we saw our gender split in Senior Management Positions increase across the year through a combination of active development and promotion, turnover and hiring changes, growth of our positions of influence in line with organisational growth and structural reorganisation efficiencies. This resulted in a change in our gender balance to 32% female and 68% male in this important population. We are therefore in an excellent position to revisit the ambition of our gender targets in FY24 in line with our business growth plans.

Furthermore, in 2023 we added the requirement for DE&I to be considered within our five-year planning activities. Gender is not the only focus of our efforts. Chemring strives for diversity on a broad basis including gender, age, background, education, disability, neurodiversity and ethnicity (within the constraints of our regulatory requirements). This is an area where we continue to develop both globally and locally and which will be central to our success in the coming years.

We continue to focus on ethnicity at the various levels within our organisation, as a way of ensuring our workforce is reflective of the communities we are situated in and operate within. Our reporting on ethnic diversity at Chemring is set out in the table below.

OUR COMMUNITIES

In many of our locations, our employees are from the local community and provide a valuable link to ensure we support those communities. This can be through the form of open days where family and other community members can gain insight into what we do at Chemring. It is also through our employees volunteering their time both to community initiatives at to raising much needed donations through charity events and challenges. Chemring fully supports and celebrates all employees who go the extra mile to contribute to our communities.

The education sector is another area of focus with the opportunity to provide STEM sponsorship and support in local schools and colleges.

PURPOSE IN ACTION

CREATING COMMUNITIES AND SUPPORTING INCLUSION

Across Chemring, our aim is to create a working environment where all employees have the freedom, support, and trust to succeed. We want everyone to feel able to bring their whole selves to work.

One way of helping us to feel comfortable and confident to be ourselves at work and let our individual strengths shine is through connection with other colleagues - whether that's to connect over shared experiences, or to understand different ways of thinking or ways of working.

One such way that Roke achieves this is through its Employee Resource Groups ("ERGs"). The ERGs connect colleagues together around a unifying mission, raising awareness of issues such as gender, ethnicity, and sexual orientation.

At present, Roke has a total of eight ERGs - Women in Roke, Inspire (LGBTQ+), Majority Ethnic, Veterans, Neurodiversity, Disability and Regional Groups (grouping those regional groups and adding in Disability). These groups provide opportunities for mentoring, volunteerism, networking, development and community involvement.

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INNOVATION

Investing in this community helps us to build a broader and more diverse pool of talent to join the engineering and defence sector in years to come.

In addition, we partner with charities that directly support those who are end users of our products and services. We honour the service that they have given through the support to events such as "Ride with a Veteran" and "The Big Sleep".

	Asian %	Black %	Mixed race %	White %	Other* %
Senior managers	3.17	1.06	0.53	94.71	0.53
Mid-level managers	1.39	7.32	1.39	88.15	1.74
All other employees	4.26	13.28	1.71	76.65	4.10

* Including Hispanic, NHOPI, Native American.

TOTAL GRADUATES AND APPRENTICES

- 79% Male
- 21% Female

- 75% Male
- 25% Female

BOARD DIRECTORS

- 56% Male
- 44% Female

- 62% Male
- 38% Female

COLLEAGUES INVOLVED IN LEADERSHIP DEVELOPMENT PROGRAMMES IN 2023

- 70% Male
- 30% Female

- 70% Male
- 30% Female

EXECUTIVE COMMITTEE

- 87% Male
- 13% Female

- 87% Male
- 13% Female

SENIOR MANAGEMENT POSITIONS

- 68% Male
- 32% Female

- 76% Male*
- 24% Female*

* 2022 split is based on prior year definition.

LISTENING TO OUR PEOPLE

2,270	colleagues with regular access to bespoke Employee Voice pulse survey
34%	regular response rate of participants in Employee Voice
76%	positivity score
>4,500	individual comments and feedback received

ETHICS AND BUSINESS CONDUCT

DOING THE RIGHT THING

Chemring is committed to conducting its business in an ethical and responsible manner at all times, and in full compliance with all applicable laws and regulations.

OUR APPROACH

We are committed to promoting a culture within Chemring where everyone does the right thing and takes personal responsibility for their actions. Our Operational Framework and Code of Conduct set out the standards of business conduct and behaviours we expect of all of our businesses, our employees and all third parties who act on our behalf. We require all employees and third parties who act on our behalf to conduct business honestly and with integrity, and to take personal responsibility for ensuring that our commitment to sound and ethical business conduct is delivered.

ESG COMMITTEE

The Board has established an ESG Committee, which has oversight of the Group's environmental, social and governance policies and objectives. The ESG Committee, which was merged during the year with the Ethics & Compliance Committee previously operated by the Group, is chaired by the Group Chief Executive, with the other members being the Group HSE Director, the Group Director of Corporate Affairs, the Group Financial Controller, the Group Legal Director & Company Secretary and the Group Sustainability Lead. The President of our US operations, our US General Counsel and our US Vice President HSE also attend meetings by invitation. The ESG Committee has oversight of the Group's ethical business conduct and compliance framework, including our anti-bribery processes. It monitors the implementation of the framework across the Group and recommends areas for future improvement.

The Committee met four times during the year. At every meeting the Committee reviews and monitors compliance with our anti-bribery processes and other key compliance policies. During the year the Committee also reviewed:

- metrics on the due diligence and appointment of third party sales partners;
- statistics on the completion of compliance training; and
- approvals granted under our policy on sales to customers located in higher risk territories.

The Group Chief Executive reports to the Board on the Committee's activities following each meeting.

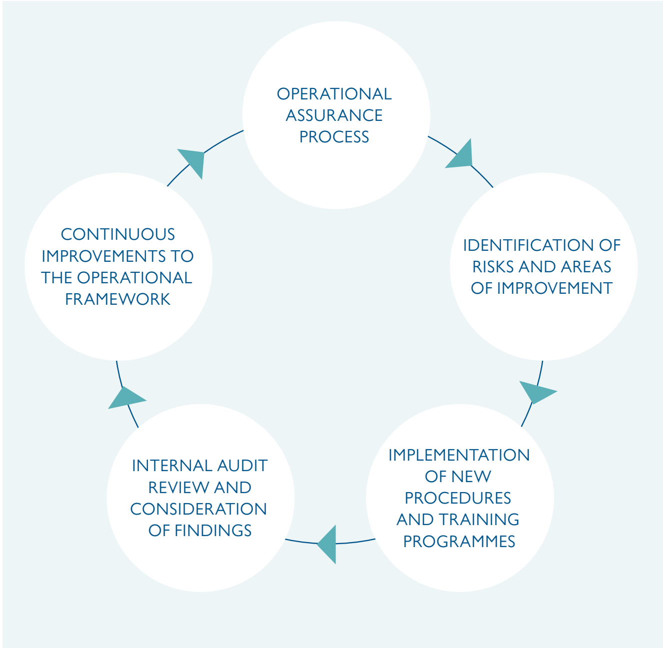
OPERATIONAL FRAMEWORK

Our Operational Framework incorporates a broad range of more than 35 policies and procedures which have been adopted by all of our businesses. The Operational Framework implements a robust governance and compliance framework to enable us to operate in a safe, consistent and accountable way.

The leaders of each of our businesses are required to ensure that:

- every employee, at every level of the organisation, has access to and understands the requirements of the Operational Framework;
- appropriate training and monitoring processes are in place to ensure proper implementation of the Operational Framework; and
- local procedures and processes are adopted to implement the requirements of the Operational Framework.

All of our Operational Framework policies, procedures and associated training material are hosted on the Chemring Compliance Portal. This innovative on-line system allows us to issue new and updated policies and training to employees across the Group, targeted to their specific roles, and enables us to monitor completion of mandatory training on a timely basis.



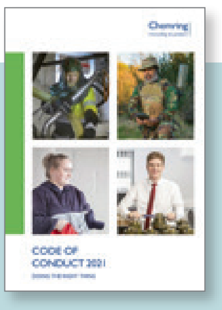
Our governance framework also includes a requirement for all businesses to complete an Operational Assurance Statement on an annual basis, providing a detailed assessment of their compliance with the Operational Framework. The output from the operational assurance process enables us to drive continuous improvement in our governance and compliance framework, including the identification of additional training requirements for our employees. It also allows us to monitor and address the evolution of a number of the key risks we face, and provides valuable input to our internal audit programme.

CODE OF CONDUCT

Our Code of Conduct, which sits alongside our Operational Framework, embraces our fundamental values of Safety, Excellence and Innovation. It provides direction to all employees on legal, ethical and risk issues that they may encounter in their day-to-day activities.

All employees and all third parties who act on the Group's behalf are required to comply with our standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which we operate. All employees, current and new, are provided with a copy of the Code of Conduct and asked to confirm that they will adhere to its standards. The Code is reproduced in Norwegian for our employees in Norway.

Updated scenario-based training on the Code was provided to employees during the year.



> DISCOVER MORE ABOUT OUR CODE OF CONDUCT AT **CHEMRING.COM/CODEOFCONDUCT**

WHISTLEBLOWING

Our Chemring culture embraces transparency and openness, and we encourage all employees to speak up if they have any concerns. We have a whistleblowing policy and associated procedures in place which enable all employees to raise concerns, in confidence, about possible improprieties or wrongdoing within the business, without fear of reprisal or retaliation. Employees are able to raise issues by contacting our 24-hour ethics reporting service by phone or email or by accessing an external website. All issues reported are taken seriously and investigated appropriately in a confidential manner. Third parties may also access our ethics reporting services.

Our internal procedures on the handling of whistleblowing reports are designed to ensure that all reports made, whether through the external service or through other internal channels, are dealt with in a proper and consistent manner, with appropriate oversight from the UK and US legal departments. Training is provided to members of our leadership teams on how to identify whistleblowing reports which may emanate through less-obvious channels and how to engage with employees who make whistleblowing reports.

ANTI-BRIBERY AND CORRUPTION

The Group has well-established anti-corruption policies, which are included within our Operational Framework. Specifically, these cover bribery and corruption, conflicts of interest, gifts and hospitality, and facilitation payments. A number of other policies within the Operational Framework also address bribery and corruption risks in areas such as finance, political donations and lobbying, charitable donations and offset.

The Group has also adopted a policy on sales to customers located in higher risk territories, which requires our businesses to prepare a risk mitigation plan for any proposed transaction in a territory rated less than 50 on Transparency International's Corruption Perceptions Index. This plan is required to address both bribery and corruption risks and broader risks which may be encountered in doing business in such territories.

Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual ("BACM"), which is updated on a regular basis, and includes requirements for:

- each business to routinely conduct informed bribery risk assessments as part of normal operating procedures, to determine the nature and extent of the Group's exposure to potential internal and external risks of bribery and corruption on its behalf by persons associated with it;
- approval of the appointment of all sales partners and other third party advisers, which in all circumstances requires the completion of risk-based due diligence, appropriate management approvals, use of standard form contracts, and ongoing monitoring and review;
- risk-based anti-corruption due diligence processes for the engagement of service providers and suppliers;
- regular mandatory training on BACM and its application to their respective roles for management, supervisors and all employees working within commercial, sales and marketing, finance and human resource functions or in customer-facing roles;
- approval of the giving and receiving of reasonable, proportionate and appropriate gifts and hospitality in the normal course of business; and
- proper identification, disclosure and management of potential or actual conflicts of interest.

A BACM "Pocket Guide" is issued to all employees across the Group, which provides an overview of our anti-corruption policies and the requirements of the detailed manual.

All businesses are required to complete a BACM Compliance Certificate on an annual basis, confirming that all policies and procedures within BACM have been complied with and providing supporting information to demonstrate compliance. BACM Compliance Certificates are reviewed by the ESG Committee following each submission.

We recognise that the appointment of third party sales partners in our routes to market can present particular bribery and corruption risks, and we therefore implement enhanced anti-corruption procedures for the engagement of sales partners where there is a genuine business need by mandating:

- restrictions on the number of sales partners to be engaged in each territory;
- the preparation of a full business case to justify the appointment of all new third party sales partners, including a two-stage bribery risk assessment incorporating the requisite level of risk-based due diligence, which must be approved by the Group Chief Executive before the sales partner is appointed;
- due diligence reports from external consultants for higher risk appointments;
- a full periodic reappointment process for all retained sales partners, including recommissioning of the appropriate risk-based due diligence and resubmission of a full business case for approval by the Group Chief Executive; and
- increased reporting requirements for all payments made to third party sales partners and higher risk service providers.

The review and approval processes for our third party sales partners are automated through the Chemring Compliance Portal, which enables us to adopt a consistent approach to the application of our due diligence and approval processes across the Group. Due diligence processes for the third party service providers and higher risk suppliers engaged by our non-US businesses are also managed in the Chemring Compliance Portal. The US businesses have adopted a similar automated system in the US for their service providers and higher risk suppliers.

The Chemring Compliance Portal also incorporates a module for employees to seek approval on-line prior to giving or receiving gifts and hospitality, or making charitable donations on behalf of the business.

Selected third party sales partners are subject to an independent audit by an external consultant. These audits provide additional assurance on the suitability of our sales partners and help to further strengthen our anti-bribery and corruption processes.

Compliance with BACM procedures continues to be a core aspect of our internal audit programme. BACM compliance audits were completed at three businesses during the year.

HUMAN RIGHTS

The Group is committed to respecting human rights in the countries in which we do business. Our Code of Conduct and other applicable policies under the Operational Framework support our commitment to ensuring, as far as we are able, that there is no slavery or human trafficking in any part of our business or in our supply chain. All suppliers are provided with a copy of our Supplier Code of Conduct, which requires them to adhere to our ethical standards and expectations, including in relation to human rights. We do not knowingly support or do business with any suppliers who are involved in slavery.

> A STATEMENT OF THE GROUP'S COMPLIANCE WITH THE MODERN SLAVERY ACT 2015 CAN BE FOUND ON THE GROUP'S WEBSITE AT **WWW.CHEMRING.COM**

We fully adhere to all relevant government guidelines designed to ensure that our products are not knowingly incorporated into weapons, or other equipment, used for the purposes of terrorism, international repression or the abuse of human rights.

FINANCIAL REVIEW

STRONG CASH GENERATION, FUNDING INVESTMENT TO INCREASE CAPACITY TO DELIVER OUR RECORD ORDER BOOK

Andrew Lewis
Chief Financial Officer

"Our focus in 2023 has been on adapting to our customers' needs in what has been a changing geopolitical landscape, demonstrated by our plan to increase capacity in our niche Energetics businesses over the next three years while we continue to execute Roke's growth strategy."

We delivered a result for 2023 that was slightly ahead of the Board's initial expectations, while working hard to adapt to changing customer spending priorities driven by global uncertainty and increased demand for both technology-driven solutions and a resurgent demand for traditional defence capabilities. This has resulted in record order intake and provides a strong outlook in the medium term.

GROUP FINANCIAL PERFORMANCE

Order intake for 2023 was exceptionally strong in both segments, up 37% to £756m (2022: £551m), with increasing demand in our niche Energetics businesses, where order intake was up 161% to £358m (2022: £137m), and in Sensors & Information, where Roke's total order intake was £183m (2022: £168m) as it continues to win work in a buoyant market.

Revenue was up 18% to £472.6m (2022: £401.0m) reflecting significant growth in Roke and improved operational execution delivering strong output in our niche Energetics businesses.

On a constant currency basis the Group's revenue was up 19% to £477.7m (2022: £401.0m), underlying operating profit was up 21% to £71.7m (2022: £59.4m) and underlying diluted earnings per share was up 12% to 20.7p (2022: 18.5p). Foreign exchange translation has proved to be a headwind to revenue and operating profit compared with last year. While exchange rates have been volatile in the year, the US dollar, Australian dollar and Norwegian krone have all weakened against sterling. A summary of the impact of the exchange rate movements on the key metrics at a Group and sector level is shown in the table below.

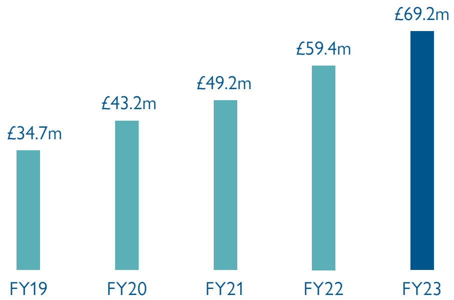
	At constant currency		As reported		
	2023 £m	Change	**2023 £m**	Change	2022 £m
Group					
Order intake	**772.7**	40%	**756.4**	37%	551.5
Order book	**964.5**	48%	**921.6**	42%	650.9
Revenue	**477.7**	19%	**472.6**	18%	401.0
Underlying EBITDA	**91.2**	18%	**88.5**	14%	77.3
Underlying operating profit	**71.7**	21%	**69.2**	16%	59.4
Underlying diluted earnings per share (pence)	**20.7**	12%	**20.0**	8%	18.5
Sensors & Information					
Order intake	**215.1**	10%	**215.4**	10%	195.2
Order book	**172.2**	12%	**170.6**	11%	153.7
Revenue	**187.3**	55%	**187.0**	55%	120.5
Underlying EBITDA	**38.6**	38%	**38.5**	38%	28.0
Underlying operating profit	**34.3**	35%	**34.2**	35%	25.4
Countermeasures & Energetics					
Order intake	**557.6**	56%	**541.0**	52%	356.3
Order book	**792.3**	59%	**751.0**	51%	497.2
Revenue	**290.4**	4%	**285.6**	2%	280.5
Underlying EBITDA	**68.1**	6%	**65.5**	2%	64.2
Underlying operating profit	**52.9**	8%	**50.5**	3%	48.9

2022 comparatives have been re-presented reflecting the explosive hazard detection business as discontinued in accordance with IFRS 5; see note 5.

GROUP FINANCIAL PERFORMANCE continued

The underlying operating profit of £69.2m (2022: £59.4m) resulted in an underlying operating margin of 14.6% (2022: 14.8%). The Group margin was flat reflecting the continuing operating expense investment in Roke to prepare it for further future growth which was partially offset by a richer mix of higher margin Energetics business in Countermeasures & Energetics.

UNDERLYING OPERATING PROFIT (£m)



Total finance expense was lower at £1.3m (2022: £1.5m) reflecting the continued focus on working capital management offset by the increase in interest rates during 2023.

Statutory operating profit was £45.4m (2022: £49.4m) and after statutory finance expenses of £1.3m (2022: £1.5m), statutory profit before tax was £44.1m (2022: £47.9m). The statutory profit after tax from continuing operations was £37.7m (2022: £44.4m) giving a statutory basic earnings per share from continuing operations of 13.4p (2022: 15.8p).

A reconciliation of underlying to statutory profit measures is provided in note 3. The non-underlying costs relate to the amortisation of acquired intangibles, impairment of Chemical Detection assets, costs relating to acquisitions, gain on the movement in the fair value of derivative financial instruments and the tax credit associated with these.

As announced in November 2023, the explosive hazard detection division of our US Sensors business has been treated as discontinued under IFRS 5 in 2023 and as a result all 2022 comparatives have been re-presented. A full reconciliation of this is provided in note 5.

TAX

The underlying tax charge totalled £10.2m (2022: £4.6m) on an underlying profit before tax of £67.9m (2022: £57.9m). The effective tax rate on underlying profit before tax for the year was a charge of 15.0% (2022: 7.9%).

The charge in the previous year was reduced by a credit for the recognition of a deferred tax asset in respect of future US interest deductions that were previously unrecognised, which was not repeated in the current year. Looking forward into 2024 we expect the Group effective tax rate to increase to approximately 20%, reflecting the full year effect of the increase in the UK corporation tax rate and an increased weighting of UK profits as Roke continues to grow. The statutory tax charge totalled £6.4m (2022: £3.5m) on a statutory profit before tax of £44.1m (2022: £47.9m).

EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Underlying basic earnings per share from continuing operations was 20.5p (2022: 19.0p) and diluted underlying earnings per share from continuing operations was 20.0p (2022: 18.5p). Statutory basic earnings per share was 13.4p (2022: 15.8p) and statutory diluted earnings per share was 13.1p (2022 15.4p).

THREE-YEAR ROLLING CASH CONVERSION

101%

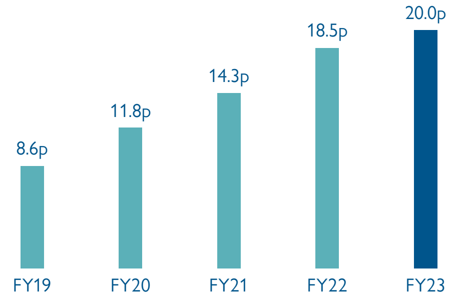
(2022: 108%)

ORDER BOOK

£922m

(2022: £651m)

UNDERLYING DILUTED EPS (PENCE)



WORKING CAPITAL

Working capital was £82.3m (2022: £93.9m), a decrease of £11.6m. As a percentage of revenue, working capital has decreased to 17% (2022: 21%). We continued with our focus on commercial contracting, inventory levels and cash management. Year-end trade receivable days of 16 (2022: 17) and trade payable days of 18 (2022: 18) demonstrate that working capital has been managed in a balanced and sustainable manner.

GROUP FINANCIAL POSITION

CAPITAL EXPENDITURE

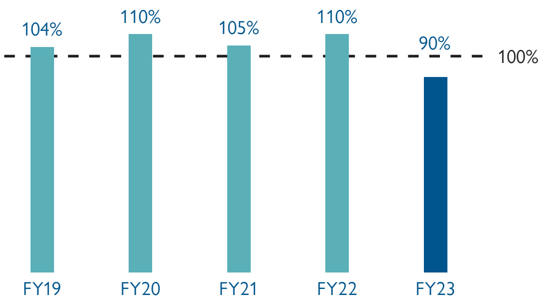
As announced during the year, the improved market conditions for our Energetics businesses reflected in the order intake and order book has presented a strong organic growth opportunity to expand capacity at these sites in parallel with the planned modernisation to capitalise on the long-term demand we are seeing. A three-year investment programme announced at half year commenced during the second half of this year at a cost of approximately £90m which, when completed, is expected to generate incremental revenue of circa £60m and incremental operating profit of circa £13m per annum. In addition to this, the Board approved additional capital investment of an incremental £30m bringing the total investment programme to £120m, which when completed is expected to deliver incremental revenue of £85m and incremental operating profit of £21m per annum.

In the year £32.7m (2022: £31.5m) was spent on property, plant and equipment which includes the commencement of the above-mentioned programme as well as ongoing capital investment to continually enhance safety and operational performance.

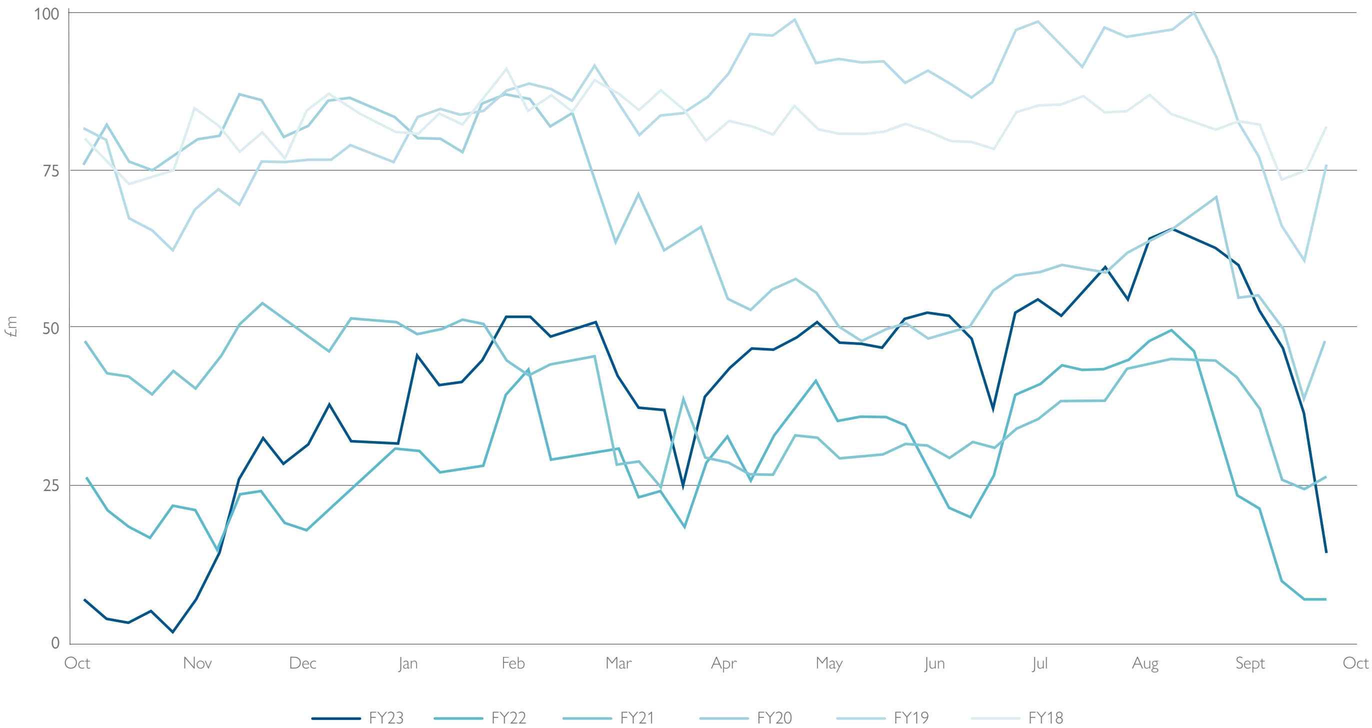
NET DEBT AND CASH FLOW

The Group's net debt at 31 October 2023 was £14.4m (2022: £7.2m), representing a net debt to underlying EBITDA ratio of 0.16x (2022: 0.09x). The financial health of the Group has continued to improve in a number of aspects during the year. Disciplined working capital practices have been maintained to reduce intra-period volatility, with working capital as a percentage of revenue lower at 17% (2022: 21%). The Group is working to achieve further improvements over the medium term.

UNDERLYING CASH CONVERSION (%)



Underlying operating activities generated cash of £80.0m (2022: £85.1m). Underlying cash conversion was 90% (2022: 110%) of underlying EBITDA, and an average of 101% on a rolling 36-month basis (2022: 108%).



DEBT FACILITIES

The Group's principal debt facilities comprise a £150m revolving credit facility up to December 2025, of which £130m has been extended to December 2026, as well as a US$10m overdraft. The revolving credit facility was established in July 2021 with a syndicate of six banks and there is one option to extend for one year to December 2027. The $10m overdraft facility was increased to $20m in November 2023. The Group had £142.9m (2022: £136.7m) of undrawn borrowing facilities at the year end. The Group is subject to two key financial covenants, which are tested quarterly. These covenants relate to the leverage ratio between underlying EBITDA and net debt, and the interest cover ratio between underlying EBITDA and finance costs. The calculation of these ratios involves the translation of non-sterling denominated debt using average, rather than closing, rates of exchange. The Group was in compliance with the covenants throughout the year.

RETIREMENT BENEFIT OBLIGATIONS

The surplus on the Group's defined benefit pension scheme was £5.9m (2022: £11.2m), measured in accordance with IAS 19 (Revised) *Employee Benefits*.

The surplus relates to the Chemring Group Staff Pension Scheme (the "Scheme"), a UK defined benefit scheme whose assets are held in a separately administered fund. The Scheme was closed to future accrual in April 2012. A full actuarial valuation for the Scheme was completed as at 6 April 2021, and has been updated to 31 October 2023, using the projected unit credit method. Despite the volatility in equity and bond markets throughout the period and increased inflation expectations, the resilience of the Scheme's investment strategy, which included a liability driven investment which hedged future interest rate and inflation risk, has protected the Scheme's surplus position which represents 110% of Scheme liabilities.

The 6 April 2021 triennial valuation showed a technical provisions surplus of £3.8m, which represented a funding level of 104% of liabilities. The Group agreed with the trustees that no further deficit recovery payments are required.

As at 31 October 2022, £2.0m was due from the Chemring Group Staff Pension Scheme representing a short-term loan to fund margin calls on liability driven investments which was repaid in November 2022.

On 28 November 2023 the trustees of the Scheme entered into a buy-in contract with an insurer, Pension Insurance Corporation ("PIC"). The Group has made an initial payment to the Scheme of £1.6m and expects to pay c.£3m over the next two years as a contribution to the buy-in premium, to provide funding for the rectification of certain members' benefits and to meet the costs associated with the initial buy-in and eventual buy-out of the Scheme. On completion of the full buy-out of the Scheme, the defined benefit assets and matching defined benefit liabilities will be derecognised from the Group balance sheet.

CONTINGENT LIABILITIES

The Group is, from time to time, party to legal proceedings and claims, and is involved in correspondence relating to potential claims, which arise in the ordinary course of business.

In addition, one matter remained open at year end, being the incident that occurred at the Group's Countermeasures site in Salisbury on 10 August 2018. Full details are included in note 33.

RESEARCH AND DEVELOPMENT

R&D expenditure was £113.6m (2022: £79.7m). Continued investment in R&D is a key aspect of the Group's strategy, and levels of internally funded R&D are expected to be maintained as investment in product development continues, particularly within Sensors & Information. An analysis of R&D expenditure is set out below:

	2023 £m	2022 £m
Customer-funded R&D	**102.0**	69.7
Internally-funded R&D:		
– expensed to the income statement	**10.1**	7.5
– capitalised	**1.5**	2.5

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

In the analysis of the Group's financial performance and position, operating results and cash flows, APMs are presented to provide readers with additional information. The principal APMs presented are underlying measures of earnings including underlying operating profit, underlying profit before tax, underlying profit after tax, underlying EBITDA, underlying earnings per share, underlying operating cash flow and underlying cash conversion. In addition, EBITDA, net debt, underlying operating profit and revenue on a constant currency basis are presented which are also considered to be non-IFRS measures. These measures are consistent with information regularly reviewed by management to run the business, including for planning, budgeting and reporting purposes and for its internal assessment of the operational performance of individual businesses.

A reconciliation of underlying measures to statutory measures is provided below:

CONSTANT CURRENCY

	2023 £m	2022 £m	Growth %
Revenue (as reported)	**472.6**	401.0	18%
Effect of using prior period foreign exchange rates	**5.1**		
Revenue at constant currency	**477.7**	401.0	19%
Underlying operating profit (as reported)	**69.2**	59.4	16%
Effect of using prior period foreign exchange rates	**2.5**		
Underlying operating profit at constant currency	**71.7**	59.4	21%

	2023			2022		
	Underlying	**Non-underlying**	**Statutory**	Underlying	Non-underlying	Statutory
Group – continuing operations:						
EBITDA (£m)	**88.5**	**(20.8)**	**67.7**	77.3	(6.1)	71.2
Operating profit (£m)	**69.2**	**(23.8)**	**45.4**	59.4	(10.0)	49.4
Profit before tax (£m)	**67.9**	**(23.8)**	**44.1**	57.9	(10.0)	47.9
Tax charge (£m)	**(10.2)**	**3.8**	**(6.4)**	(4.6)	1.1	(3.5)
Profit after tax (£m)	**57.7**	**(20.0)**	**37.7**	53.3	(8.9)	44.4
Basic earnings per share (pence)	**20.5**	**(7.1)**	**13.4**	19.0	(3.2)	15.8
Diluted earnings per share (pence)	**20.0**	**(6.9)**	**13.1**	18.5	(3.1)	15.4
Group – discontinued operations:						
(Loss)/profit after tax (£m)	**(0.9)**	**(31.4)**	**(32.3)**	3.5	(0.5)	3.0
Sectors – continuing operations:						
Sensors & Information EBITDA (£m)	**38.5**	**(22.2)**	**16.3**	28.0	(1.2)	26.8
Sensors & Information operating profit (£m)	**34.2**	**(23.5)**	**10.7**	25.4	(3.0)	22.4
Countermeasures & Energetics EBITDA (£m)	**65.5**	**—**	**65.5**	64.2	—	64.2
Countermeasures & Energetics operating profit (£m)	**50.5**	**(1.7)**	**48.8**	48.9	(2.1)	46.8

We present a measure of constant currency revenue and operating profit. This is calculated by translating our results for the year ended 31 October 2023 at the average exchange rates for the comparative year ended 31 October 2022.

The Group manages its finance costs and tax on a central or regional basis and therefore the Board believes the use of underlying operating profit or EBITDA is the best way of monitoring the performance of operating businesses. The strategic report includes both statutory and adjusted measures, the latter of which, in management's view, reflects how the business is managed and measured on a day-to-day basis. Our APMs and KPIs are aligned to our strategy and together are used to measure the performance of our business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, these items could distort the understanding of our performance for the year and the comparability between the periods.

Management considers non-underlying items to be:

- amortisation of acquired intangibles;
- discontinued operations;
- exceptional items, for example relating to acquisitions and disposals, restructuring costs, impairment charges and legal costs;
- gains or losses on the movement in the fair value of derivative financial instruments; and
- the tax impact of all of the above.

Our use of APMs is consistent with the prior year and we provide comparatives alongside all current year figures. The directors believe that these APMs assist with the comparability of information between reporting periods as well as reflect the key performance indicators used within the business to measure performance. The term underlying is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. All profit and earnings per share figures in this strategic report relate to underlying business performance (as defined above) unless otherwise stated. Further details are provided in note 3.

The adjustments comprise:

- amortisation of acquired intangibles of £3.0m (2022: £3.9m);
- costs relating to acquisitions, including deferred consideration treated as an expense under IFRS 2, of £3.7m (2022: £2.0m);
- impairment of Chemical Detection assets of £18.5m (2022: £nil);
- gain on the movement in the fair value of derivative financial instruments of £1.4m (2022: £4.1m loss);
- tax impact of the adjustments above: £3.8m credit (2022: £1.1m credit); and
- discontinued operations in respect of the explosive hazard detection business in Sensors & Information, net of tax, of £31.4m (2022: £0.5m) which includes an impairment of goodwill and other assets.

Andrew Lewis
Chief Financial Officer
12 December 2023

RISK MANAGEMENT

MANAGING RISK

We continue to manage key risks to ensure the delivery of the Group strategy.

RISK MANAGEMENT ORGANISATION

The Board is responsible for determining the nature and extent of risks it is willing to accept in delivering the Group's strategy and running the Group's operations, and ensuring that risk is effectively managed across the Group.

The Board reviews the Group risk register on a regular basis and considers whether the Risk Management Committee has appropriately identified the principal risks to which the Group is exposed.

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the Group's systems of internal control, including financial, operational and reporting controls, and its risk management systems. The Audit Committee also reviews the effectiveness of the Group's internal audit arrangements.

The Risk Management Committee is responsible for overseeing the implementation of the Group's risk management framework and is also responsible for identifying the principal risks to which the Group is exposed, monitoring key mitigation plans and maintaining the Group risk register. The Risk Management Committee also reviews risks at the business unit level and considers input from the US Risk Management Committee, which has been constituted to oversee risk within the US operations.

The current members of the Risk Management Committee are:

- Michael Ord (Group Chief Executive);
- Bill Currer (President, US);
- Sarah Ellard (Group Legal Director & Company Secretary);
- Andrew Lewis (Chief Financial Officer); and
- Steven Messam (Group HSE Director).

RISK MANAGEMENT POLICY AND FRAMEWORK

The Group's risk management policy sets out the Group's approach to risk management, including its risk appetite; the framework for assessing, managing and monitoring risk within the business; and the key roles and responsibilities for the oversight and implementation of the Group's risk management systems and controls.

The Group's risk management framework draws fundamentally from the "Three Lines of Defence Methodology", with the "First Line" being day-to-day management of risk and maintenance of effective control procedures at individual businesses. The "Second Line" comprises a range of risk management and control functions established at the corporate management level, which are designed to enhance and monitor the First Line. The "Third Line" comprises the Group's internal audit function, which reports directly to the Audit Committee, and assurance and audit reviews by external auditors, specialist consultants and regulators.

APPROACH TO RISK MANAGEMENT

The management of each business is responsible for the identification, management and reporting of local risks, in accordance with the Group's risk management framework. The management of each business is also responsible for the maintenance of business risk registers and the implementation of mitigation plans.

Each business is required to maintain a risk register identifying their key risks. The risk registers include an analysis of the likelihood and impact of each risk, before and after mitigation actions are taken to manage the risk, together with details of the mitigation plans and progress against them. Each risk is allocated an owner, who has responsibility for managing the risk.

The business risk registers are updated locally on a quarterly basis and are reviewed in detail by the Group Chief Executive, the US President, the Chief Financial Officer and other members of the Executive Committee at quarterly business review meetings with each of the businesses. The US Risk Management Committee also reviews the risk registers for the US businesses, considers US corporate-level risks and maintains a consolidated US risk register.

The Risk Management Committee meets quarterly and, utilising the input from the business risk registers and the US risk register, identifies those principal risks which are material to the Group as a whole. The Risk Management Committee also considers corporate-level risks and emerging risks, as referenced below. These risks are collated on the Group risk register, together with details of the applicable mitigation plans and risk owners.

KEY ROLES AND RESPONSIBILITIES FOR THE GROUP'S RISK MANAGEMENT STRATEGY

BUSINESS MANAGEMENT

- Responsible for the implementation of the Group's risk management framework at the operational level
- Maintain business unit risk registers and provide input to the Risk Management Committee
- Responsible for compliance with internal controls

RISK MANAGEMENT COMMITTEE

- Oversees the implementation of the Group's risk management framework
- Monitors compliance with the Group's internal control systems
- Maintains the Group risk register

AUDIT COMMITTEE

- Reviews the effectiveness of the Group's risk management framework and systems of internal control
- Oversees the effectiveness of the Group's internal audit arrangements

THE BOARD

- Overall responsibility for risk management
- Defines the Group's risk appetite

APPROACH TO RISK MANAGEMENT continued

The Group has implemented an Operational Framework, incorporating a broad range of policies and procedures which are required to be adopted by all businesses. An annual operational assurance process is a fundamental part of the Operational Framework and provides an assessment of compliance with the Operational Framework policies across the Group. The output of the operational assurance process provides additional visibility on risks across the Group and is utilised by the Risk Management Committee as a further input to the Group risk register. The operational assurance process also provides assurance to the Board that the Group's internal systems and controls are operating effectively.

The full Group risk register is reviewed by the Board on a half-yearly basis and key individual risks are reviewed at every Board meeting.

KEY AREAS OF FOCUS DURING THE YEAR

During the past year, we have continued to enhance our risk management systems, with specific focus in the following areas:

- Our HSE Management Framework has been updated and we have issued new Fundamental Safety Principles to all employees across the Group. We have continued to improve on the shared learning of findings from all significant incidents.
- We have further enhanced our HSE data collection and reporting through our EcoOnline system.
- Additional IT and cyber-security standards have been implemented, and we have partnered with industry-leading managed detection and response providers to monitor our systems and networks and respond to cyber threats on a 24/7 basis. Cyber incident response workshops have also been held.
- We have further improved our succession and talent management programmes to address increasing resource demands and constraints.
- We have made good progress on improving business continuity plans across the Group.
- Climate change risks have been considered as key risks to the future operation of the Group.
- Our internal audit programme has continued to incorporate thematic reviews in key risk areas.

PRINCIPAL RISKS

The current Group risk register comprises risks in seven key risk areas, covering health, safety and environment risks, strategic risks, financial risks, operational risks, people risks, legal and compliance risks, and reputational risks.

> DETAILS OF THE PRINCIPAL RISKS ARE SET OUT ON PAGES 69 TO 76

EMERGING RISKS

The current UK Corporate Governance Code requires the Board to undertake a robust assessment of the emerging risks that may impact the Group in the future. This requirement has been reflected in the Group's risk management processes and emerging risks are considered by the Risk Management Committee when compiling the Group risk register.

Emerging risks are identified through discussions with both external and internal subject matter experts and other stakeholders, including customers and regulators, and through horizon scanning of future developments in areas relevant to the Group's business operations.

Certain emerging risks relating to future technological, regulatory and macro-economic changes are reflected on the Group risk register and mitigation plans implemented accordingly. However, other emerging risks have also been identified, where we are still endeavouring to determine the potential impact on the Group.

RISK REVIEW

The Board carries out an annual review of the effectiveness of the Group's systems of internal control and risk management systems. As part of this review the Board considers:

- the operational and financial reports received from the executive management throughout the year;
- the Group risk register and the mitigation actions being taken to manage key risks;
- output from the operational assurance process; and
- internal audit reports and reports from the other assurance processes in place across the Group.

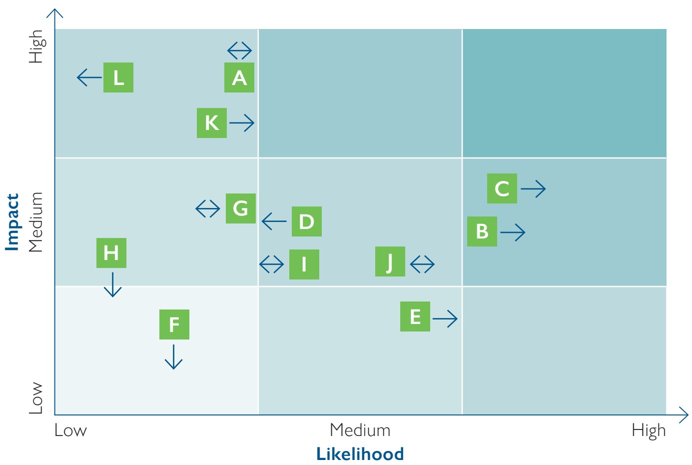
The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the business, and that robust systems of internal control and risk management were in place throughout the year under review and have remained in place up to the date of approval of these financial statements.

The Board acknowledges, however, that the internal control systems can only provide reasonable, not absolute, assurance against mismanagement or loss of the Group's assets. The Board therefore continues to take steps to embed internal control and risk management further into the operations of the Group, and to address any areas for potential improvement which come to the attention of management and the Board.

The Board carried out an assessment of the principal and emerging risks to which the Group is exposed as part of its half-yearly review of the Group risk register. The Board considered whether all applicable risks had been adequately captured in the Group risk register and whether the requisite progress had been made on the mitigation actions to address significant risks.

RISK HEAT MAP

The heat map below illustrates the relative inherent and residual positioning of our principal risks from an impact and likelihood perspective.



A Occupational and process safety
B Environmental laws and regulations
C Climate change
D Market
E Political
F Contracts
G Technology
H Financial
I Operational
J People
K Cyber-security
L Compliance and corruption

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT IN ACTION

As our businesses continue to evolve, so does the risk landscape in which they operate. The table below summarises the changes to the Group's principal risks and uncertainties during the year, identifies whether the trend in the risk profile from the Group's perspective increased, decreased or remained stable, and provides an indication of the future outlook.

CHANGE IN RISK PROFILE IN THE YEAR

- Increasing
- Stable
- Decreasing

	PRINCIPAL RISK/ UNCERTAINTY		WHAT HAS CHANGED AND THE FUTURE OUTLOOK
A	Occupational and process safety	Stable	Over the last few years, the level of reporting and investigation of process upset conditions has continued to improve, and we continue to take further actions to put in place mitigations to reduce the likelihood of occurrence of energetic events. In addition, we have strengthened our asset integrity programme and continue to drive improvements through the sharing of learnings from significant incidents. We also continue to invest in new automated production systems and improve process controls for our legacy operations. Our total recordable injury frequency rate increased slightly to 0.90 in 2023, compared to 0.78 in 2022, but, remained below our Group limit of 1.0. Most injuries were caused by slips, trips or falls, or were musculo-skeletal in nature. There were no injuries sustained from energetic ignitions during the year nor in the prior year. We hope to see further improvements in process safety in 2024 as we continue with our capital investment and asset integrity programmes.
B	Environmental laws and regulations	Increasing	Environmental risks continue to increase with the increased focus on climate change and the environmental impact of our businesses. As part of our ESG strategy, we have implemented a more centralised approach to the management of our environmental performance, recognising that minimising our environmental impact and addressing climate change-related risks is becoming increasingly important. We continue to improve our reporting capabilities to help us effectively monitor the environmental impact of our businesses and to identify priorities for investment and allocation of resources. The ESG Committee is responsible for oversight of the Group's ESG programmes and monitoring of progress against the Group's ESG-related strategic objectives. During 2023, a new Group Sustainability Lead was appointed to support various projects designed to help reduce the Group's carbon footprint. The sale or closure of several sites during recent years has reduced the Group's overall exposure to environmental risks. However, we retain a financial liability for environmental remediation of certain sites formerly owned by the Group, most notably those occupied by the divested munitions businesses in Belgium and Italy. The risks and mitigations associated with these exposures continue to be monitored and managed. Over the last year, there has been an increased level of focus by regulatory authorities in Europe and the US on the risks associated with pre- and polyfluoroalkyl substances ("PFAS") and the open burning of energetic waste. We continue to monitor developments in these areas and the potential implications for our manufacturing facilities.
C	Climate change	Increasing	We continue to review and monitor the climate change-related risks most likely to impact the Group's operations, further details of which are set out on pages 44 and 55. Climate change-related risks and the potential impact of changed weather patterns on our operations are identified as principal risks on the Group risk register and are monitored by the ESG Committee. At the business unit level, our businesses have in place local risk registers and business continuity plans, which help to identify and mitigate potential risks associated with flooding, storms, wildfires and changes to weather patterns. The businesses continue to review scenario planning as part of their business continuity plans to identify potential risks and the mitigations which might be put in place.
D	Market	Decreasing	Ongoing conflicts, particularly in Eastern Europe, continue to shape the threat environment, with a resurgence in demand for classical kinematic capabilities, alongside growing information advantage and intelligence requirements. However, economic pressures may continue to place defence spend under pressure.
E	Political	Increasing	Political tensions across the world continue to increase the risk of disruption in our non-NATO markets. We continue to focus our business development and sales and marketing activities on our home markets and their allied countries.
F	Contracts	Decreasing	The implementation of the Operational Framework has significantly increased our visibility on commercial and contracting practices across the Group, and is enabling us to manage contractual risk exposures more effectively.
G	Technology	Stable	Innovation is one of our core values and our technology-led development programmes continue to be a significant area of focus. In 2023, Roke continued to see strong growth in its R&D service activities. The Roke Futures business unit continues to focus on capturing opportunities for Roke's capabilities in the commercial sector. Chemring Sensors & Electronic Systems in the US continues to develop its innovative biological detection systems, which can identify threats more rapidly and cost effectively than existing solutions. We also continue to embrace technology to improve our operations and manufacturing processes.

RISK MANAGEMENT IN ACTION continued

CHANGE IN RISK PROFILE IN THE YEAR

- Increasing
- Stable
- Decreasing

	PRINCIPAL RISK/ UNCERTAINTY		WHAT HAS CHANGED AND THE FUTURE OUTLOOK
H	**Financial**	Decreasing	The Group's revolving credit facilities were extended to December 2026. Our bank covenant of net debt: EBITDA was 0.21 at the year end, well within the covenant limit of 3.0x. The businesses continued to face challenges associated with inflationary cost increases and higher energy prices during the year but on the whole, these were able to be managed. The risks associated with funding of the legacy UK defined benefit pension scheme continued to reduce during the year following the de-risking of the scheme's investment portfolio. At the year end, the scheme was £5.9m in surplus (on an IAS 19 basis). The triennial actuarial valuation of the scheme was carried out as at April 2021 and confirmed that the scheme was £3.8m in surplus at that date. Since the year end, the trustees of the scheme have secured a buy-in of the scheme's liabilities with an external insurance company.
I	**Operational**	Stable	We continue to invest in plant automation and modernisation of facilities across the Group in order to mitigate a range of operational and safety risks. We have also implemented a Group-wide asset integrity programme to improve the resilience of our operations. Operations commenced at our new automated countermeasures manufacturing facilities in Tennessee during the year. Significant new capital investment projects at our Energetics facilities in Scotland, Norway and the US were approved during the year. See pages 30 to 33 for more details.
J	**People**	Stable	Resourcing continues to present a challenge for a number of our businesses, particularly in parts of the US where buoyant demand in the employment market makes it more difficult to recruit and retain employees. We also continue to face shortages of engineers and skilled maintenance personnel. Salary inflation also continued to impact a number of our businesses during the year. A new Group HR Operating Model was deployed during the year and its effectiveness continues to be monitored. We also continued to make good progress on delivery of our development initiatives, with the first cohort of 75 employees having completed the Aspire@Chemring programme and over 140 employees having participated in our Early Careers Programme. We continue to focus on communications using a wide range of formal and informal challenges, both at the corporate level and within individual businesses. The deployment across the Group of Employee Voice continued to enable us to monitor employee sentiment and provides employees with an opportunity to give feedback on changes as they occur. The Group made further progress on meeting its gender diversity target during the year, with 32% of senior management positions now held by females.
K	**Cyber-security**	Increasing	Whilst we have an ongoing programme to address IT and cyber-security risks, the threats in this area are increasingly more sophisticated, relentless and adaptive. We continuously assess and evolve our cyber-security programme to detect and respond to threats and vulnerabilities. During the year, we determined that it would be appropriate to split the risk associated with cyber-security into two discrete risks - one associated with cyber-security compliance and the other relating to our cyber incident response preparedness, in order to help monitor mitigation actions for both risks more effectively. Further significant progress was made towards achieving compliance with the Chemring Cyber-Security Standard at a number of businesses during the year. The Group requires all businesses to implement a set of controls, based on cyber-security best practices, which are designed to promote good cyber hygiene and safeguard information.
L	**Compliance and corruption**	Decreasing	The Operational Framework and the associated operational assurance process continues to ensure that we effectively manage legal and compliance risks across the Group. Our Group-wide on-line compliance system, the Chemring Compliance Portal, is now fully embedded within the businesses. The portal hosts our Operational Framework policies and associated training material, and the system also helps to automate our anti-bribery processes. The strategic risks associated with compliance with our Special Security Agreement with the US Government remain stable.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties which could have a material impact on the Group's business model, strategy, future performance or reputation are set out below. The principal risks are identified by the Risk Management Committee based on the likelihood of occurrence and the potential impact on the Group as a whole.

HEALTH, SAFETY AND ENVIRONMENT RISKS

A. OCCUPATIONAL AND PROCESS SAFETY

Risk and potential impacts

The Group's operations involve energetic materials that by their nature have inherent safety risks.

- Incidents may occur which could result in harm to employees, the temporary shutdown of facilities or other disruption to manufacturing processes.
- The Group may be exposed to financial loss, regulatory action and potential liabilities for workplace injuries and fatalities.

Example key risk indicators:
- Total recordable injury frequency rate
- Number of process safety events
- Number of near miss reports

Mitigation actions/factors

- Safety reinforced as a core value.
- Continued emphasis on the "Journey to Zero Harm" and promotion of a culture which puts safety first and encourages employees to take personal responsibility for their actions.
- HSE Strategy and HSE Management System Framework Standard fully implemented within the businesses.
- Robust major accident hazard analysis process to identify, evaluate and mitigate significant process safety risks, adopted across the Group.
- New asset integrity standard adopted.
- New Group-wide standard on management of electro-static discharge hazards introduced.
- Incident investigation and crisis management standards adopted.
- Process established for Group-wide review of learnings from significant incidents.
- Technical Safety Committee established.
- Fundamental Safety Principles issued to all employees.
- "Spot It, Share It, Stop It" campaign instigated to increase focus on near miss identification and reporting.
- Continued programme of capital investment in older facilities to improve safety and reliability.

> SEE ALSO: HEALTH AND SAFETY ON PAGES 42 TO 43

Inherent risk: High
Risk appetite: Low
Trend: Stable

Link to strategy:
1. Capitalise on the growth in our niche markets with high barriers to entry
2. Grow our market-leading and sole source positions

Link to values:
- Safety
- Excellence
- Innovation

B. ENVIRONMENTAL LAWS AND REGULATIONS

Risk and potential impacts

The Group's operations and ownership or use of real property are subject to a number of federal, state and local environmental laws and regulations. At certain sites currently or formerly owned or operated by the Group, there is known or potential contamination for which there is, or may be, a requirement to remediate or provide resource restoration.

- The Group could incur substantial costs, including remediation costs, resource restoration costs, fines and penalties, or be exposed to third party property damage or personal injury claims, as a result of liabilities associated with past practices or violations of environmental laws or non-compliance with environmental permits.

Example key risk indicators:
- Carbon emissions
- Energy and water utilisation
- Volume of waste produced
- Number of environmental incidents

Mitigation actions/factors

- Monitoring programmes established at certain sites and appropriate financial provisions held.
- Environmental liability insurance procured for certain risks.
- Environmental consultants retained to manage indemnification obligations for legacy site remediations.
- ESG and Environmental Committees established.

> SEE ALSO: ENVIRONMENT ON PAGES 44 TO 47, AND TCFD REPORT ON PAGES 48 TO 55

Inherent risk: Medium
Risk appetite: Low
Trend: Increasing

Link to strategy:
1. Capitalise on the growth in our niche markets with high barriers to entry
2. Grow our market-leading and sole source positions

Link to values:
- Safety
- Excellence

HEALTH, SAFETY AND ENVIRONMENT RISKS continued

C. CLIMATE CHANGE

Risk and potential impacts

The Group's operations and delivery of our strategy could be impacted by climate change-related risks, including those associated with wildfires, severe weather events and new climate-related requirements in relation to the Group's manufacturing processes and products.

- Wildfires and severe weather events could result in harm to employees, the temporary shutdown of facilities or other disruption to manufacturing processes.
- The Group may be exposed to financial loss for business interruption and/or increased expenditure for adapting its production facilities and processes to address climate change-related risks.

Example key risk indicators:
- Wildfires
- Severe weather events
- New legislation

Mitigation actions/factors

- Additional measures have been implemented, such as cutting back grassland close to manufacturing operations, to mitigate the risk of wildfires.
- Drainage has been improved on certain sites to mitigate the impact of potential flooding events.
- Carbon reduction plans and other environmental performance targets have been established to reduce the Group's environmental impact.
- Close relationships are maintained with customers, which should provide early insight into new environmental requirements which are to be imposed by customers.

> SEE ALSO: ENVIRONMENT ON PAGES 44 TO 47, AND TCFD REPORT ON PAGES 48 TO 55

Inherent risk: Medium

Risk appetite: Low

Trend: Increasing

Link to strategy:
1 Capitalise on the growth in our niche markets with high barriers to entry
2 Grow our market-leading and sole source positions

Link to values:
Safety
Excellence
Innovation

STRATEGIC RISKS

D. MARKET

Risk and potential impacts

Defence spending depends on a complex mix of political considerations, budgetary constraints and the requirements of the armed forces to address specific threats and perform certain missions. Overall defence spending may therefore be subject to significant yearly fluctuations and there may also be downward pressure on defence budgets in certain key programme areas.

The Group's profits and cash flows are dependent, to a significant extent, on the timing of award of defence contracts. In general, the majority of the Group's contracts are of a relatively short duration and, with the exception of framework contracts with key customers, do not cover multi-year requirements.

- The Group's financial performance may be adversely impacted by lower defence spending by its major customers, either generally or in relation to certain programmes.
- Short-term trading and cash constraints may impact on the Group's ability to invest in longer-term technologies and capabilities.
- Unmitigated delays in the receipt of orders or cancellation of existing contracts could affect the Group's financial performance. If the Group's businesses are unable to continue trading profitably during periods of lower order intake, financial performance will deteriorate and assets may be impaired.

Example key risk indicators:
- Defence budget cuts
- Reductions in order intake
- Deterioration in profitability

Mitigation actions/factors

- Continual assessment of alignment of planned organic growth strategies and technology roadmaps against government priorities for future funding.
- Increased focus on the development of commercial products and services.
- Focus on organisational development to ensure the business is appropriately structured to meet current and future needs, and to provide resilience in difficult market conditions.
- Continued focus on order intake as a key performance indicator.
- Pursuit of long-term, multi-year contracts with major customers wherever possible.
- Global business development initiatives established in the Countermeasures and Sensors & Information segments.
- Increased collaboration between businesses across the Group on establishing shared routes to market.

> SEE ALSO: MARKET OVERVIEW ON PAGES 16 TO 17

Inherent risk: Medium

Risk appetite: Low to moderate

Trend: Decreasing

Link to strategy:
1 Capitalise on the growth in our niche markets with high barriers to entry
2 Grow our market-leading and sole source positions

Link to values:
Safety
Excellence
Innovation

E. POLITICAL

Risk and potential impacts	Mitigation actions/factors		
The Group is active in several countries that are suffering from political, social and economic instability. In addition, there is a significant risk of political unrest and changes in the political structure in certain non-NATO countries to which the Group currently sells. - The Group's business in certain countries may be adversely affected in a way that is material to the Group's financial position and the results of its operations. - Political changes could impact future defence expenditure strategy and the Group's ability to export products to certain countries. **Example key risk indicators:** - Political changes - Suspension/withdrawal of export licences - Trade embargoes - Reductions in order intake	- Relationships maintained at political level in key countries and with senior customer representatives. - Financing arrangements implemented, including letters of credit and advance payments, for contracts with high-risk customers. - Political risks insurance procured in certain circumstances. - Continued focus on the development of commercial business across the Group, particularly in key home territories. > SEE ALSO: MARKET OVERVIEW ON PAGES 16 TO 17	**Inherent risk:** Low **Risk appetite:** Low to moderate **Trend:** Increasing	**Link to strategy:** 1 Capitalise on the growth in our niche markets with high barriers to entry 2 Grow our market-leading and sole source positions **Link to values:** Excellence

F. CONTRACTS

Risk and potential impacts	Mitigation actions/factors		
The Group's government contracts may be terminated at any time and may contain other unfavourable provisions. The Group may need to commit resources in advance of contracts becoming fully effective, to ensure prompt fulfilment of orders or to enable conditions precedent to be met. - The Group may suffer financial loss if its contracts are terminated by customers, or a termination arising out of the Group's default may have an adverse effect on its ability to re-compete for future contracts and orders. - Unfavourable commercial contract terms may adversely impact the Group's working capital position, particularly if the receipt of payments by the Group is delayed. **Example key risk indicators:** - Number of contract claims/terminations - Increase in working capital - Delays in customer payments - Number of bonds or guarantees called	- The Commercial Policy within the Operational Framework requires central approval for certain contractual risk exposures. - Commercial and contract risk management training programme implemented. - Advance and stage payments negotiated with customers wherever possible, in order to improve working capital management.	**Inherent risk:** Low **Risk appetite:** Moderate **Trend:** Decreasing	**Link to strategy:** 1 Capitalise on the growth in our niche markets with high barriers to entry 2 Grow our market-leading and sole source positions **Link to values:** Excellence Innovation

G. TECHNOLOGY

Risk and potential impacts	Mitigation actions/factors		
The Group may fail to maintain its position on key future programmes due to issues with capability development, technology transfer or cost-effective manufacture. The Group needs to continually add new products to its current range, through innovation and continuing emphasis on research and development. New product development may be subject to delays, or may fail to achieve the requisite standards to satisfy volume manufacturing requirements and the production of products against high reliability and safety criteria to meet customer specifications. - Failure to obtain production contracts on major development programmes may significantly impact the future performance and value of individual businesses. - Failure to complete planned product development and upgrades successfully may have financial and reputational impacts, and may result in obsolescence or loss of future business. **Example key risk indicators:** - Reduction in R&D expenditure - Delays in R&D programmes - Delays in qualification of products - Loss of production contracts - Emergence of new competitors and disruptive technologies	- Close relationships maintained with customers on all key future programmes. - New Product Development Policy and procedures adopted, to align the approach to future technology investment across the Group. - Technology investments aligned with the five-year plan. - Working groups established to drive and co-ordinate technology growth in certain key areas within Countermeasures & Energetics and Sensors & Information.	**Inherent risk:** Medium **Risk appetite:** Moderate **Trend:** Stable	**Link to strategy:** 1 Capitalise on the growth in our niche markets with high barriers to entry 2 Grow our market-leading and sole source positions **Link to values:** Excellence Innovation

STRATEGIC RISKS continued

H. FINANCIAL

Risk and potential impacts	Mitigation actions/factors		
The Group is exposed to a range of financial risks, both externally driven, such as an unexpected movement in foreign exchange rates, and specific to the Group. Specific financial risks could arise out of a disruption to operations; failure to deliver strategic objectives, including planned investment; or customer-related events, including defaults on the payment of debts. As a result of a number of past events, the Group is exposed to a number of contingent liabilities which may or may not result in future cash outflows. (Further details are contained in note 33 of the Group financial statements.) - The Group may fail to comply with financing covenants and be unable to meet debt repayments, leading to withdrawal of funding or additional costs of maintaining funding. - Operational results may be impacted by unexpected financial losses or increased costs. Further details of the financial risks to which the Group is potentially exposed and details of mitigating factors are set out in the financial review and note 21 of the Group financial statements. **Example key risk indicators:** - Deterioration in bank covenants - Increase in net debt - Interest rate increases - Foreign exchange rate movements - Increase in bad debts - Increase in inflation	- Committed banking facilities in place to December 2026. - Regular monitoring of actual and forecast financing covenants. - Capital approval processes in place, requiring Board approval for significant projects. - Hedging policy applied for significant foreign transactions. - Energy bought forward in the UK and Norway to mitigate price volatilities. - Advance payments and letters of credit required from customers with a heightened payment risk. > SEE ALSO: FINANCIAL REVIEW ON PAGES 63 TO 66	**Inherent risk:** Low **Risk appetite:** Moderate **Trend:** Decreasing	**Link to strategy:** 1 Capitalise on the growth in our niche markets with high barriers to entry 2 Grow our market-leading and sole source positions **Link to values:** Safety Excellence

I. OPERATIONAL

Risk and potential impacts	Mitigation actions/factors		
The Group's manufacturing activities may be exposed to business continuity risks, arising from plant failures, supplier interruptions, quality issues or large scale employee absences. Planned new facility developments may be delayed as a result of operational issues. - Interruptions to production and sales could result in financial loss, reputational damage and loss of future business. - A delay in completing new manufacturing facilities could constrain capacity and limit future business growth. **Example key risk indicators:** - Number of process safety events - Reduction in right first time and on-time delivery rates - Increase in supplier-related delays - Increase in quality issues and customer complaints - Reduction in capital expenditure - Delays in commissioning of facilities	- Major accident hazard analysis process and upset condition management standard implemented across the Group. - Key performance indicators adopted, to provide better visibility on operational performance and to facilitate early identification of potential production and quality issues. - Advance purchases made of raw materials where potential supply chain constraints are identified. - Business continuity plans established across the Group. - Continued capital investment in legacy facilities to improve safety and reliability. - Asset integrity programme implemented. - Detailed plans developed for all significant capital investment projects, steering committee established and additional dedicated resource employed to oversee key projects. - Business interruption risks insured where appropriate. > SEE ALSO: GROUP CHIEF EXECUTIVE'S REVIEW ON PAGES 12 TO 15, AND HEALTH AND SAFETY ON PAGES 42 TO 43	**Inherent risk:** Medium **Risk appetite:** Low to moderate **Trend:** Stable	**Link to strategy:** 1 Capitalise on the growth in our niche markets with high barriers to entry 2 Grow our market-leading and sole source positions **Link to values:** Safety Excellence Innovation

J. PEOPLE

Risk and potential impacts

There is a risk that the market for talent in key areas of expertise becomes more challenging. Allied to this there is a risk of loss of key personnel.

As the shape of the Group's business changes and with an increased focus in high technology areas, the Group may fail to build and retain an appropriate skill base to facilitate successful competition in new markets and product areas.

Employees may not be fully-engaged with the Chemring journey, purpose, products, customers and values.

- Failure to recruit sufficient suitably qualified personnel in key areas of the business may result in the Group failing to achieve its future growth aspirations.
- Failure to build and retain key skills will lead to a reduction in the ability to innovate or to win and deliver new contracts.
- If key personnel are not fully engaged with the business purpose, values and products, and are not appropriately incentivised, the ability of the Group to retain them will be compromised. This could result in loss of management expertise and knowledge, and the Group's operations may suffer as a consequence.

Example key risk indicators:
- Diversity statistics
- Increase in employee turnover
- Number of unfilled vacancies
- Employee sentiment scores

Mitigation actions/factors

- Chemring values of Safety, Excellence and Innovation established.
- Development framework implemented across the Group, focusing on developing management and leadership skills and behaviours particularly amongst our line manager and supervisor population.
- Ongoing review of capability requirements against the business strategy.
- Increased focus on DE&I.
- Employee Voice real-time engagement tool deployed across the Group.
- Talent framework and succession planning process implemented.
- Incentive arrangements enhanced to encourage collaboration and create a Group focus at senior level.

> SEE ALSO: OUR PEOPLE ON PAGES 56 AND 60

Inherent risk: Medium

Risk appetite: Low to moderate

Trend: Stable

Link to strategy:
1. Capitalise on the growth in our niche markets with high barriers to entry
2. Grow our market-leading and sole source positions

Link to values:
- Safety
- Excellence
- Innovation

K. CYBER-SECURITY

Risk and potential impacts

Cyber-security and related risks are key emergent areas of critical importance for all businesses, particularly for those involved in the defence and security sector. Threats can emanate from a wide variety of sources and could target various systems for a wide range of purposes, making response particularly difficult.

The data and systems which need to be protected include customer-classified or sensitive information, commercially sensitive information, employee-related data and safety-critical manufacturing systems.

- The Group may suffer from critical systems failures, or its intellectual property, or that of its customers, may fall into the hands of third parties.
- In addition to business interruption and financial loss, the Group may suffer reputational damage, and its business of providing cyber-security services to customers may be irreparably damaged.

Example key risk indicators:
- Number of "phish" emails reported
- Number of system attacks and failures
- Decrease in system availability
- Decrease in confidence and integrity of data/information

Mitigation actions/factors

- Cyber risk assessments completed and action plans implemented to counter the Group's identified major risks.
- Security Committee established.
- Group-wide Cyber-Security Standard adopted based on the US NIST 800-171 standard and a number of cyber-security defence measures adopted, encompassing, as appropriate to the nature of the threat and sensitivity of data or systems being protected, hardware, software, system, process or people-based solutions.
- Where appropriate, government or commercial accreditation of networks and systems obtained in support of the overall cyber-security programme.
- IT and security systems review included within the internal audit programme.
- Cyber incident response workshops held.

Inherent risk: Medium

Risk appetite: Low

Trend: Increasing

Link to strategy:
1. Capitalise on the growth in our niche markets with high barriers to entry
2. Grow our market-leading and sole source positions

Link to values:
- Safety
- Excellence
- Innovation

LEGAL AND COMPLIANCE RISKS

L. COMPLIANCE AND CORRUPTION

Risk and potential impacts

The Group operates in over 50 countries worldwide, in a highly regulated environment, and is subject to the applicable laws and regulations of each of these jurisdictions. The Group must ensure that all of its businesses, its employees and third parties providing services on its behalf comply with all relevant legal and regulatory obligations. The nature of the Group's operations could also expose it to government and regulatory investigations relating to safety and the environment, import-export controls, money laundering, false accounting, and corruption or bribery.

The Group requires a significant number of permits, licences and approvals to operate its business, which may be subject to non-renewal or revocation.

- Non-compliance could result in administrative, civil or criminal liabilities, and could expose the Group to fines, penalties, suspension or debarment, and reputational damage.
- Loss of key operating permits and approvals could result in temporary or permanent site closures, and loss of business.

Example key risk indicators:
- Regulatory intervention and penalties
- Non-renewal/revocation of licences and permits
- Breaches of policies
- Non-completion of compliance training
- Increase in whistleblowing reports

Mitigation actions/factors

- ESG Committee oversees compliance across the Group.
- Operational Framework in place, mandating compliance with a range of policies and procedures covering a wide range of legal and regulatory requirements.
- Operational assurance process established as part of the Operational Framework.
- Central legal and compliance function assists and monitors all Group businesses, supported by dedicated internal legal resource in the US.
- Code of Conduct stipulates the standards of acceptable business conduct required from all employees and third parties acting on the Group's behalf.
- Updated Bribery Act Compliance Manual implemented, incorporating enhanced anti-bribery policies and procedures.
- Policy adopted to manage risks associated with sales to customers in higher risk territories.

> SEE ALSO: ETHICS AND BUSINESS CONDUCT ON PAGES 61 AND 62

Inherent risk: Medium

Risk appetite: Low

Trend: Decreasing

Link to strategy:

1 Capitalise on the growth in our niche markets with high barriers to entry

2 Grow our market-leading and sole source positions

Link to values:

Excellence

Innovation

VIABILITY STATEMENT AND GOING CONCERN

In accordance with the UK Corporate Governance Code, the Board is required to undertake an assessment of the long-term viability of the Group and going concern basis of accounting.

GOING CONCERN

The Group's business activities, key performance indicators, and principal risks and uncertainties are set out within the strategic report on pages 1 to 78.

The directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

KEY FINANCIAL METRICS

	2023	Covenant
Revolving credit facility and overdraft	**£158m**	
Undrawn committed borrowing facilities	**£143m**	
Leverage ratio	**0.21x**	Less than 3x
Interest cover ratio	**30x**	Greater than 4x

The revolving credit facility of £150m runs to December 2025, of which £130m has been extended to December 2026 with a "one-year" option to extend to December 2027 at the lenders' discretion. The $10m overdraft facility was increased to $20m in November 2023. The Group was in compliance with the covenants throughout the year.

ASSESSMENT OF NEAR-TERM PROSPECTS

As part of a regular assessment of the Group's working capital and financing position, the directors have prepared a detailed bottom-up two-year trading budget and cash flow forecast for the period through to October 2025. This has allowed the directors to assess going concern for a period of at least 12 months after the date of approval of the financial statements. This is in addition to the Group's longer-term strategic planning process. In assessing the forecast, the directors have considered:

- trading risks presented by the current economic conditions in the defence market, particularly in relation to government budgets and expenditure;
- the impact of macro-economic factors, particularly interest rates and foreign exchange rates;
- the status of the Group's existing financial arrangements and associated covenant requirements;
- progress made in developing and implementing cost reduction programmes and operational improvements;
- the availability of mitigating actions should business activities fall behind current expectations, including the deferral of discretionary overheads and restricting cash flows; and
- the long-term nature of the Group's business which, taken together with the Group's order book, provides a satisfactory level of confidence to the Board in respect of trading.

SENSITIVITY ANALYSIS

Additional detailed sensitivity analysis has been performed on the forecasts to consider the impact of severe, but plausible, reasonable worst case scenarios on the covenant requirements. These scenarios, which sensitised the forecasts for specific identified risks, modelled the reduction in anticipated levels of underlying EBITDA and the associated increase in net debt. These scenarios included significant delays to major contracts and considered the principal risks and uncertainties discussed in the strategic report. These sensitised scenarios show headroom on all covenant test dates for the foreseeable future.

CONFIRMATION OF GOING CONCERN

After consideration of the above, the directors have a reasonable expectation that the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

LONG-TERM VIABILITY

ASSESSMENT OF LONG-TERM PROSPECTS

The directors have assessed the Group's viability over the subsequent three financial years to October 2026 based on the above assessment, combined with the Group's strategic planning process, which gives greater certainty over the forecasting assumptions used. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet all its liabilities as they fall due up to October 2026.

The directors have chosen the subsequent three financial years as the period to assess viability to reflect the characteristics of the Group's end markets and their contracting arrangements. These range from multi-year contracts such as the US Programs of Record to shorter-term orders, such as those awarded to Roke.

PRINCIPAL RISKS

In considering our viability statement we have considered the principal risks and uncertainties discussed in the strategic report and assessed the impact. Those risks with the most significant potential financial impact included occupational and process safety risks, operational risks and environmental laws and regulations risks.

SENSITIVITY ANALYSIS

Sensitivity analyses were run to model the financial and operational impact of plausible downside scenarios of these risk events occurring individually or in combination. These included the impacts of a further deterioration in the macro-economic environment including future government policy and spending, underperformance in executing the Group's strategy, failure to achieve operational improvement and material movements in foreign exchange rates.

Consideration was also given to the plausibility of the occurrence of other individual events that in their own right could have a material impact on the Group's viability.

CONFIRMATION OF VIABILITY

Based on the consolidated financial impact of the sensitivity analyses and associated mitigating internal controls and risk management actions that are either now in place or could be implemented, the Board has been able to conclude that the Group will be able to maintain sufficient bank facilities to meet its funding needs over the three-year period and the Group's forecasts show compliance with covenants under the revolving credit facility.

This section of the strategic report constitutes the Group's non-financial and sustainability information statement and addresses the requirements of sections 414CA and 414CB of the Companies Act 2006. The non-financial information is included within the various other sections of the strategic report and is cross-referenced below.

Our Code of Conduct provides direction to our employees on the standards of behaviour and business conduct which we expect from them. It sits alongside our Operational Framework, which incorporates a wide range of policies and procedures to enable our businesses to comply with their legal obligations and to operate in a safe, consistent and accountable way.

> OUR CODE OF CONDUCT AND OUR KEY PUBLIC POLICIES ARE AVAILABLE AT WWW.CHEMRING.COM.

Reporting requirement	Relevant policies which govern our approach	Where to read more	Page
Environmental matters	- Group health, safety and environmental policy	- Introduction to sustainability	38
		- Environment	44
		- TCFD report	48
Employees	- People policy	- Stakeholder engagement	34
	- Group health, safety and environmental policy	- Our people	56
	- Directors' remuneration policy	- Health and safety	42
	- Whistleblowing policy	- Ethics and business conduct	61
	- Code of Conduct	- Directors' remuneration report	100
Social and community matters	- Community investment policy	- Our people	56
	- Code of Conduct	- Ethics and business conduct	61
Respect for human rights	- Modern Slavery Act Statement	- Our people	56
	- People policy	- Ethics and business conduct	61
	- Supplier Code of Conduct		
	- Code of Conduct		
Anti-bribery and corruption	- Anti-corruption policy	- Ethics and business conduct	61
	- Bribery Act Compliance Manual		
	- Policy on sales to customers located in higher-risk territories		
	- Offset policy		
	- Code of Conduct		
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		- Investment case	10
		- Business model	24
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GOVERNANCE

IN THIS SECTION:

MAINTAINING A ROBUST GOVERNANCE FRAMEWORK

Carl-Peter Forster
Chairman

"Our Operational Framework and our Code of Conduct promote a set of policies, practices and behaviours which are fully aligned with Chemring's purpose, values, vision and strategy."

The Board is committed to upholding high standards of corporate governance, protecting and growing shareholder value, and engaging in a fair and transparent manner with all of the Group's stakeholders.

On behalf of the Board, I am pleased to present the governance report for the year ended 31 October 2023. The report explains how the Board operates and how corporate governance is addressed in Chemring. The report comprises the following:

UK CORPORATE GOVERNANCE CODE

In the year under review, Chemring was subject to the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council (the "Code") and the governance report sets out how we have complied with the Code.

PURPOSE, VALUES AND CULTURE

The Board recognises its role in establishing the purpose and values of the Group, and embedding these throughout the organisation.

Our purpose at Chemring is to help make the world a safer place - an endeavour which has continued to have been validated over the past year. Across physical and digital environments, our businesses and our employees deliver innovative protective technologies to detect and defeat ever-changing threats. Our purpose and our core values of Safety, Excellence and Innovation form the foundation for our strategy, our business and our organisation. Examples of how we are living our values can be found on pages 6 and 7.

Our Code of Conduct reflects our purpose and our values, and sets out the standards of behaviour and business conduct we expect of all Chemring employees and all third parties acting on our behalf. It also reinforces the culture the Board embraces within Chemring of always doing the right thing and taking personal responsibility for our actions. We firmly believe that promoting a Chemring culture which embraces responsible behaviour will contribute to the long-term success of the business and will benefit all of our stakeholders. The Code of Conduct was updated and reissued to all employees during late 2021, and was supplemented with ongoing scenario-based training during the year.

GOVERNANCE AND OPERATIONAL FRAMEWORK

Our Operational Framework provides an enhanced governance framework to enable us to operate in a safe, consistent and accountable way. Together with our Code of Conduct, the Operational Framework promotes a set of policies, practices and behaviours which are fully aligned with Chemring's purpose, values, vision and strategy.

The Ethics & Compliance Committee which was previously constituted by the Board was merged with the established Sustainability Committee during the year to form an ESG Committee, which is chaired by the Group Chief Executive. Alongside its responsibilities for the oversight of our environmental and social policies across the Group, the ESG Committee also maintains oversight of our ethical business conduct and compliance arrangements, and its activities reinforce the importance of responsible behaviour at all levels of the organisation. The ESG Committee reports to the Board on a regular basis. Further details of the ESG Committee's activities during the year can be found on page 61.

STRATEGY

The delivery and further evolution of the Group's strategy, which is articulated in my statement on page 8 and in the strategy section on pages 18 to 19, continues to be one of the principal areas of focus for the Board. In addition to our annual review of the updated Group strategy and five-year plan, which is completed in July each year, the Board addressed specific strategic topics in a number of our meetings during the year. This regular drumbeat of strategic discussions greatly enhances the Board's understanding of the potential opportunities available to our businesses and ensures that the requisite resources are allocated to the realisation and optimisation of these opportunities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Board clearly recognises that long-term value creation can only be delivered through safe, sustainable and responsible business operations. As referred to above, the Board has established an ESG Committee, which is chaired by the Group Chief Executive, to oversee the delivery of our ESG strategy. ESG-related objectives are now widely reflected in the incentive arrangements for our leadership teams and performance against agreed ESG targets is monitored by the Board at every meeting. Further details on our ESG-related activities and the further progress made in the year can be found in the sustainability section on pages 38 to 41.

BOARD APPOINTMENTS AND DIVERSITY

In January 2023, Andrew Lewis, who has served as Chief Financial Officer since January 2017, announced that he intended to retire on completion of his 12 months' notice period. A search process for his replacement was duly initiated, culminating in the announcement in May 2023 of the selection of James Mortensen as our new Chief Financial Officer. Details of the search process undertaken are set out on page 98. James joined the Board with effect from 1 November 2023 and will replace Andrew as Chief Financial Officer with effect from 1 January 2024. Andrew will step down from the Board on 31 December 2023 and will leave the Group on 19 January 2024. On behalf of the Board, I convey our thanks to Andrew for his contribution to the success of the Group over the past six years and wish him well in his retirement.

In acknowledgement of the benefits associated with having a diverse range of skills, experience and backgrounds amongst members of the Board, the Nomination Committee agreed last year that it would be beneficial to appoint an additional non-executive director in order to further improve diversity on the Board. A search process was instigated, further details of which are set out in the Nomination Committee report on pages 98 to 99, following which Alpna Amar was appointed as an independent non-executive director on 13 June 2023. Alpna brings with her considerable experience of corporate strategy and finance accumulated across a range of consulting and corporate roles, and is already making a valuable contribution to the Board.

The Board is fully cognisant of each of the diversity targets set out in the updated Listing Rules which applied to the Group for the first time in the year under review. Andrew Davies will step down as the Senior Independent Director on the termination of his third three-year term as a non-executive director in early 2025 and it has been agreed that Fiona MacAulay will be appointed as the Senior Independent Director thereafter. The Board will then fully meet the diversity targets. I will also complete my third three-year term as Chairman in early 2025 and due regard will be given to the targets when considering my replacement.

STAKEHOLDER ENGAGEMENT

In recognition of the requirement under the Code for the Board to establish a mechanism for engaging directly with our employees, Laurie Bowen is designated as the non-executive director with responsibility for employee engagement on behalf of the Board. Laurie held a number of meetings with employees at all levels of the organisation at three of our businesses during the year, at which she shared with employees a perspective on the Board's priorities and provided an opportunity for them to ask questions of her. Further details are provided later in the report. Feedback from these meetings has continued to be generally positive, with employees welcoming the opportunity to meet with a non-executive member of the Board and to be able to provide honest feedback to a senior member of the organisation outside of their direct line management. Insights from these interactions, which are reported to the Board following the engagement sessions, continue to provide valuable input to the Board's deliberations.

We fully recognise our obligation to engage with and consider the impact of the Board's decisions on all of our stakeholders. Further details on our approach can be found on pages 34 to 37 and later in this report.

BOARD EFFECTIVENESS

The Board as a whole visited our sites in Scotland and Norway during the year, recognising the growing importance of the Energetics businesses in the Group's growth strategy. The Board also undertook its annual visit to Roke.

The Board continues to foster the strong relationship established with our US Board in recent years and the President of the US Board joined several of our Board meetings in the UK. The Group Chief Executive and I also met with the US Board in November this year to mark the retirement of the Chairman of the US Board, who had served the Group for over six years, and to welcome his successor.

These engagement activities are very beneficial to aiding the Board's understanding of both the challenges and opportunities within our businesses, and we will continue with our scheduled programme of site visits in 2024.

BOARD EVALUATION

In accordance with the recommendations of the Code, the Board performance evaluation was externally facilitated this year. Gould Consulting were engaged to facilitate the evaluation, further details of which are set out on page 92.

Carl-Peter Forster
Chairman
12 December 2023

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

In the year under review, the Company was required to apply the main and supporting principles of good governance set out in the UK Corporate Governance Code issued in 2018 by the Financial Reporting Council (the "Code"). The Company was in compliance with the provisions of the Code throughout the year ended 31 October 2023.

Further details on how the Company applied the principles of the Code during the year can be found as follows:

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EXPERIENCED LEADERSHIP

CHAIRMAN

CARL-PETER FORSTER

N R

Non-Executive Chairman

BOARD LENGTH OF SERVICE
(as at 12 December 2023):
7 years, 7 months

EXPERIENCE:
- Board experience at Chairman and Chief Executive level
- Extensive international experience within the industrial goods and engineering sectors
- Expertise in operational excellence and lean manufacturing

Carl-Peter Forster joined the Group as an independent non-executive director and Chairman-designate on 1 May 2016, and was appointed Chairman of the Board on 1 July 2016.

Carl-Peter formerly held senior leadership positions in some of the world's largest automotive manufacturers, including BMW, General Motors and Tata Motors (including Jaguar Land Rover).

Carl-Peter is currently the Chairman of Vesuvius plc* and the Senior Independent Director at Babcock International Group PLC*. He is also Chairman of StoreDot and a member of the Boards of The Mobility House AG, Kinexon GmbH, Envisics Ltd and Gordon Murray Group Ltd. He was previously a non-executive director of IMI plc and Rexam PLC, Rolls-Royce plc and Cosworth Ltd, and Chairman of the Hella KGaA Shareholder Committee, The London Electric Vehicle Company Ltd and Friedola Tech GmbH, and a member of the Boards of Volvo Cars Corporation and Geely Automobile Holdings.

EXECUTIVE DIRECTORS

MICHAEL ORD

Group Chief Executive

BOARD LENGTH OF SERVICE
(as at 12 December 2023):
5 years, 6 months

EXPERIENCE:
- Extensive senior management experience in the defence sector
- International experience in both service and manufacturing industries

Michael Ord was appointed to the Board on 1 June 2018 and appointed as Group Chief Executive on 1 July 2018.

Michael is currently a non-executive director of TT Electronics plc*.

Michael formerly held a number of senior management roles with BAE Systems including Managing Director of their Naval Ships and F-35 Joint Strike Fighter businesses. Prior to his 1996 move to industry, Michael had a successful career in the Royal Navy serving for 12 years in a number of engineering management roles.

An Aeronautical Systems Engineering graduate and a Chartered Engineer, Michael has also completed post-graduate management studies at Manchester Business School and is a graduate of Harvard Business School's Advanced Management Programme. He is a member of the Royal Aeronautical Society. He previously served as a trustee of The Education and Training Foundation.

ANDREW LEWIS

Chief Financial Officer
(to 31 December 2023)

BOARD LENGTH OF SERVICE
(as at 12 December 2023):
6 years, 11 months

EXPERIENCE:
- Extensive international experience in the defence sector
- Board experience at Finance Director level
- Chartered Accountant

Andrew Lewis joined the Group on 9 January 2017 and was appointed to the Board as Chief Financial Officer on 19 January 2017. Andrew will retire as Chief Financial Officer and will step down from the Board on 31 December 2023.

Andrew spent eight years as Group Finance Director of Avon Rubber p.l.c., where he also performed the Interim CEO role during 2015, following the retirement of the previous CEO.

Prior to joining Avon, Andrew was Group Financial Controller of Rotork plc and before that he was a Director at PricewaterhouseCoopers in Bristol and New Zealand.

JAMES MORTENSEN

Chief Financial Officer
(with effect from 1 January 2024)

BOARD LENGTH OF SERVICE
(as at 12 December 2023):
0 years, 1 month

EXPERIENCE:
- Extensive senior management experience in international technology and manufacturing businesses
- Strategy and M&A experience
- Chartered Accountant

James Mortensen was appointed to the Board on 1 November 2023 and will be appointed as Chief Financial Officer on 1 January 2024.

Prior to joining the Group, James was Group Head of Corporate Development at Smiths Group plc and was Chief Financial Officer of Smiths Medical Division from 2020 to 2022.

Prior to joining Smiths, James spent eight years at Smith & Nephew plc, where he held various senior finance roles. James started his career in KPMG's audit practice.

SARAH ELLARD

Group Legal Director & Company Secretary

BOARD LENGTH OF SERVICE
(as at 12 December 2023):
12 years, 3 months

EXPERIENCE:
- Legal, compliance and governance expertise
- Chartered Secretary

Sarah Ellard was appointed as Group Legal Director on 7 October 2011, having been Group Company Secretary since 1998.

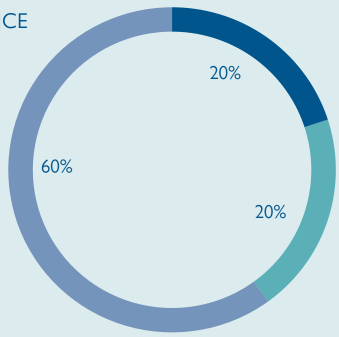
Prior to joining the Group, Sarah trained and worked at Ernst & Young LLP. She is a Fellow of the Chartered Governance Institute.

COMMITTEE MEMBERSHIP

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Denotes Chair

LENGTH OF SERVICE

- 0–2 years (2)
- 3–4 years (2)
- 5+ years (6)



* Designates a current public company appointment.

NON-EXECUTIVE DIRECTORS

ALPNA AMAR

A N

Non-Executive Director

BOARD LENGTH OF SERVICE

(as at 12 December 2023):
0 years, 6 months

EXPERIENCE:

- International experience within the automotive and construction sectors
- Chartered Accountant

Alpna Amar was appointed as an independent non-executive director on 13 June 2023.

Alpna is currently Corporate Development Director of Kier Group plc and is a member of Kier Group's Executive Committee. She has a wealth of corporate, operational and commercial finance, strategy, M&A and investor relations experience in both corporate and consulting positions.

Prior to joining Kier Group, Alpna held senior investor relations and corporate development roles at global automotive suppliers, TI Fluid Systems plc and International Automotive Components Group SA.

LAURIE BOWEN

A N R

Non-Executive Director

BOARD LENGTH OF SERVICE

(as at 12 December 2023):
4 years, 5 months

EXPERIENCE:

- Board experience at Chief Executive level
- International experience in the technology sector

Laurie Bowen was appointed as an independent non-executive director on 1 August 2019 and was appointed as Chairman of the Remuneration Committee on 4 March 2020. She is a non-executive director of Ricardo plc* and also serves as a non-executive director of SBA Communications Corporation*.

Laurie has over 30 years of leadership experience at large multinational telecommunications and technology companies including Cable & Wireless Communications plc, Tata Communications, BT Group plc and IBM. Most recently she was Chief Executive of Telecom Italia Sparkle in the Americas, a subsidiary of the international wholesale arm of Telecom Italia.

Laurie was previously a non-executive director at customer experience technology provider Transcom Worldwide AB.

ANDREW DAVIES

A N R

Senior Independent Non-Executive Director

BOARD LENGTH OF SERVICE

(as at 12 December 2023):
7 years, 7 months

EXPERIENCE:

- Board experience at Chief Executive level
- Extensive knowledge of the international defence industry

Andrew Davies was appointed as an independent non-executive director on 17 May 2016 and was appointed as Senior Independent Director on 1 May 2020. He also served as Chairman of the Remuneration Committee until 4 March 2020.

Andrew is currently Chief Executive of Kier Group PLC*. He has a wealth of relevant sector experience, having served in senior operational and strategic roles at executive committee level at BAE Systems plc for more than 14 years. He was formerly Chief Executive of Wates Group Ltd.

STEPHEN KING

A N R

Non-Executive Director

BOARD LENGTH OF SERVICE

(as at 12 December 2023):
5 years, 1 month

EXPERIENCE:

- Executive and non-executive board experience in public and private companies
- Chartered Accountant

Stephen King was appointed as an independent non-executive director on 1 December 2018 and as Chairman of the Audit Committee on 1 August 2019.

Stephen has a wealth of senior level experience within the industrial, engineering and manufacturing sectors, including a number of executive and non-executive roles. Stephen retired as Group Finance Director of Caledonia Investments plc in 2018. He was previously a non-executive director and Chairman of the Audit Committee at Signature Aviation plc and The Weir Group plc, and a non-executive director and Senior Independent Director at TT Electronics plc.

Stephen was Finance Director at De La Rue plc from 2003 to 2009, and prior to that at Midlands Electricity plc. A Chartered Accountant, Stephen has also held senior financial positions at Lucas Industries plc and Seeboard plc, and was a non-executive director of Camelot plc.

FIONA MACAULAY

A N R

Non-Executive Director

BOARD LENGTH OF SERVICE

(as at 12 December 2023):
3 years, 6 months

EXPERIENCE:

- Board experience at Chief Executive level and in non-executive positions
- International and operational experience in high-hazard industries

Fiona MacAulay was appointed as a non-executive director on 3 June 2020. She is also a non-executive director of Ferrexpo plc*, Costain Group PLC*, Dowlais Group plc* and EPI Group Ltd. She was previously Chair of IOG plc and a non-executive director of Coro Energy Plc.

Fiona previously held a number of senior operational roles within the oil and gas sector, including a two-year appointment as Chief Executive of Echo Energy plc in 2017.

BOARD LEADERSHIP AND COMPANY PURPOSE

PURPOSE

Chemring's purpose is to help make the world a safer place. Across physical and digital environments, our exceptional teams deliver innovative protective technologies to detect and defeat ever-changing threats.

> FURTHER DETAILS ON OUR PURPOSE AND HOW IT LINKS TO OUR STRATEGY AND VALUES CAN BE FOUND ON PAGES 6 TO 7

CULTURE AND VALUES

The Board is responsible for ensuring that the Company's culture is aligned with its purpose, values and strategy. We are committed to creating an inclusive culture across Chemring, where everyone does the right thing and takes personal responsibility for their actions. This culture is promoted through leadership and a strong "tone from the top" and is embedded in our Code of Conduct and our Operational Framework, both of which bind our purpose, values, behaviour, policies and procedures, and provide the necessary governance to enable us to operate in a safe, consistent and accountable way.

The Chairman is responsible for ensuring that the Board demonstrates commitment to our values and culture by operating appropriately and taking the right actions on behalf of shareholders and other stakeholders. The Group Chief Executive, supported by the Executive Committee and the business unit leadership teams, is responsible for ensuring that our values and culture are fully embedded within all aspects of our operations.

> FURTHER DETAILS ON HOW OUR VALUES DRIVE BEHAVIOURS ARE SET OUT ON PAGES 24 AND 25

GOVERNANCE FRAMEWORK

The Board is responsible for ensuring leadership of the Group through effective oversight and review, with the aim of delivering the long-term sustainable success of the business. The Board discharges some of its responsibilities directly in accordance with the formal schedule of matters reserved to it for approval, and discharges others through Board committees and the executive management.

The key responsibilities of the Board, its committees and the executive management are set out alongside.

The terms of reference of the Board committees are published on the Company's website:

WWW.CHEMRING.COM/INVESTORS/CORPORATE-GOVERNANCE

THE BOARD

Responsible for promoting the long-term sustainable success of the Group; directing its purpose, values and strategy; oversight of financial and organisational control; ensuring that the Group's businesses have appropriate and effective internal control and risk management systems; and ensuring effective engagement with stakeholders.

AUDIT COMMITTEE

Monitors the integrity of the financial statements, and the effectiveness of the external and internal audit processes.

> SEE PAGE 94 AUDIT COMMITTEE REPORT

NOMINATION COMMITTEE

Evaluates the size, structure and composition of the Board, and oversees Board appointments.

> SEE PAGE 98 NOMINATION COMMITTEE REPORT

REMUNERATION COMMITTEE

Sets and reviews the directors' remuneration policy, and oversees remuneration arrangements for the senior leadership.

> SEE PAGE 100 DIRECTORS' REMUNERATION REPORT

THE CHIEF EXECUTIVE

Responsible for the leadership and day-to-day management of the business, and development and implementation of the Group's strategy.

EXECUTIVE COMMITTEE

Assists the Group Chief Executive with oversight of the delivery of the Group's strategy; monitoring of the operational and financial performance of the businesses; allocation of resources across the Group; management of risk; and implementation of the Group's Operational Framework and governance policies.

The Group Chief Executive chairs the Executive Committee, which meets bi-monthly. The members of the Committee are the executive directors, the President and the Chief Financial Officer of the Group's US operations, the Group HSE Director, the Group Strategy and Corporate Development Director and the Group Director of Corporate Affairs. Full details of the Executive Committee members can be found on the Group's website:

WWW.CHEMRING.COM

RISK MANAGEMENT COMMITTEE

Oversees the implementation of the risk management policy and framework; identifies the principal risks to which the Group is exposed; monitors risk mitigation plans; and maintains the Group risk register.

> SEE PAGE 67 RISK MANAGEMENT

ESG COMMITTEE

Oversees the implementation of the Group's ESG strategy; monitors progress against agreed ESG targets; and identifies further ESG-related objectives.

> SEE PAGES 38 TO 41 INTRODUCTION TO SUSTAINABILITY AND ETHICS AND BUSINESS CONDUCT

HOW THE BOARD ESTABLISHES AND MONITORS CULTURE

ESTABLISHMENT OF CULTURE		MONITORING OF CULTURE
SAFETY	- HSE Policy, Management System Framework and strategy - Focus on "Journey to Zero Harm" and drive towards a proactive safety culture - Fundamental Safety Principles - "Spot It, Stop It, Share It" campaign - Technical Safety Committee	- Monthly reporting to the Board on safety performance against key performance indicators, including near miss reporting rates - The Board receives regular updates from the Group HSE Director on progress against the HSE strategy, significant incidents and near misses, and key findings of our HSE assurance processes - The Board is briefed by independent external consultants on their periodic review of the Group's progress on embedding a proactive safety culture
EMPLOYEES	- Code of Conduct - Monthly video-blog by the Group Chief Executive and Group-wide communication programme - Diversity, equity and inclusion policy and initiatives - Employee development programmes - ESG Committee and inclusion of ESG objectives in short and long-term incentive arrangements	- Laurie Bowen, the non-executive director charged with employee engagement on behalf of the Board, provides regular feedback on her discussions with employees at all levels of the organisation - The Board receives regular updates on employment sentiment across the Group measured through our real-time engagement tool, Employee Voice, and undertakes periodic culture "check-ins" facilitated by an external consultant - Reporting to the Board on progress against established ESG targets - Board site visits
GOVERNANCE AND BUSINESS CONDUCT	- Code of Conduct - Operational Framework and operational assurance process - ESG Committee and inclusion of governance-related objectives in short-term incentive arrangements - Chemring Compliance Portal - Mandatory training programmes - Whistleblowing policy and procedures	- The ESG Committee monitors ethical business conduct and implementation of the Group's compliance framework, and makes recommendations to the Board on areas for future improvements - The Group Legal Director reports to the Board on a monthly basis on governance and compliance matters - Review of compliance with key policies under the Operational Framework is included within the internal audit programme - The Group has a formal whistleblowing policy and procedures, and the Board is provided with an overview of whistleblowing reports received, related investigation findings and any remedial actions taken
INTERNAL CONTROL AND RISK MANAGEMENT	- Operational Framework and operational assurance process - Group Finance Manual and internal control framework - Risk Management Committee - Risk Management Policy and Framework - Internal audit programme	- The Audit Committee reviews internal audit reports produced by our internal audit function and subject matter expert external consultants, and the Board considers any significant issues arising therefrom and any improvements required to our internal control systems - The Board reviews the Group's risk register on a regular basis and has high-level oversight of mitigation plans implemented for key risks - Operational assurance statements are required to be submitted by the businesses on an annual basis

BOARD LEADERSHIP AND COMPANY PURPOSE continued

BOARD ACTIVITIES IN 2023

LEADERSHIP

- Reviewed the company's purpose, vision and values
- Visited businesses in the UK and Norway
- Monitored culture through feedback on employee sentiment measured through "Employee Voice"
- Approved new appointments to the Board
- Completed the annual Board performance evaluation

STRATEGY

- Approved the updated five-year plan and strategy for the Group
- Engaged in reviews of organic and inorganic growth opportunities across the Group
- Reviewed potential acquisition targets for Roke and Chemring Energetic Devices
- Considered the implications for the Group of changes to the US Department of Defense's budget funding priorities and the reshaping of other key defence markets
- Reviewed the UK Government's Integrated Review Refresh 2023 and the Defence Command Paper subsequently published by the UK MOD, and assessed the potential opportunities for the Group's UK businesses
- Reviewed priorities for capital and operational investment and approved key investment programmes

FINANCIAL

- Monitored performance of the businesses against the 2023 budget
- Approved the 2024/2025 budgets
- Approved the half year results, and the annual report and accounts
- Approved an extension to the Group's revolving credit facilities
- Reviewed the Group's capital allocation policy and approved a share buyback programme
- Approved the proposed buyout of the legacy UK defined benefit pension scheme
- Approved the interim dividend and made a recommendation for the final dividend

HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY

- Monitored health, safety and environmental key performance indicators on a monthly basis
- Received briefings on significant incidents and high-potential near misses
- Agreed and reviewed progress against key health, safety and environmental objectives
- Received an update from external consultants on the development of the safety culture across the Group
- Received regular updates from the ESG Committee
- Approved the Group's approach to TCFD reporting and the management of climate change risks
- Approved the Sustainability Report

PEOPLE AND CULTURE

- Received regular reports from the Remuneration Committee
- Considered feedback from Laurie Bowen, the non-executive director designated to engage with employees on the Board's behalf, on issues raised with Mrs Bowen by employees
- Reviewed the Group's talent framework, development programmes and succession plans
- Reviewed the Group's diversity, equity and inclusion policy and strategy
- Received feedback on employee sentiment across the Group

GOVERNANCE, RISK AND REGULATORY

- Reviewed the Group's risk register, and completed the annual assessment of the Group's internal control and risk management systems
- Received regular updates from the Audit Committee and the ESG Committee
- Received updates on key legal issues and regulatory matters impacting the Group
- Reviewed the Group's cyber-security arrangements
- Received regular updates on significant whistleblowing reports
- Reviewed the Company's compliance with the Code
- Reviewed and updated the Schedule of Matters Reserved for the Board and associated delegated levels of authority
- Approved the Group's Modern Slavery Act statement for 2023

SHAREHOLDERS

- Reviewed feedback from the results presentations and institutional investor meetings
- Received updates from brokers and other advisers and the Group Director of Corporate Affairs on current shareholder views on the Group
- Participated in a wide range of engagement meetings with current and potential new shareholders

HOW THE BOARD CONSIDERS STAKEHOLDERS IN ITS DECISION MAKING

Section 172 (1) of the Companies Act 2006 requires the directors to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, section 172 requires the directors to have regard, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The statement of compliance with section 172 is set out on pages 34 to 37, together with details of how the Board engages with stakeholders and how the Board monitors stakeholder interests. Set out below are some specific examples of how the Board considered stakeholders in their decision making during the year.

STRATEGY DEVELOPMENT

- The Board continued to receive detailed briefings on the changing market dynamics in key defence markets, with particular focus on the shift in funding priorities in the US in preparation for a peer-to-peer conflict, and the implications for the Group's future strategy. The Board also reviewed the UK Government's Integrated Review Refresh 2023 and the Defence Command Paper subsequently published by the UK MOD, and considered how the identified requirements aligned with the strategic objectives of the Group's UK businesses.
- The Board receives updates from the Group Chief Executive on his regular interactions with the UK MOD and from the President of the US operations on his interactions with key US customers. In addition, the Board receives regular feedback from the businesses on the emerging technology requirements of their principal customers and future budget allocations. These inputs are all reflected in the development of strategy, and decisions regarding investment in operational capabilities and research and development.
- In developing the Group's strategy, the Board continues to recognise the need for investment in people, processes and products to ensure that the businesses can operate safely for the benefit of all stakeholders, and allocates resources accordingly.
- The Board also considers feedback from shareholders when reviewing strategy, particularly with regards to capital allocation and future growth plans.

OPERATIONAL INVESTMENT IN ROKE

- A significant level of operational investment continues to be allocated to Roke, including a further investment in The Roke Academy to attract new talent and create a centre of excellence for learning and development. The business has also invested in its infrastructure, including new offices in Woking and Gloucester, which can together accommodate over 250 staff, and in the value proposition for its existing workforce. In approving this investment, the Board considered how it would contribute to the longer-term success of Roke and the wider Group, and the benefits that would be derived by customers and employees, particularly in relation to workforce diversity and career development prospects.

CAPITAL INVESTMENT IN THE ENERGETICS BUSINESSES

- The Board approved significant new capital investment programmes at the Energetics businesses in the UK, Norway and the US during the year, with a combined value of £120m. In reviewing and approving these investments, the Board considered how it could satisfy the increased capacity needs of customers and create safer working conditions for employees, whilst providing an appropriate return on investment for the Group's shareholders. The Board also considered how the environmental impact of new production facilities could be minimised and how changes in current and emerging environmental regulations would be addressed.

IMPLEMENTATION OF ESG STRATEGY

- During the year, the Board continued to monitor progress against the ESG strategy adopted during 2021, with a particular focus on health, safety and the environment, diversity and inclusion, reducing climate change impacts and employee wellbeing. This has driven investment in a number of areas, from capital investment in upgraded new facilities to improve safety and reduce our environmental impact, to the establishment of development and networking programmes focused on promoting diversity across the Group. In approving these ongoing investments, the Board has considered the impacts on a wide range of stakeholders, including employees, customers, regulators and our local communities.

> FURTHER DETAILS ON OUR APPROACH TO ESG CAN BE FOUND ON PAGES 38 TO 55

EXECUTIVE REMUNERATION

- In reviewing the executive directors' remuneration arrangements for the current financial year, the Remuneration Committee assessed how they compared with remuneration arrangements for employees more broadly across the Group, particularly with regards to salary increases, pension contributions and incentive arrangements.

BOARD LEADERSHIP AND COMPANY PURPOSE continued

EMPLOYEE ENGAGEMENT

Laurie Bowen is designated as the non-executive director who engages with employees on behalf of the Board. Laurie held a number of meetings with employees at all levels of the organisation within our UK and Norwegian businesses during the year, at which she shared with employees a perspective on the Board's priorities and provided an opportunity for them to ask questions of her. Whilst each meeting was different due to the diversity of the businesses and the range of employees who participated in the discussions, the following topics were typically addressed at every meeting:

- the role of the Board and its responsibilities, and, where appropriate, the interaction between the UK and the US Boards;
- application of the Group's values, particularly in relation to safety;
- leadership and vision;
- communication and employee engagement;
- relationships with customers and other stakeholders;
- collaboration within the Group; and
- resourcing, training and employee development.

Feedback from these meetings is provided to the Board and is reflected on, as appropriate, in Board decision making. Laurie also provides a high-level overview of the feedback received, on a non-attributable basis, to the leadership of the businesses involved. Further details on the key themes arising during the year are set out on page 58.

During the Board visits to Chemring Energetics UK, Chemring Nobel and Roke in the year, the Board members met informally with members of the management teams and other employees. These interactions provided an informal opportunity for open discussions on the operation of the Board and the Group's strategic priorities, and enabled the employees to talk about the opportunities and challenges in their own businesses.

The Group Chief Executive engages in regular discussion forums with employees during routine visits to the businesses, and other directors also engage with employees during individual site visits.

The Board believes that its current mechanisms for engagement with employees, including Laurie Bowen's appointment as the non-executive director lead on employee engagement, is currently proving effective, as evidenced by the openness and quality of the discussions with employees. When combined with the feedback on employee sentiment the Board receives through Employee Voice and periodic culture "check-ins", the Board is confident that it receives meaningful input to its decision-making processes. We will, however, continue to review the effectiveness of our approach to engagement with employees and all of our stakeholders on an ongoing basis.

> FURTHER DETAILS ON EMPLOYEE ENGAGEMENT MORE BROADLY CAN BE FOUND ON PAGE 58

SHAREHOLDER ENGAGEMENT AND THE ANNUAL GENERAL MEETING

The Company operates a structured investor relations programme, focused largely around the half and full year results announcements. Engagement with shareholders during these sessions is predominantly led by the Group Chief Executive, the Chief Financial Officer and the Group Director of Corporate Affairs. Meetings were held with over 85 current and potential institutional shareholders during the year, representing institutions in the UK, the US and Canada. In addition to reviewing the results announcements, discussions typically also cover the development of the Group's strategy, capital allocation and ESG-related matters.

The Chairman also met separately with a number of current institutional shareholders during the year and shared feedback from these meetings with the Board.

The Board also receives reports from the Company's advisers on feedback received from existing and potential investors and analysts following meetings with the executive directors. Investor sentiment is a key input into development of the Group's strategy.

The Chair of the Remuneration Committee also engages with shareholders on matters relating to executive remuneration from time to time. Whilst there was no direct engagement during 2023, the Company's larger institutional shareholders were consulted on the new directors' remuneration policy which was presented to shareholders for approval at the Annual General Meeting in March 2022. Further detail on how the Remuneration Committee responded to the feedback received can be found in the directors' remuneration report included within the 2021 annual report.

The Annual General Meeting provides an opportunity for all shareholders to engage directly with the Board. All directors are required to attend the meeting and make themselves available to take questions from shareholders or address any concerns raised by shareholders. All substantial issues, including the adoption of the annual report and financial statements, are proposed on separate resolutions at the Annual General Meeting. In line with best practice guidelines, voting at the Annual General Meeting is usually conducted by way of a poll, which allows all votes to be counted, not just those of shareholders who attend the meeting.

> FURTHER DETAILS ON THE BOARD'S ENGAGEMENT WITH SHAREHOLDERS CAN BE FOUND ON PAGE 36

BOARD SITE VISITS

Site visits enable the Board to obtain a deeper understanding of the business operations, establish relationships with the wider management team and engage directly with employees. The Board generally receives a presentation from management and views the facilities where safe to do so.

As referred to above, during the year, the Board as a collective visited Roke, Chemring Energetics UK and Chemring Nobel in Norway. During each visit, the Board received a presentation from the management on their business performance, future strategy, and key opportunities and challenges. The Board also participated in site tours of the two Energetics businesses and reviewed the new facilities which had been established in the last few years.

Whilst the Board as a whole did not visit the US during 2023, the Group Chief Executive and the Chief Financial Officer visited the US businesses on a number of occasions and the Chairman accompanied the Group Chief Executive on a trip to the US to meet the US Board in November 2023. The Board next plans to visit the US as a collective in April 2024.

LEADERSHIP OF THE US BUSINESSES AND THE US BOARD

Our US Board is established under our Special Security Agreement ("SSA") with the US Government and includes three independent US directors approved by the US Government. The SSA imposes certain restrictions on the degree of control and influence we can exert over our US businesses and it is imperative that we maintain a strong relationship with the US Board, in order to ensure that we are fulfilling our own governance obligations. The Group Chief Executive and the Chief Financial Officer are both members of the US Board.

The President of our US operations joined several of our Board meetings during the year. Our broader interaction with the US Board has increased in recent years, and the increased collaboration continues to prove very beneficial from both an operational and governance perspective. Our US Board also collates and provides valuable feedback from a range of both internal and external internal stakeholders in the US, and this is a key input into the annual strategy review.

DIVISION OF RESPONSIBILITIES

COMPOSITION OF THE BOARD AND INDEPENDENCE

The Board currently comprises four executive directors, pending Andrew Lewis' planned retirement from the Board on 31 December 2023, and six non-executive directors (including the Chairman). The biographical details of individual directors, including details of their other significant business commitments, are set out on pages 82 and 83.

The Board considers all of the current non-executive directors to be independent in judgement and character, and considered Carl-Peter Forster to be independent on his appointment as Chairman.

The Board considers that the current balance of executive and non-executive influence on the Board is appropriate for the Company, taking into account its size and status, and serves to ensure that no single director or small group of directors dominate the Board's deliberations and decision making.

The roles of Chairman and Chief Executive are separate and clearly defined in accordance with the requirements of the Code, with the division of responsibilities set out in writing and agreed by the Board.

TIME COMMITMENT OF DIRECTORS

The Board recognises the importance of ensuring that individual directors have sufficient time available to discharge their duties effectively. Existing commitments of prospective directors are carefully considered prior to appointment and incumbent directors are required to notify the Chairman or, in the case of the Chairman the Senior Independent Director, if there are any significant changes to their external commitments.

APPROVAL OF DIRECTORS' EXTERNAL APPOINTMENTS

In accordance with the Code, all proposed new external appointments of directors require the approval of the Board.

During the year, the Board approved the following additional external appointments:

- Michael Ord's appointment as a non-executive director of TT Electronics plc;
- Fiona MacAulay's appointment as a non-executive director of Dowlais Group plc; and
- Laurie Bowen's appointment as a non-executive director of SBA Communications Corporation.

In approving these appointments, the Board satisfied itself that each director would continue to have the capacity to fulfil their obligations to the Group following the respective appointments.

CONFLICTS OF INTEREST

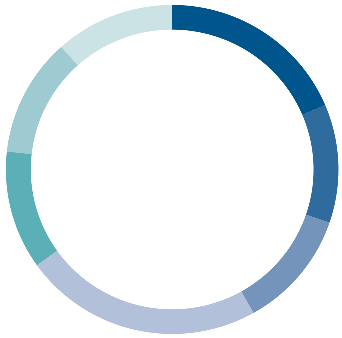
All directors have a duty under the Companies Act 2006 (the "2006 Act") to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or may possibly conflict with the interests of the Company. The Company's Articles of Association include provisions for dealing with directors' conflicts of interest in accordance with the 2006 Act. The Company has procedures in place to deal with situations where directors may have any such conflicts, which require the Board to:

- consider each conflict situation separately on its particular facts;
- consider the conflict situation in conjunction with the rest of their duties under the 2006 Act;
- keep records and Board minutes as to authorisations granted by directors and the scope of any approvals given; and
- regularly review conflict authorisation.

EXPERIENCE OF THE BOARD

The members of the Board also maintain the appropriate balance of experience and knowledge of the business to enable them to discharge their duties and responsibilities effectively.

NUMBER OF DIRECTORS WITH APPLICABLE SPECIFIC EXPERIENCE



Manufacturing	8
Defence	5
Technology	5
International	10
Strategy	5
Marketing	5
Governance	5

DIVISION OF RESPONSIBILITIES continued

BOARD ROLES AND RESPONSIBILITIES

The key responsibilities of the Board members are set out below.

CHAIRMAN

- Responsible for the leadership of the Board and ensuring its overall effectiveness in directing the Group
- Ensures that the Board is kept properly informed and is consulted in a timely manner on all decisions reserved to it
- Promotes a culture of openness and debate, and facilitates constructive relations between the executive and non-executive directors
- Ensures that the training and development needs of directors are identified

CHIEF EXECUTIVE

- Responsible for the leadership and day-to-day management of the business
- Develops strategy for Board approval and ensures that the agreed strategy is implemented successfully
- Presents the annual budget and five-year plan to the Board for approval and delivers agreed objectives
- Identifies new business opportunities, and potential acquisitions and disposals
- Manages the Group's risk profile, including the management of health and safety
- Ensures that the Board is fully informed of all key matters

CHIEF FINANCIAL OFFICER

- Supports the Chief Executive in developing and implementing the global finance strategy
- Oversees the finance functions across the Group
- Ensures effective financial controls and financial reporting processes are in place
- Ensures the Group has adequate bank facilities and financial resources

SENIOR INDEPENDENT DIRECTOR

- Provides support to the Chairman and acts as a trusted sounding board
- Reviews the Chairman's performance with the other non-executive directors
- Available to meet shareholders if they have concerns which cannot be resolved through the normal channels

NON-EXECUTIVE DIRECTORS

- Participate in the development of strategic objectives, provide constructive challenge and monitor the performance of executive management in achieving the agreed objectives
- Monitor the Group's financial performance
- Consider the integrity of the Group's financial information, and whether the financial controls and risk management systems are robust and defensible
- Determine the appropriate remuneration policy for the executive directors
- Meet periodically with the Group's senior management and visit operations
- Meet regularly without the executive directors being present

LEGAL DIRECTOR & COMPANY SECRETARY

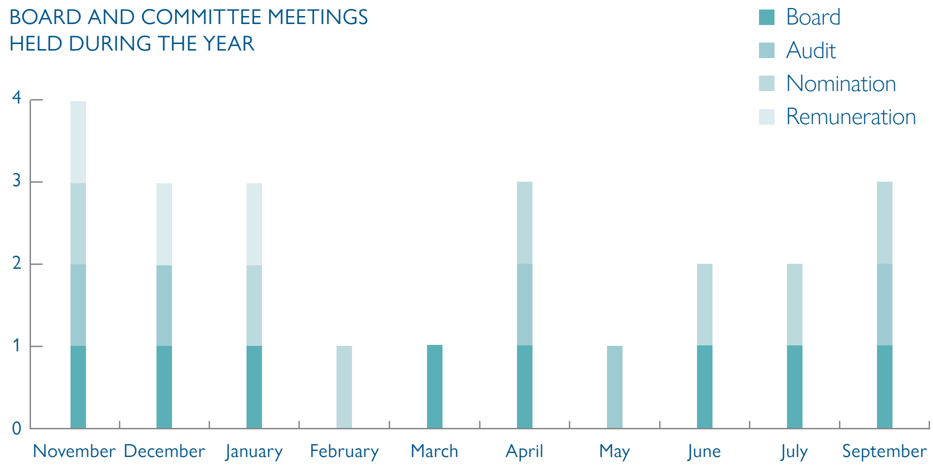
- Oversees legal matters and compliance across the Group
- Secretary to the Board and its committees
- Under the direction of the Chairman, responsible for maintaining good information flows within the Board and its committees
- Develops Board and committee agendas, and collates and distributes papers
- Assists with the induction of new directors
- Keeps directors informed about changes to their duties and responsibilities
- Provides advice on legal, regulatory and corporate governance matters

BOARD MEETINGS AND ATTENDANCE

The Board convenes for scheduled meetings at least seven times a year. The Board receives a report from the Executive Committee, covering health and safety performance, strategic development, operational and financial performance, legal, people and investor relations related issues, as a standing agenda item at every scheduled meeting. Members of the senior leadership team, representatives of the US Board and external advisers attend Board meetings by invitation, as appropriate.

The Board aims to meet jointly with the Group's US Board, further details of which are set out on page 88, at least once a year.

BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR



The following table shows the attendance of all directors who served during the year at the meetings of the Board and its committees:

Board member	Board (8 scheduled meetings)	Audit Committee (5 scheduled meetings)	Nomination Committee (2 scheduled meetings and 5 ad hoc meetings)	Remuneration Committee (2 scheduled meetings and 1 ad hoc meeting)
CARL-PETER FORSTER	8(8)	—	5(7)	3(3)
ALPNA AMAR	2(2)	1(1)	2(2)	—
LAURIE BOWEN	8(8)	5(5)	7(7)	3(3)
ANDREW DAVIES	8(8)	5(5)	7(7)	3(3)
SARAH ELLARD	8(8)	—	—	—
STEPHEN KING	8(8)	5(5)	7(7)	3(3)
ANDREW LEWIS	8(8)	—	—	—
FIONA MACAULAY	8(8)	4(5)	7(7)	3(3)
MICHAEL ORD	8(8)	—	—	—

The maximum number of meetings which each director could have attended is shown in brackets. All directors attended all scheduled Board meetings.

During the year, the Chairman met regularly with the non-executive directors without the executives being present.

COMPOSITION, SUCCESSION AND EVALUATION

BOARD APPOINTMENTS AND RE-ELECTION OF DIRECTORS

New appointments to the Board and its committees are made by the Board on the recommendation of the Nomination Committee.

In accordance with the Company's Articles of Association, all directors are required to submit themselves for re-election at each Annual General Meeting. The papers accompanying the Notice of Annual General Meeting include a statement from the Chairman confirming that the performance of each non-executive director seeking re-election at the meeting continues to be effective and that each director continues to demonstrate commitment to their role.

DIVERSITY

The Board recognises the importance of promoting diversity in its broadest sense, both at the Board level and across the entire business, and we remain committed to further improving diversity on the Board, the Executive Committee and the wider senior leadership team.

> FURTHER DETAILS ON THE BOARD'S POLICY AND APPROACH TO DIVERSITY ARE SET OUT IN THE NOMINATION COMMITTEE REPORT ON PAGES 98 AND 99.

INDUCTION, TRAINING AND DEVELOPMENT

An internal induction programme on the Group's operations, and its strategic and business plans, is provided for newly-appointed directors. Directors are invited to meet key members of the senior management team at the earliest opportunity, and site visits are arranged to facilitate their understanding of the Group's operations.

The Group Legal Director & Company Secretary also provides detailed information on the operation of the Board and its committees, directors' legal duties, and responsibilities on appointment.

OVERVIEW OF INDUCTION PROGRAMME PROVIDED TO ALPNA AMAR

Alpna Amar joined the Board in June 2023. As part of her induction programme, Alpna spent time with the executive directors receiving a detailed brief on the Group's operations and also met with members of the Executive Committee to develop an understanding of their respective areas of responsibility. Alpna visited three of our sites in the UK and our business in Norway during the year and, in November 2023, she visited Chemring Energetic Devices and Kilgore in the US. At each of the site visits, Alpna was given a tour of the facilities and received a presentation from the management on the business. Alpna also received a briefing from the Group's external lawyers on her duties and responsibilities as a director of a UK listed company.

The Company meets the cost of appropriate external training for directors, the requirement for which is kept under review by the Chairman.

Directors are continually updated on the Group's businesses and the matters affecting the markets in which they operate. The Group Legal Director & Company Secretary updates the Board on a regular basis with regards to regulatory changes affecting the directors and the Group's operations generally, and briefings are provided by the Group's advisers on key developments in areas such as financial reporting and executive remuneration practice.

INDEPENDENT ADVICE

All directors are entitled to take independent professional advice in furtherance of their duties at the Company's expense, should the need arise. No director had reason to seek such advice during the year.

PERFORMANCE EVALUATION

The Code recommends that the performance evaluation of the Board be externally facilitated at least every three years. The Board selected Gould Consulting, who have no other relationships with the Group, to facilitate the evaluation during the year.

Questionnaires covering the activities of the Board and its three main committees were sent to each of the directors for completion and abbreviated questionnaires were also sent to the UK members of the Executive Committee. The questionnaires for the Board focused on:

- strategy development and implementation;
- the Group's ESG plans and objectives;
- the Board's role in setting and monitoring the Group's purpose, culture and values;
- stakeholder engagement;
- operation of the Board and its committees;
- the role of the Chair and effectiveness of meetings;
- the composition of the Board and its diversity;
- the Board's oversight of risk management systems and internal controls; and
- areas in which the Board could improve its effectiveness.

The questionnaires provided to the Executive Committee members focused on their perceptions of the Board and its activities, and their interactions with the Board members.

Following receipt of the completed questionnaires, the principals of Gould Consulting participated in one-to-one meetings with each of the directors and the three Executive Committee members to discuss their responses. Each of the participants was also invited to raise any other matters or put forward any additional recommendations not covered in their responses to the questionnaires.

The responses were consolidated into a report which was discussed with the Chairman and the Group Chief Executive prior to sharing with the remainder of the Board. Specific comments from directors were not attributed to individuals in order to provide full transparency on the responses. The report also benchmarked the Board's assessment of its effectiveness in the areas covered by the Board questionnaire against similar assessments completed by Gould Consulting's wider portfolio of clients. The Board met or exceeded the target best practice benchmark in eight of the ten areas covered by the questionnaire.

The evaluation confirmed that the Board is functioning effectively overall and, with the most recent appointments, the balance of skills and experience on the Board affords it a level of maturity in the way it conducts itself. The evaluation identified several areas in which the Board could improve its effectiveness and the Board therefore intends to prioritise the following activities in the year ahead:

- planning for the transition of the Chairman and the Senior Independent Director, and further evolving the succession plans for the executive directors;
- continuing development of the Group's longer-term ambition and growth strategy;
- increasing the strategic focus on the Group's US businesses;
- establishing strategic goals and milestones by which implementation of the Group's strategy can be more effectively monitored; and
- further increasing the level of interactions between the non-executive directors outside of scheduled Board meetings and increasing the level of interactions between the Board and the Executive Committee members.

The report provided by Gould Consulting also identified some practical ways in which the focus of Board meetings and the quality of the debate at the meetings could be enhanced, such as the increased use of signposting in papers presented to the Board and restructuring the format of presentations to the Board to ensure that key points for discussion are prioritised. These will also be addressed in the year ahead.

In addition to the formal performance evaluation, the Chairman and non-executive directors also reviewed the individual performance of the executive directors as part of the annual remuneration review.

AUDIT, RISK AND INTERNAL CONTROL

FINANCIAL AND BUSINESS REPORTING

The statement of directors' responsibilities in respect of the financial statements and accounting records maintained by the Company is set out on page 125.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Board is satisfied that the annual report and accounts for the year ended 31 October 2023, taken as a whole, is fair, balanced and understandable. Furthermore, the Board believes that the disclosures set out on pages 1 to 78 provide the information necessary to assess the Company's performance, business model and strategy.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for determining the nature and extent of the risks that it is willing to take to achieve its strategic objectives. The Board is also responsible for ensuring that the Group's risk management and internal control systems are effective across the businesses, and that appropriate risk mitigation plans are in place.

The Board undertakes an annual review of the effectiveness of the Group's systems of internal control, including financial, operational and compliance controls, and risk management systems. Further details of the review undertaken during the financial year ended 31 October 2023 are set out on page 68.

OPERATIONAL FRAMEWORK

Our Operational Framework incorporates a broad range of policies and procedures which have been adopted by all of our businesses, and provides an enhanced governance structure to enable us to operate in a safe, consistent and accountable way. As part of this enhanced governance structure, there is a requirement for all businesses to complete a detailed Operational Assurance Statement on an annual basis, providing an assessment of their compliance with the Operational Framework.

The output from the operational assurance process provides assurance to the Board that our internal systems and controls are operating effectively, and is an important input to our internal audit and risk management activities.

AUDIT

Details of the Group's external and internal audit activities can be found in the Audit Committee report on pages 94 to 97.

LONG-TERM VIABILITY STATEMENT

The Code requires the Board to undertake an annual assessment of the long-term viability of the Group, further details of which can be found on page 77.

PROVIDING GUIDANCE TO THE BOARD

Stephen King
Chairman of the Audit Committee

AUDIT COMMITTEE MEMBERS

Stephen King (Chairman)
Alpna Amar (appointed 13 June 2023)
Laurie Bowen
Andrew Davies
Fiona MacAulay

KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

- Monitoring the integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance, and reviewing the appropriateness of significant financial reporting judgements
- Providing guidance to the Board in its consideration of whether the annual report and accounts are fair, balanced and understandable
- Making recommendations on the appointment, reappointment and remuneration of the internal and external auditors
- Ensuring that an appropriate relationship between the Group and the external auditor is maintained, and overseeing the provision of non-audit services
- Reviewing and monitoring the external auditor's independence, objectivity and effectiveness
- Reviewing the effectiveness of the Group's internal controls and risk management systems
- Considering the effectiveness of the Group's internal audit function and monitoring internal audit activities

INTRODUCTION

I am pleased to present my report as Chairman of the Audit Committee.

The Audit Committee continues to play a critical role in the governance of the Group's financial affairs, both through monitoring the integrity of the Group's financial reporting and reviewing material financial reporting judgements. The report provides an overview of the operation of the Committee and its activities during the year. During the early part of the financial year, the Committee was focused on matters relating to the 2022 financial statements, which were covered in detail in last year's report. This year's report therefore focuses on the Committee's activities in relation to the 2023 half year and full year results, and the external and internal audit activities during 2023.

MEMBERSHIP OF THE AUDIT COMMITTEE

The Audit Committee has been established by the Board and is responsible for monitoring the integrity of the Group's financial statements and the effectiveness of the internal and external audit process.

All members of the Committee are independent non-executive directors, and each brings a broad range of financial and business expertise. I have previously served as the finance director of substantial public companies, and therefore possess recent and relevant financial experience. The Board considers that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, in particular within the defence, technology and manufacturing sectors. The appointment of Alpna Amar, who is a Chartered Accountant, as an additional non-executive director and a member of the Committee has further strengthened the expertise on the Committee this year.

OPERATION OF THE COMMITTEE

The Committee's full responsibilities are set out in its terms of reference, which are available on the Company's website. The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review.

Meetings of the Committee are attended, at the invitation of the Chairman, by the external auditor, the Chairman of the Board, the Group Chief Executive, the Chief Financial Officer, the internal auditor and representatives from the Group finance function. The Committee meets with the external and internal auditors on a regular basis without the executive directors being present. The Group Legal Director & Company Secretary acts as secretary to the Committee and minutes of meetings are circulated to all Board members.

> DETAILS OF ATTENDANCE OF MEMBERS OF THE COMMITTEE AT THE FIVE MEETINGS HELD DURING THE YEAR ARE SHOWN ON PAGE 91

A verbal report on key issues discussed by the Committee is provided to the Board after every meeting.

The Chairman of the Committee meets regularly with the Chief Financial Officer, the external audit lead partner and the internal auditor outside of scheduled meetings.

The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties, and to obtain any outside legal or other professional advice it requires at the Company's expense.

THE COMMITTEE'S ACTIVITIES DURING THE YEAR

AREAS OF FOCUS	MATTERS CONSIDERED
FINANCIAL REPORTING	- Content of the Group's interim and preliminary results announcements and the annual report, and in particular, whether the annual report was fair, balanced and understandable - Appropriateness and disclosure of accounting policies, key judgements and key estimates - The presentation of alternative performance measures - The Group's going concern status and viability statements - The Group's environmental performance reporting and the related assurance review completed by ERM - Financial Reporting Council ("FRC") thematic reviews
RISK AND CONTROL ENVIRONMENT	- Effectiveness of the Group's systems of internal control - UK Government and FRC proposals on audit and corporate governance reforms
EXTERNAL AUDIT	- Interim review and full year audit plans - Effectiveness and independence of the external auditor - Non-audit services provided by the external auditor - External auditor's reports on the half year and full year results, and consideration of points raised by the auditor
INTERNAL AUDIT	- Internal audit strategy and plan - Key findings of internal audits and progress against actions arising - Effectiveness of the internal audit programme

The Committee relies on regular reports from the executive directors, the wider management team, and the external and internal auditors in order to discharge its responsibilities. The Committee is satisfied that it received timely, sufficient and reliable information to enable it to fulfil its obligations during the year.

FINANCIAL REPORTING

A summary of the significant issues considered in relation to the 2023 financial statements is set out below.

The Committee also reviewed the reports issued by the FRC on their thematic reviews of financial reporting and disclosures relating to fair value measurement and Task Force on Climate-Related Financial Disclosures ("TCFD") metrics and targets, and considered how the matters raised had been addressed in the 2023 financial statements. In addition, the Committee considered whether the Company had appropriately addressed the findings of the FRC's annual review of corporate reporting, which was published in October 2023, in the 2023 financial statements.

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE IN RELATION TO THE FINANCIAL STATEMENTS

DISCONTINUED OPERATIONS

Following a strategic review of the Group's US Sensors business as a result of the US DoD's decision in 2022 to transition the HMDS Program of Record to sustainment earlier than anticipated, a decision was taken to exit the explosive hazard detection ("EHD") business. The Committee considered the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and agreed that the EHD business should be treated as a discontinued operation in the 2023 financial statements. In addition, having concluded that it was no longer probable that the US Sensors business would secure a Program of Record for its chemical detection system, the Committee also considered the appropriate treatment of the chemical detection line of business and agreed with the external auditor that this line of business should be presented within continuing operations in the 2023 financial statements.

RECOVERABILITY OF GOODWILL, OTHER INTANGIBLE ASSETS, AND THE PARENT COMPANY'S INVESTMENTS IN, AND INTERGROUP RECEIVABLE BALANCES WITH, SUBSIDIARIES

The Committee considered the carrying value of goodwill, intangible assets and the parent company's investments in, and intergroup receivable balances with, subsidiaries held on the balance sheet as at 30 April 2023 and 31 October 2023, against the latest forecasts for the businesses concerned and the future strategic plan for the Group. As referenced above, following the decision to exit the EHD business, the Committee agreed that there was a requirement for a non-cash impairment of the goodwill of £20.5m associated with the acquisition of the business in 2009 to be recognised in the Group's consolidated income statement for the year ended 31 October 2023. The value of other assets held in respect of the EHD business, totalling £10.7m, was also impaired.

CAPITALISED DEVELOPMENT COSTS

The Committee continued to monitor the level of development costs capitalised during the year and the periods over which such costs are to be amortised. Detailed reviews of the Group's most significant research and development projects, and their associated capitalised development costs, were undertaken by the Committee in April 2023, September 2023 and November 2023. As a result of these reviews and the decisions taken in relation to the US Sensors business referenced above, an impairment charge of £15.6m was recognised at 31 October 2023 in respect of capitalised development costs associated with the chemical detection line of business and an impairment charge of £0.7m was recognised in respect of capitalised development costs associated with the EHD line of business.

NON-UNDERLYING ITEMS AND ALTERNATIVE PERFORMANCE MEASURES

Following discussions with the external auditor, the Committee agreed that it would be appropriate for the impairment charges of £18.5m associated with the chemical detection line of business and the impairment charges and site rationalisation costs of £32.9m associated with the EHD line of business to be presented as non-underlying items in the Group's 2023 financial statements. The Committee reviewed the use of alternative performance measures in the interim results statement and the annual report. The Committee concluded that the use of alternative performance measures did enhance a reader's understanding of the accounts and that they were presented in a fair, balanced and understandable manner.

ACCOUNTING FOR THE ACQUISITION OF GEOLLECT

The Committee considered and approved the accounting treatment of the Group's acquisition of Geollect Limited in December 2022.

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE IN RELATION TO THE FINANCIAL STATEMENTS continued

The Committee is required to consider whether it is appropriate to adopt the going concern basis in preparing the interim and full year results. In order to satisfy itself that the Group has sufficient financial resources to enable it to continue trading for the foreseeable future, the Committee regularly reviews the adequacy of the Group's financing facilities against future funding requirements and working capital projections. Based on its review of the Group's forecasts during the year and discussions with the external auditor, the Committee recommended to the Board the adoption of the going concern basis for the preparation of the interim and full year results.

The Group is also required to make a statement on its long-term viability in the financial statements. The Committee considered the period over which the Group's viability would be assessed and having concluded that a three-year period was appropriate, the Committee undertook a review of the analysis and projections which supported the viability assessment prior to submission to the Board. Further details on the assessment process and the Group's long-term viability statement are set out in the strategic report on page 77.

Since the year end, the Committee has reviewed the form and content of the 2023 annual report and accounts, and recommended to the Board that, taken as a whole, the annual report and accounts should be considered as fair, balanced and understandable. The Committee also concluded that the annual report and accounts provides the information necessary to assess the Group's position and performance, business model and strategy.

In making this assessment, the Committee considered:

IS THE REPORT FAIR?

- Is the narrative in the strategic report consistent with the financial statements?
- Have any significant matters been omitted?

IS THE REPORT BALANCED?

- Has appropriate prominence been given to both positive and negative aspects of performance during the year?
- Is there an appropriate balance between the disclosure of statutory measures of performance and alternative performance measures ("APMs")?

IS THE REPORT UNDERSTANDABLE?

- Is the presentation of performance clear, with consistent use of key performance indicators?
- Is there clarity around the use of APMs?

PROPOSED AUDIT AND CORPORATE GOVERNANCE REFORMS

In late 2021, in response to the UK Government's White Paper on "Restoring trust in audit and corporate governance", the Group initiated a project focused on the development of an improved internal control framework to ensure that processes, risks and controls were established and documented in a consistent way across the Group. The new control framework was reviewed and approved by the Committee for implementation by the businesses with effect from 1 November 2022, and has contributed to a notable improvement in the internal control environment across the Group over the last year.

The Committee reviewed the proposed changes to the UK Corporate Governance Code (the "Code") which were published by the FRC in May 2023, with particular reference to the changes that were intended to implement the UK Government's governance reforms in relation to companies' internal control frameworks. The Committee was satisfied that the new framework implemented by the Group would assist the businesses with compliance with the proposed new requirements at that time. The FRC has since announced that it now intends to issue a more limited update to the Code and further detail is awaited. It is noted that the UK Government has also now withdrawn its proposed new legislation which would have introduced additional reporting requirements, including an annual resilience statement, distributable profits figure, material fraud statement, and triennial audit and assurance policy statement.

The Committee has considered the "Audit Committees and the External Audit: Minimum Standard" published by the FRC in May 2023 and is taking steps to apply the Standard where appropriate prior to it becoming mandatory.

EXTERNAL AUDIT

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor. The Committee also undertakes an annual assessment of the auditor's independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.

AUDIT EFFECTIVENESS

The Committee assesses the effectiveness of the external auditor on an ongoing basis, with particular reference to:

- the arrangements for ensuring the external auditor's independence and objectivity;
- the external auditor's fulfilment of the agreed audit plan and any variations from the plan in terms of timing and scope;
- the quality of the resource engaged by the external auditor to fulfil the audit plan;
- the robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements, and their willingness to challenge both management and the Committee;
- the effectiveness of co-ordination of the individual business unit audits on a global basis;
- the content of the external auditor's reports and internal control recommendations;
- their proactivity in briefing the Committee on proposed regulatory changes and the implications for the Group; and
- the feedback received on the conduct of the external audits from key people involved in the audit process in the central finance function and within the businesses.

During the year, the Committee also reviewed the results of the 2023 assessment of KPMG's audits which was undertaken by the FRC's Audit Quality Review team, and will continue to review these assessments on an annual basis.

There are no contractual or similar obligations to restrict the choice of external auditor.

KPMG was appointed as the Group's external auditor in March 2018, following a tender process, and continues to act as the external auditor for the Group and all of the Group's principal trading businesses. Andrew Campbell-Orde, the lead audit partner on the appointment of KPMG, completed his fifth year in the role following the audit for the 2022 financial year and a new audit partner, James Childs-Clarke, therefore assumed responsibility for the Group's audit for the 2023 financial year. Mr Childs-Clarke was the Director on the Group's audit from 2018 to 2020 and therefore has a good level of knowledge of the Group's businesses and their financial reporting arrangements. Having not been involved in the 2021 or 2022 audits, Mr Childs-Clarke is considered independent.

The audits of the Group's US businesses are carried out by KPMG US under a separate engagement letter in order to satisfy the requirements of our Special Security Agreement with the US Government. KPMG's UK and US audit teams need to co-ordinate their work to ensure that the audit of the consolidated Group results at the year end can be completed efficiently. In order to facilitate this, the annual audit plan continued to provide for planning work for the 2023 year-end audits of the US businesses to commence in the first half year of the financial year, which enabled the Group audit to be completed within the requisite timeframe following the year end. Mr Childs-Clarke visited our US business, Chemring Energetic Devices, early in 2023 to enhance his understanding of the business and associated risk, and this also provided an opportunity to meet with the wider US leadership.

Mr Childs-Clarke was also involved with the selection of new audit responsible individuals for each of our non-UK businesses, all of whom were newly appointed following completion of the five-year term of their predecessors.

During the year, Monahans (Sumer AuditCo Limited) was appointed as the external auditor of Vigil AI Limited, one of the Group's smaller subsidiaries which also has a minority shareholder. Vigil AI Limited does not make a material contribution to the Group's results and following discussions with the minority shareholder, it was concluded that the audit would be more appropriately carried out by a smaller firm such as Monahans. KPMG have confirmed that Vigil AI Limited is immaterial to the Group financial statements and as such do not require any reporting from Monahans for that purpose.

The Committee did not ask KPMG to review any specific areas of concern, outside of the normal audit process, during the year.

No significant internal control failings or weaknesses were identified by KPMG during the year but KPMG did challenge management on how certain cultural issues and employee behaviours identified at one of the businesses during the year might have impacted the business more generally and, in particular, its internal control environment. KPMG conducted enquiries with senior personnel at the business and within the central head office function, and undertook a high-level review of the Group's whistleblowing processes as part of their assessment, and were satisfied that the issues which had arisen did not amount to a control deficiency. In the normal manner, KPMG identified a small number of uncorrected review misstatements as part of their half year review and year-end audit. Having considered the representations made by KPMG, the Committee was satisfied that the Group had adopted an appropriate approach in each case and that the impact of the misstatements identified by KPMG was not material.

The Committee reviewed KPMG's overall effectiveness in fulfilling the external audit during the year, having reflected on all of the matters set out above, and concluded that KPMG had conducted a comprehensive, appropriate and effective audit.

The Committee has recommended to the Board that KPMG be reappointed as the Group's auditor at the 2024 Annual General Meeting.

The Company is in compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation Order 2014.

AUDITOR INDEPENDENCE

The Committee keeps under review the level of any non-audit services which are provided by the external auditor, to ensure that this does not impair their independence and objectivity.

The Committee has adopted a policy which states that the external auditor should not be appointed to provide any non-audit services to the Group, unless the Committee agrees that their appointment would be in the best interests of the Company's shareholders in particular circumstances and would not create any direct conflict with their role as external auditor. In approving any such appointment, the Committee is also required to consider:

- whether the provision of the proposed services might compromise the auditor's independence or objectivity;
- whether the non-audit services will have a direct or material effect on the Group's audited financial statements;
- whether the skills and experience of the external auditor make it the most suitable supplier of the non-audit services; and
- the level of fees proposed for the non-audit services relative to the audit fees.

The external auditor is required to provide the Committee with a written confirmation of independence for all duly-approved engagements for non-audit services.

The policy adopted by the Committee expressly prohibits the provision of certain non-audit services by the external auditor, in line with regulatory requirements and UK ethical guidance.

Details of the amounts paid to KPMG during the year for audit and non-audit services are set out in note 4 to the Group financial statements. Total fees of £0.1m were paid to KPMG during the year in respect of non-audit services, which related to the review of the interim results and an audit report for Chemring Nobel's tax return as is required from the auditor under Norwegian tax law. The Committee concluded that neither the nature or scope of these services gave rise to any concerns regarding the objectivity or independence of KPMG.

The Committee, in conjunction with the Chief Financial Officer, ensures that the Group maintains relationships with a sufficient choice of appropriately qualified alternative audit firms for the provision of non-audit services. Building these relationships also ensures that the Group will have a reasonable choice of other suitable external audit firms when it next tenders the external audit.

INTERNAL AUDIT

The Audit Committee is responsible for reviewing the work undertaken by the Group's internal auditor, assessing the adequacy of the internal audit resource, and recommending changes for increasing the scope of the internal audit activities.

The Group's internal audit programme incorporates a review of all sites on a two or three-year rotational basis, and focuses on both financial and non-financial controls and procedures. The Committee approves the annual internal audit plan and receives regular reports from the internal auditor.

As referred to in last year's report, a decision was taken to establish an in-house internal audit function with effect from 1 November 2022. A new Internal Audit Manager, who reports to the Chairman of the Audit Committee, was therefore appointed in May 2023. The Internal Audit Manager is now responsible for conducting internal audits across the Group, with the support of other suitably-qualified Group employees where appropriate. This facilitates sharing of best practice across the Group and contributes to the development of employees involved in the audits. The Internal Audit Manager's activities will continue to be supplemented in specialist areas, such as IT and cyber-security, with more focused assurance reviews by external experts.

The internal audit plan for 2023 included specific focus on:

- the key financial and operating controls within the business;
- IT and cyber-security governance and controls; and
- compliance with the Group's Bribery Act Compliance Manual.

No significant internal control failings or weaknesses were identified during the internal audits completed in the year.

An update on internal audit activities is presented to the Committee at each meeting. The management of each business is responsible for implementing the recommendations made by the internal audit function, and the Committee reviews progress on a regular basis. Progress on addressing internal audit findings is also reviewed by the Group Chief Executive and the Chief Financial Officer in their quarterly reviews with each of the businesses.

The Committee reviews the Group's approach to internal audit on an annual basis to ensure that it remains fit for purpose and provides the requisite level of assurance to the Committee.

Stephen King
Chairman of the Audit Committee
12 December 2023

Carl-Peter Forster
Chairman of the Nomination Committee

NOMINATION COMMITTEE MEMBERS

Carl-Peter Forster (Chairman)
Alpna Amar (appointed 13 June 2023)
Laurie Bowen
Andrew Davies
Stephen King
Fiona MacAulay

KEY RESPONSIBILITIES OF THE NOMINATION COMMITTEE

- Reviewing the structure, size and composition of the Board, and making recommendations on appointments to the Board and to Board committees
- Reviewing the overall leadership needs of the organisation
- Oversight of the Group's diversity policy
- Succession planning for the Board, the Executive Committee and the wider leadership team

INTRODUCTION

I am pleased to present the Nomination Committee's report for the year ended 31 October 2023.

The recruitment of a new Chief Financial Officer and a new non-executive director were key activities for the Committee during the year. The Committee also continued to focus on the development of the Group's diversity, equity and inclusion ("DE&I") strategy and succession planning for the Board and the wider leadership team.

The Committee also considered the reappointments of various members of the Board and commenced planning for the recruitment of my successor, recognising that my third three-year term as Chairman will terminate in early 2025. Further details are set out below.

MEMBERSHIP OF THE COMMITTEE

The Nomination Committee's key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver the Group's strategy.

All members of the Committee are independent non-executive directors. I chair the Committee but will not do so where the Committee is dealing with my own reappointment or my replacement as Chairman of the Board.

OPERATION OF THE COMMITTEE

The Committee's responsibilities are set out in its terms of reference, which are available on the Company's website. The Committee reviews its terms of reference and its effectiveness annually, and recommends to the Board any changes required as a result of the review.

Meetings of the Committee are attended, at the invitation of the Chairman, by the Group Chief Executive when considered appropriate. Members of the Committee do not participate in any discussions relating to their own reappointment or replacement. The Group Legal Director & Company Secretary acts as secretary to the Committee and minutes of meetings are circulated to all Board members.

> DETAILS OF ATTENDANCE OF MEMBERS OF THE COMMITTEE AT THE SEVEN MEETINGS HELD DURING THE YEAR ARE SHOWN ON PAGE 91

BOARD COMPOSITION

The Committee regularly reviews the composition and balance of the Board and its committees, and considers non-executive directors' independence, whether the balance between non-executive and executive directors remains appropriate, and whether the Board has the requisite skills and experience to oversee delivery of the agreed strategy for the Group.

The Board appointed an additional non-executive director, Alpna Amar, during the year to further improve diversity on the Board. James Mortensen was also appointed to the Board on 1 November 2023 and will replace Andrew Lewis as Chief Financial Officer with effect from 1 January 2024. Andrew, who is retiring, will step down from the Board on 31 December 2023 and will leave the Group on 19 January 2024.

The recently-completed Board performance evaluation, further details of which are set out on page 92, considered the current composition of the Board and concluded that no further changes were required at present, recognising that both I and Andrew Davies, the Senior Independent Director, will step down from the Board in early 2025, following the conclusion of our third three-year appointments.

APPOINTMENTS TO THE BOARD

The Committee is responsible for reviewing and recommending new appointments to the Board, and for considering the reappointment of current directors.

With regards to the appointment of new directors to the Board, the Committee has an established process for identifying the attributes, skills and experience required of potential candidates. External recruitment consultants are engaged to undertake the search and provide an initial long list of potential candidates, which is reviewed by the Committee. Members of the Committee then meet with short-listed candidates, before selecting a small number of preferred candidates to meet with other members of the Board. The searches for a new Chief Financial Officer and for an additional non-executive director, which were both instigated during the year, were conducted in this manner. Further details are set out below. A similar external search will also be undertaken for my successor and following completion of a selection process involving three firms, Russell Reynolds have been retained for this purpose.

Following the announcement by Andrew Lewis in January 2023 that he intended to retire as Chief Financial Officer on completion of his 12 month notice period, Russell Reynolds were appointed by the Committee to undertake the search for his replacement. Russell Reynolds were selected by the Committee in view of their contemporary knowledge of the Group, having recruited two non-executive directors in 2018 and 2019, and their understanding of the Board's requirements. A candidate brief was drawn up, following which Russell Reynolds provided an initial long-list of potential candidates, which was reviewed by the Group Chief Executive and members of the Committee. From this list, members of the Committee and the Group Chief Executive selected four short-listed candidates, one of whom was an internal candidate, based on their respective skills and experience against the initial brief. Consideration was also given as to how each of the candidates would complement the Board. The Committee invited James Mortensen as the preferred candidate to meet the rest of the Board and having considered feedback from all of the directors, the Committee made a recommendation to the Board to appoint James.

A similar approach was adopted by the Committee in relation to the appointment of Alpna Amar as an additional independent non-executive director during the year. Odgers were appointed by the Committee to prepare a candidate brief and undertake the search, with emphasis on the requirement for increased diversity of gender and/or ethnicity on the Board. Following initial interviews of four short-listed candidates by the members of the Committee and the Group Chief Executive, two preferred candidates were invited to meet the rest of the Board, who unanimously agreed to appoint Alpna based on her experience and skill set.

Both Russell Reynolds and Odgers, each of which have no other connections with the Group, are signatories to the Voluntary Code of Conduct for Executive Search Firms and have each made a commitment to promoting diversity.

Fiona MacAulay's first three-year appointment as a non-executive director expired in June 2023 and after due consideration of her valuable contribution to the Board and its committees, the Committee recommended to the Board that Fiona be reappointed for a second three-year term.

DIVERSITY, EQUITY AND INCLUSION

DIVERSITY POLICY

The Committee recognises the importance of diversity, equity and inclusion to the effective performance of the Board, and to our wider business operations. We are committed to promoting diversity across the Group in all forms, including diversity of gender, race, age, disability, neurodiversity, sexual orientation, education, social and cultural background, and belief.

From an overall Group perspective, we have set a target of increasing the proportion of females in all senior management positions across the businesses to at least 33% by 2027. Various initiatives have been instigated over the last two years to support delivery of this target, including the provision of diversity and inclusion training for all of our senior leaders and the participants in our various development programmes, and the establishment of the Women's Inclusivity Network (WIN@Chemring). A number of these activities continue to be supported by our female Board members.

> FURTHER DETAILS OF THE PROGRESS MADE DURING THE YEAR ARE SET OUT ON PAGE 59

With regards to the Board, the Committee is cognisant of the diversity targets set out in the updated Listing Rules which applied to the Group for the first time in the financial year ending 31 October 2023. As referenced above, we appointed an additional non-executive director, Alpna Amar, during the year to further increase diversity on the Board. Andrew Davies, the current Senior Independent Director, will step down from the Board on completion of his third three-year term as a non-executive director in 2025, and it has been agreed that Fiona MacAulay will succeed him as the Senior Independent Director. The Group will then meet all of the diversity targets in the Listing Rules. The Committee will also have due regard for diversity considerations when considering the appointment of my successor.

The charts below illustrate the gender identity or sex and ethnic background of the Board and the Executive Committee as at 31 October 2023. Details of the diversity of employees more widely across the Group are set out on page 59.

GENDER IDENTITY OR SEX OF THE BOARD AND EXECUTIVE MANAGEMENT

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number on the Executive Committee	Percentage of Executive Committee
Men	5	56%	4	7	87%
Women	4	44%	—	1	13%
Not specified/prefer not to say	—	—	—	—	—

ETHNIC BACKGROUND OF THE BOARD AND EXECUTIVE MANAGEMENT

Board member	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number on the Executive Committee	Percentage of Executive Committee
White British or other white (including minority-white groups)	8	89%	4	8	100%
Mixed multiple ethnic groups	—	—	—	—	—
Asian/Asian British	1	11%	—	—	—
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic group, including Arab	—	—	—	—	—

SUCCESSION PLANNING

The Committee is responsible for promoting effective succession planning for the Board and the Executive Committee, to ensure that the leadership of the business remains aligned to the Group's strategy.

During the year and in accordance with the normal practice, an assessment of the succession plans for individuals in key leadership roles at the Group level and within the businesses, developed utilising the Group's established succession planning framework, was considered by the Committee. The need for more diversity within the talent pipeline continues to be recognised by the Committee and this is now a key focus of our people and DE&I strategy. Further details on the actions we are taking to address this are set out on page 59.

The Committee is satisfied that appropriate succession plans are in place for the Board and key members of the Executive Committee covering emergency replacements. Longer-term appointments will be considered on a case-by-case basis, including internal candidates where available or external recruitment where deemed more appropriate. As referred to above, the Committee has commenced a search for my replacement.

> FURTHER DETAILS ON OUR APPROACH TO SUCCESSION PLANNING AND TALENT MANAGEMENT ARE SET OUT ON PAGES 57 TO 58

Carl-Peter Forster
Chairman of the Nomination Committee
12 December 2023

REMUNERATION OVERVIEW

Laurie Bowen
Chair of the Remuneration Committee

REMUNERATION COMMITTEE MEMBERS

Laurie Bowen (Chairman)
Andrew Davies
Carl-Peter Forster
Stephen King
Fiona MacAulay

MEMBERSHIP AND OPERATION OF THE REMUNERATION COMMITTEE

The Remuneration Committee has been established by the Board and is responsible for the remuneration of the executive directors, the Chairman and the leadership team at the next level. All members of the Committee are independent non-executive directors, save for Mr Forster who was independent on appointment to the Board.

The Committee's responsibilities are set out in its terms of reference, which are available on the Company's website.

Details of the attendance of members of the Committee at meetings held during the year are shown on page 91. The Group Legal Director & Company Secretary acts as secretary to the Committee and the Group Chief Executive attends meetings by invitation, but no executive director or other employee is present during discussions relating directly to their own remuneration.

INTRODUCTION

The directors' remuneration report for the year ended 31 October 2023 comprises:

- my annual report on the activities of the Remuneration Committee during the year;
- the annual report on remuneration, which explains how the current directors' remuneration policy was implemented in 2023;
- additional statutory information on remuneration arrangements;
- a summary of the directors' remuneration policy which was approved in March 2022; and
- an overview of how the policy will be implemented in 2024.

THE REMUNERATION COMMITTEE'S ACTIVITIES DURING THE YEAR

The table below summarises the Committee's key activities and decisions made during the year.

SUMMARY OF MAJOR ACTIVITIES AND DECISIONS OF THE COMMITTEE IN 2023

SALARY	- 2023 salary reviews for the executive directors and members of the senior leadership team
ANNUAL BONUS	- Approval of the 2023 annual bonus plan financial targets and strategic objectives for the executive directors - Consideration of the 2023 annual bonus plan payments
PERFORMANCE SHARE PLAN ("PSP")	- Consideration of vesting outcomes for PSP awards made in 2020 - Approval of 2023 PSP awards and performance conditions
APPOINTMENTS AND LEAVER ARRANGEMENTS	- Approval of the remuneration arrangements for the new Chief Financial Officer - Approval of the termination arrangements for the retiring Chief Financial Officer

PERFORMANCE FOR 2023 AND REMUNERATION OUTCOMES

In 2023 we delivered both strong financial performance and also significant contract wins across both our Sensors & Information and Countermeasures & Energetics sectors. This was in response to resurgent demand for traditional defence capabilities which the Group was able to respond to with its well positioned portfolio of technology-driven solutions. We increased revenue by 18% on 2022, with both underlying operating profit and EPS growing by 16% and 8% respectively (based on continuing operations). This was despite external market challenges that included relatively high inflation, higher interest rates, supply chain constraints and timing issues in relation to US Department of Defense approvals for some of our countermeasure deliveries which were largely resolved by year end. Overall, the Group delivered a robust performance, exceeding the expectations set at the start of the financial year and progressing against our strategic goal of balancing short-term performance with longer-term value creation.

Further progress has also been made in 2023 in relation to our sustainability agenda, with the continued successful implementation of our HSE strategy, improvement in our climate and carbon-related disclosures, and continued focus on DE&I.

It is in this context that the Remuneration Committee has reviewed the 2023 outturns.

Performance against the 2023 annual bonus and PSP targets is explained in more detail on pages 104 and 107 but in summary:

- *Annual bonus:* The annual bonus for 2023 was subject to EPS, operating cash flow and strategic objective measures. As a result of the continuing strong financial performance of the Group during 2023, which resulted in the stretch EPS growth and the on-target operating cash flow being exceeded, 100% of the EPS metric and 97.1% of the operating cash flow metric will pay out. The Committee carefully assessed the performance of the executive directors against the common set of safety, people, governance, growth and strategic targets set at the beginning of the financial year and, as a result of performance against the targets set, with all targets either being achieved or exceeded, determined that 75% of the maximum was payable.

  The total bonus payments for 2023 are therefore 93.84% of maximum for each of the executive directors.
- *PSP awards made on 16 December 2020 (subject to performance over the three years ended 31 October 2023):* The PSP awards granted to the executive directors on 16 December 2020 were subject 50% to EPS targets and 50% to relative TSR targets. Based on strong EPS growth of circa 10.6% p.a. over the three-year performance period, which exceeded the maximum target of 10% p.a., and TSR performance over the same period, placing Chemring above the median versus the comparator group (ranking circa 157th out of the entire FTSE All-Share companies excluding investment trusts), these awards will vest at 71.85% of the maximum.

The Committee is satisfied the remuneration policy has operated as intended in relation to performance and remuneration outcomes for 2023, and did not use any discretion. The Committee considered the impact of the share buyback programme announced in August 2023 and concluded that this did not impact the extent of achievement against the targets detailed above. With regards to the December 2020 PSP awards vesting, the Committee also considered whether there was the potential for windfall gains on vesting. In considering this, the Committee noted that the awards had been granted in December 2020, at a share price well above the share price immediately prior to the Covid-19 pandemic. The Committee considered the share price performance over the full performance period had been underpinned by robust financial performance and noted the absolute total shareholder return created over the three-year period to 31 October 2023 of 20.3% which was further considered reflective of the robust financial performance delivered. As a result, the Committee determined that there are no windfall gains and that the level of payout was appropriate and reflective of Chemring's strong performance. In addition, in concluding that remuneration payments overall and the policy have operated appropriately, the Committee considered the bonuses payable across the Group, individual businesses' performance and the relativities between employees and executive directors in light of their roles and potential impact on the Group performance (this included considering pay ratios) and the wider stakeholder experience.

BOARD CHANGES

As announced on 23 January 2023, Andrew Lewis will be retiring from his role as Chief Financial Officer on 31 December 2023 and will step down from the Board on this date. Andrew will remain with the business until 19 January 2024 to ensure a smooth handover to his successor and will continue to receive his salary, pension and benefits during this time. Andrew will not receive any bonus nor any PSP award for 2024. The Committee determined that Andrew will be treated as a good leaver for his outstanding incentive awards, further details of which are set out in the payments for loss of office section. The post-cessation shareholding requirement, which requires Andrew to hold shares to the value of 200% of salary for two years post-cessation of employment, will apply from 19 January 2024.

We were pleased to announce the appointment of James Mortensen as our new Chief Financial Officer. James joined the Board on 1 November 2023 as Chief Financial officer (Designate) to help ensure a smooth handover with Andrew Lewis, and will be appointed Chief Financial Officer on 1 January 2024. James will receive a salary of £370,000, pension of 7.5% of salary and benefits in line with policy. James' annual bonus opportunity for 2024 will be 125% of salary and his PSP opportunity will be 150% of salary, in line with policy. His salary was set having had regard to current market rates of pay and the fact that this is his first permanent executive director position.

As part of the recruitment of James Mortensen, it was necessary to agree compensation for remuneration forfeited from his previous employer. The buy-out of the awards forfeited was structured on broadly similar terms (i.e. equivalent value, subject to performance and similar vesting periods). Full details of the buy-out awards are included on page 109.

IMPLEMENTATION OF THE POLICY FOR 2024

Base salaries were reviewed in November 2023 and increases will be made effective from 1 January 2024.

The Group Chief Executive and the Group Legal Director & Company Secretary will both receive a cost-of-living-related salary increase of 4% of salary effective 1 January 2024. The rate of increase was below the range of budgeted increases of 5% to 7% that were set by, and then agreed with, each individual operating business for 2024. Given the current Chief Financial Officer is retiring, he will not receive a salary increase for 2024. James Mortensen will first be eligible for a salary increase with effect from 1 January 2025.

Pension contributions for the executive directors will continue to be 7.5% of salary, aligned with the majority practice across the UK workforce.

The annual bonus opportunity will continue to be 150% of salary for the Group Chief Executive, and 125% of salary for the Chief Financial Officer and the Group Legal Director & Company Secretary. Performance measures are unchanged for 2024, with 40% subject to EPS, 40% operating cash flow and 20% common strategic objectives. The range of financial targets has been set to be challenging in light of market conditions in the defence sector but also having had regard to near-term challenges such as higher interest rates and UK corporation tax rates.

PSP awards will be granted in 2024 over 150% of salary for the Group Chief Executive, the Group Legal Director & Company Secretary and James Mortensen, as the new Chief Financial Officer. Andrew Lewis will not receive a PSP award for 2024. Performance will be subject 50% to EPS, 30% to relative TSR and 20% to ESG metrics related to scope 1 and scope 2 emissions. The range of financial targets and carbon reduction targets has been set to be similarly challenging to the targets set in prior years, having had regard to internal plans, external market expectations for the Group's performance and forecast economic conditions over the three-year performance period.

With regard to non-executive director fees, the Board Chair fee and the wider non-executive director base fee will be increased with effect from 1 January 2024 at 4%, below the typical 5% to 7% increases being awarded across the Group.

EMPLOYEE PAY AND STAKEHOLDER ENGAGEMENT

With exceptionally high levels of inflation, especially in the UK and the US, we continued to take a range of actions to support our employees in 2023. Given the nature of our operating model, which necessitates a level of independence within our US operations, our salary management responses varied by location based on our understanding of local needs.

Outside of pay, as the designated non-executive director, I visited employees in locations in the UK and Norway to understand their perception of working for Chemring and take their feedback for the Board. During these meetings, which included front line employees, supervisors, and middle and senior management, the topics covered included Chemring's approach to governance, including the workings of the Remuneration Committee, and how remuneration links to strategy through the business. Participants in these discussions had the opportunity to feed back on remuneration as well as wider employment considerations and all feedback received was presented to the appropriate divisional leadership, the relevant Board committees and the full Board. My role supplements the wider employee engagement process at Chemring, which includes regular all-hands meetings and team briefings and our on-line "Employee Voice" engagement tool. The above processes ensure that we understand the employee perspective and can take appropriate action as we did during 2023.

With regards to engagement with shareholders, the Committee did not identify any areas which necessitated consultation with our shareholders during the year. The Committee continues to welcome shareholder feedback and will proactively engage in relation to any major changes to the application of our remuneration policy.

CONCLUSION

I hope you will find this report helpful and informative, and that you will support the resolution on the directors' remuneration report at our forthcoming Annual General Meeting. Please do not hesitate to contact me on executive directors' remuneration matters via Sarah Ellard, Group Legal Director & Company Secretary, at sarahe@chemring.co.uk.

Laurie Bowen
Chair of the Remuneration Committee
12 December 2023

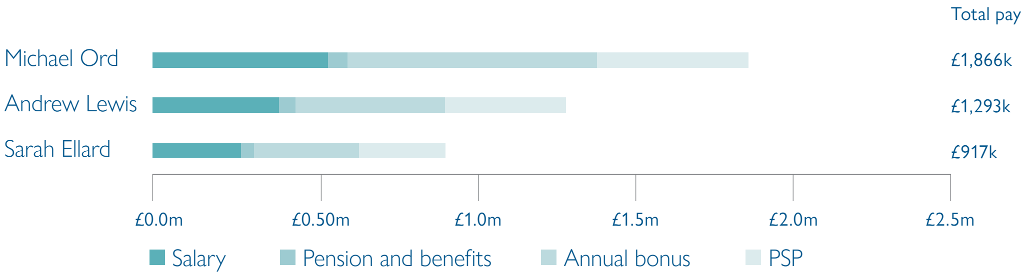
2023 REMUNERATION AT A GLANCE

2023 REMUNERATION YEAR IN SUMMARY

SALARY	Salary increases effective 1 January 2023 were as follows: - Michael Ord - 6.73% increase to £555,000 - Andrew Lewis - 5% increase to £399,376 - Sarah Ellard - 5% increase to £279,978
ANNUAL BONUS	Bonuses payable for 2023 performance were as follows: - Michael Ord - 140.76% of salary (£781,218) - Andrew Lewis - 117.3% of salary (£468,468) - Sarah Ellard - 117.3% of salary (£328,414)
PERFORMANCE SHARE PLAN	AWARDS GRANTED Awards made in December 2022, valued at 150% of salary, with EPS, TSR and ESG-related performance conditions measured over a three-year period, and a two-year holding period post-vesting. AWARDS VESTING Awards made in December 2020 to all three executive directors, which were subject to EPS and TSR performance conditions measured over the three years ended 31 October 2023, will vest at 71.85% of the maximum.
SHAREHOLDING	Shareholding guideline of 200% of base salary (both in and post-employment, with the post-employment guideline based on the lower of the guideline and shares held on cessation of employment, which are held for two years).
CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES	Base fees for the Chairman and non-executive directors increased by 5% effective 1 January 2023.

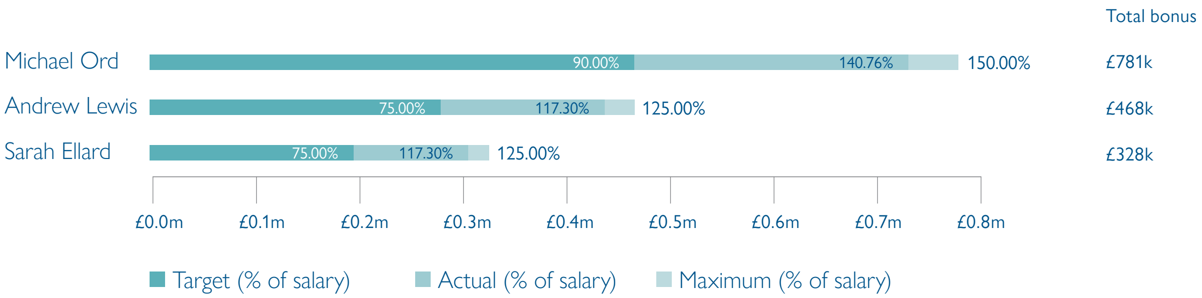
EXECUTIVE DIRECTORS' TOTAL PAY

This chart illustrates the total remuneration received by the executive directors in 2023.



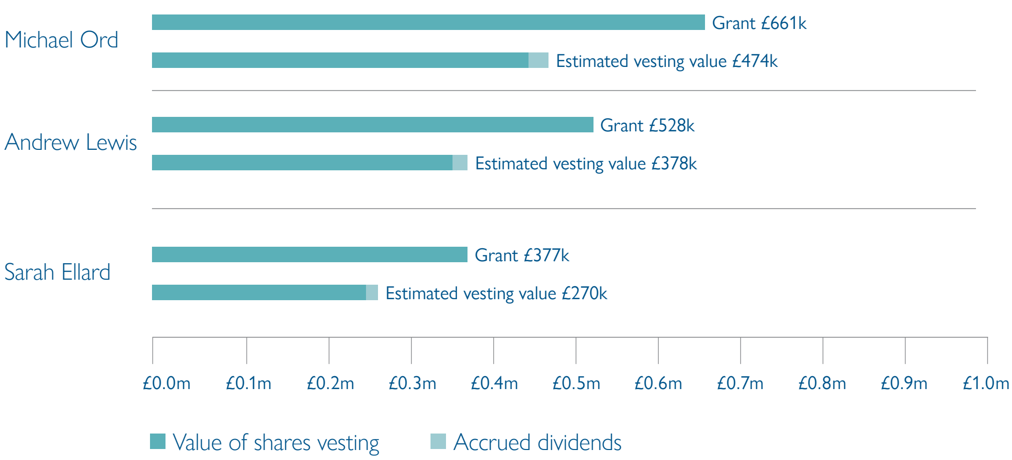
ANNUAL BONUS PLAN OUTCOME

This chart illustrates the bonuses payable for performance in 2023. 60% of the bonus amount is payable in cash and 40% will be satisfied by way of an award of shares deferred for three years.



PERFORMANCE SHARE PLAN OUTCOME

This chart illustrates the total value of each of the performance share plan awards granted to all three executive directors on 16 December 2020, which will vest at 71.85% of the maximum. The grant value is based on the share price on the grant date and the vesting value is calculated on the same basis as in the directors' emoluments table on page 104.



ANNUAL REPORT ON REMUNERATION

This part of the report explains how the directors' remuneration policy was implemented in 2023. The auditor has reported on certain sections of this report and stated whether, in its opinion, those sections have been properly prepared in accordance with the Companies Act 2006. Those sections subject to audit are clearly indicated.

DIRECTORS' EMOLUMENTS (AUDITED)

The emoluments of all the directors who served during the year are shown below:

	Year	Salaries/ fees £'000	Taxable benefits[1] £'000	Pension benefits[2] £'000	Total fixed pay £'000	Bonus (cash and deferred shares)[3] £'000	PSP[4] £'000	Total variable pay £'000	Total £'000
Executives									
Michael Ord	**2023**	**549**	**21**	**41**	**611**	**781**	**474**	**1,255**	**1,866**
	2022	514	21	51	586	764	963	1,727	2,313
Andrew Lewis	**2023**	**396**	**21**	**30**	**447**	**468**	**378**	**846**	**1,293**
	2022	379	20	76	475	466	768	1,234	1,709
Sarah Ellard	**2023**	**278**	**20**	**21**	**319**	**328**	**270**	**598**	**917**
	2022	265	20	53	338	327	494	821	1,159
Non-executives									
Carl-Peter Forster	**2023**	**215**	**—**	**—**	**215**	**—**	**—**	**—**	**215**
	2022	205	—	—	205	—	—	—	205
Alpna Amar[5]	**2023**	**23**	**—**	**—**	**23**	**—**	**—**	**—**	**23**
	2022	—	—	—	—	—	—	—	—
Laurie Bowen[6]	**2023**	**74**	**—**	**—**	**74**	**—**	**—**	**—**	**74**
	2022	71	—	—	71	—	—	—	71
Andrew Davies[7]	**2023**	**69**	**—**	**—**	**69**	**—**	**—**	**—**	**69**
	2022	66	—	—	66	—	—	—	66
Stephen King[8]	**2023**	**69**	**—**	**—**	**69**	**—**	**—**	**—**	**69**
	2022	66	—	—	66	—	—	—	66
Fiona MacAulay	**2023**	**59**	**—**	**—**	**59**	**—**	**—**	**—**	**59**
	2022	56	—	—	56	—	—	—	56
Total remuneration	**2023**	**1,732**	**62**	**92**	**1,886**	**1,577**	**1,122**	**2,699**	**4,585**
	2022	1,622	61	180	1,863	1,557	2,225	3,782	5,645

NOTES:

1. Comprises an annual car allowance of £20,000 for Michael Ord and £19,350 for each of Andrew Lewis and Sarah Ellard, plus private medical insurance for each of the executive directors.
2. The executive directors received a cash supplement of 7.5% of salary in lieu of occupational pension scheme membership in 2023. In 2022, Michael Ord received a cash supplement of 10% of salary and the other two executive directors received a cash supplement of 20% of salary.
3. 40% of any bonus is delivered as an award of deferred shares.
4. The PSP awards granted in December 2020 to all three executive directors were based 50% on EPS performance and 50% on TSR performance, both measured over the three years ended 31 October 2023. These awards will vest at 71.85% of the maximum and their estimated values have been included in the 2023 emoluments based on the average share price over the three-month period ended 31 October 2023, equating to 284p per share. The share price on the date of grant of the awards was 300p and therefore no share price appreciation is reflected in the PSP values for 2023. The value of accrued dividends on each award has also been included in the 2023 emoluments. The 2022 PSP values have been restated based on the share price on the date of vesting of 300.5p.
5. Alpna Amar was appointed as a non-executive director on 13 June 2023.
6. Laurie Bowen receives an additional fee of £10,000 per annum for her appointment as Chair of the Remuneration Committee and an additional fee of £5,000 per annum in respect of her appointment as the non-executive director responsible for employee engagement.
7. Andrew Davies receives an additional fee of £10,000 per annum for his appointment as Senior Independent Director.
8. Stephen King receives an additional fee of £10,000 per annum for his appointment as Chairman of the Audit Committee.

Amounts shown above in the salaries and fees column relate to base salary in the case of executive directors and fees in the case of non-executive directors.

BASE SALARY AND BENEFITS PAID DURING THE YEAR (AUDITED)

Salaries for the executive directors were reviewed in November 2022 and increases were approved by the Remuneration Committee effective 1 January 2023.

The salaries of the executive directors during the year were therefore as follows:

Executive	Annual salary from 1 November 2022 to 31 October 2022	**Annual salary from 1 January 2023 to 31 October 2023**
Michael Ord	£520,000	**£555,000**
Andrew Lewis	£380,358	**£399,376**
Sarah Ellard	£266,646	**£279,978**

Michael Ord receives a cash allowance of £20,000 per annum in lieu of a company car and the other executive directors receive a cash allowance of £19,350 per annum.

DETAILS OF VARIABLE PAY OPPORTUNITY IN THE YEAR

ANNUAL BONUS (AUDITED)

80% of the annual bonus opportunity for 2023 was based on financial targets (namely earnings per share and operating cash flow), with 20% based on strategic objectives. No bonus is payable in respect of the strategic objectives unless the Committee is satisfied that this is justified by the Group's underlying performance, including *inter alia* levels of profitability and cash flow, as well as health and safety performance.

The Committee has consistently set challenging targets for the achievement of maximum bonuses. The financial targets for the 2023 bonus plan, compared with actual performance (adjusted to reflect budgeted foreign exchange rates as per the plan rules), were as follows:

	Weighting (80% of overall bonus)	Performance	Payout (% of element)	Target	Actual	Payout achieved (% of element)
Underlying diluted earnings per share (continuing operations)	**50%**	Threshold	0%	17.20p	20.5p	100%
		Target	50%	18.10p		
		Stretch	100%	19.91p		
Underlying operating cash flow (continuing operations)	**50%**	Threshold	0%	£74.67m	£82.3m	97.1%
		Target	50%	£78.60m		
		Stretch	100%	£82.53m		

The strategic objectives set in respect of the 2023 bonus plan were set on a consistent basis across the executive directors, members of the Executive Committee and each of the business unit leaders, focused as appropriate on their respective businesses. Details of the key achievements of the executive directors against the strategic objectives are set out below:

Strategic objective target	Performance against targets
SAFETY - Continued delivery of the Group's HSE Management System Framework Standard and associated assurance processes. - Maintain the Group's total recordable injury frequency rate below 1.0. - Maintain the Group's process safety event (level 3 & 2) rate below 2.0.	- Total recordable injury frequency rate of 0.90 (2022: 0.78) against a targeted limit of 1.0. - Process safety event (level 3 & 2) rate of 2.87 (2022: 1.86) against a targeted limit of 2.0. **Achieved at 50% of maximum in light of the process safety event rate exceeding the targeted limit.**
STRATEGY AND CORPORATE DEVELOPMENT - Deliver organic and inorganic growth plans for Roke. - Progress Roke USA market and business development campaign, focusing on customer penetration and sales. - Progress biosecurity growth opportunities across US Department of Defense and wider US markets. - Develop organic and inorganic growth options for US space and missiles markets. - Develop growth options for Chemring Energetics UK and Chemring Nobel to capture the upturn in the European and US propellant and speciality materials markets. - Reassess future strategic opportunities for the Countermeasures businesses.	- Delivered double digit order intake, revenue and profit growth at Roke and completed the Geollect acquisition in December 2022. - Roke brand recognition established in the US, particularly with the land electronic warfare customer base, and validated the capability of the Perceive electronic warfare system against US requirements, securing a small initial contract win on a US programme. However, the Roke USA sales budget for the year was not achieved. - EMBD FRP contract continued to deliver to plan and LRIP contract secured on the JBTDS programme. Contract secured with the US Department of Homeland Security to deliver prototype systems for assessment in non-military environments. - Order intake at Chemring Energetic Devices exceeded US$154m, reflecting continued organic growth in the US space and missiles markets. Three potential bolt-on acquisitions identified and under review. - Order intake in the three Energetics businesses exceeded £358m. - c.£120m of capital investment approved to support significant organic growth in the Energetics businesses. Projects mobilised for a new propellant facility at Chemring Energetics UK and capacity expansion at Chemring Nobel. - Completed review of wider market opportunities for Chemring Australia and future business strategy for Kilgore against site infrastructure plans. **Achieved at 60% of maximum in light of the Roke USA sales budget not being achieved and ongoing development of the future strategy for the Countermeasures businesses.**
ENVIRONMENTAL SUSTAINABILITY - Develop infrastructure options for Ardeer and Salisbury sites to facilitate reductions in energy consumption in support of the Group's commitment to be net zero by 2030. - Reduce Group scope 1 and 2 market-based emissions year-on-year by a minimum of 7.5%.	- Site infrastructure plans developed for the Ardeer and Salisbury sites, and the associated capital investment requirements phased into the five-year plans for Chemring Energetics UK and Chemring Countermeasures UK. - Group Scope 1 and Scope 2 market-based emissions reduced by 9.1% (2022: 7.3%) and independently verified by ERM. Progress delivered against: (i) electrification of the business; (ii) energy efficiency improvements; and (iii) renewable energy sourcing. **Achieved in full.**

ANNUAL REPORT ON REMUNERATION continued

DETAILS OF VARIABLE PAY OPPORTUNITY IN THE YEAR continued

ANNUAL BONUS (AUDITED) continued

Strategic objective target	Performance against targets
PEOPLE - Ensure all employees have a voice in the business to strengthen our values-based culture by involvement in regular employee sentiment assessment and demonstrate management actions in response to employee feedback. - Further improve business management capability by deployment of Leading Our People and Aspire@Chemring development programmes. - Strengthen talent pipeline with more robust succession planning and implementation of associated development plans. - Further deploy DE&I education programme and implement actions to support gender diversity.	- All businesses are utilising the Employee Voice feedback system, which is supplemented with local listening approaches at each business. All businesses have established feedback mechanisms; some have centralised published action plans and others respond directly when specific feedback topics are raised. - All businesses participated in the Aspire@Chemring programme, with 75 employees having graduated from the first cohort, and the Leading Our People development programme. Several businesses have established additional operator and leadership competence programmes alongside the Group-driven programmes to address specific business priorities. - Talent assessments completed at the majority of the businesses during the year, which covered more than 85 senior leadership and key roles across the Group. Succession planning process identified over 100 individuals in the talent pipeline, 60 of whom will participate in the second cohort of the Aspire@Chemring programme. - All businesses are now reviewing and reporting on their diversity metrics on a monthly basis, and utilising communication campaigns, training and Employee Voice to identify local priorities. Percentage of females in senior leadership roles increased to 30%, against the target of at least 33% by 2027. **Achieved in full.**
GOVERNANCE - Continue to strengthen the Group's governance framework. - Continue deployment of common standards and practices to safeguard our people, information and technology through the operation of a robust security programme, with specific emphasis on cyber-security. - Update and implement refreshed data retention policies and procedures.	- Updated Bribery Act Compliance Manual ("BACM 2022") issued in November 2022, together with an updated BACM Pocket Guide for all employees. Updated anti-bribery training deployed through the Chemring Compliance Portal ("CCP"). - Updated Operational Framework issued in January 2023. - Two on-line training modules on the Code of Conduct issued through the CCP. - Updated Chemring Cyber-Security Standard issued, including compliance options subject to jurisdictional and customer requirements. - Incident response retainers put in place with external consultants, and tabletop exercises held to assess cyber incident scenarios and test and evolve our response in the event of an incident. - Cyber-security training provided to employees, together with regular phishing exercises. - Chemring Travel Standard updated to reflect additional requirements for travel to higher risk destinations. - Updated data retention policy and procedures issued but full implementation, particularly in relation to IT systems and electronic data, remains a work-in-progress. **Achieved at 65% of maximum in light of ongoing implementation of updated data retention policy.**

The Committee assesses performance against the targets using both qualitative and quantitative data. The above reflects a full summary of the targets set and achievements delivered within the bounds of commercial confidentiality. Based on the overall performance against the five strategic targets detailed, the Committee determined that the targets had been met at 75% of the maximum.

Based on the above performance, bonuses are payable to the executive directors under the 2023 bonus plan as follows (audited):

Executive	Maximum bonus (% of salary)	Bonus paid in respect of financial targets (% of salary)	Bonus paid in respect of strategic objectives (% of salary)	Total bonus payment (£)[1]
Michael Ord	150%	118.26%	22.5%	781,218
Andrew Lewis	125%	98.55%	18.75%	468,468
Sarah Ellard	125%	98.55%	18.75%	328,414

NOTE:
1. 40% of bonuses payable are satisfied by way of an award of deferred shares, vesting of which is subject only to continued service over a period of three years.

The Committee reviewed the outcomes in light of broader company and individual performance and the stakeholder experience during the year and was satisfied that no discretion was necessary.

DEFERRED BONUS SHARES GRANTED DURING THE YEAR IN RESPECT OF THE 2022 BONUS

Details of the deferred bonus share awards granted on 13 December 2022 in relation to the bonus for the year ended 31 October 2022 are set out in the table below. The awards will normally vest subject to continued employment in three years.

Executive	Date of grant	Shares awarded	Face value of award[1]
Michael Ord	13 December 2022	100,249	£305,759
Andrew Lewis	13 December 2022	61,106	£186,373
Sarah Ellard	13 December 2022	42,838	£130,656

NOTE:
1. Value based on the closing share price of 305p on the date of grant.

PERFORMANCE SHARE PLAN (AUDITED)

Vesting of March 2020 PSP awards

The PSP awards granted to all three executive directors on 16 December 2020 were made subject to the following performance conditions:

Measure	Threshold vesting	Full vesting
Total compound EPS growth per annum over the three financial years ended 31 October 2023 (50% of award)	5% p.a. (25% vests)	10% p.a. (100% vests)
Rank of the Company's TSR against the TSR of the members of the comparator group over the three financial years ended 31 October 2023 (50% of award)	Median ranking (25% vests)	Upper quartile ranking (100% vests)

The Group's compound EPS growth on continuing operations over the three financial years ended 31 October 2023 was 10.6% p.a. and 100% of the part of the award subject to the EPS measure will therefore vest on 16 December 2023. The Company's TSR over the same performance period was 20.3% against a median TSR of 13.9% for the comparator group, ranking the Group at 157.2 out of 358, and therefore 43.7% of the TSR part of the award will also vest on 16 December 2023.

Details of the awards granted to the executive directors on 16 December 2020 are provided below (audited):

Executive	Vesting date	Number of shares at grant	Number of shares vested	Number of shares lapsed
Michael Ord	16 December 2023	220,375	158,339	62,036
Andrew Lewis	16 December 2023	175,848	126,346	49,502
Sarah Ellard	16 December 2023	125,670	90,293	35,377

Executive	Value of shares vested	Value of accrued dividends	Total value of awards vested[1]
Michael Ord	£449,683	£24,384	£474,067
Andrew Lewis	£358,823	£19,457	£378,280
Sarah Ellard	£256,432	£13,905	£270,337

NOTE:
1. Value estimated based on the average closing share price of 284p over the three-month period ended 31 October 2023.

PSP awards granted in the year

The following conditional awards of shares were granted to the executive directors under the PSP during the year:

Executive	Date of grant	Value of award	Closing share price on date of grant	Number of conditional shares awarded	Face value	% that vests at threshold	Vesting determined by
Michael Ord	14 December 2022	150% of salary	307p	255,737	£785,113	25%	50% EPS growth, 30% relative TSR performance and 20% ESG performance, as detailed below
Andrew Lewis	14 December 2022	150% of salary	307p	187,061	£574,277	25%	
Sarah Ellard	14 December 2022	150% of salary	307p	131,137	£402,591	25%	

The performance conditions applying to the awards made in December 2022 will be measured over three financial years commencing 1 November 2022 and are weighted 50% EPS growth, 30% relative TSR performance and 20% ESG performance.

The EPS performance condition will be measured as follows:

Total compound EPS growth over the three-year performance period	% of EPS part that may vest
Less than 5% p.a.	0%
5% p.a.	25%
Between 5% p.a. and 10% p.a.	On a straight-line basis between 25% and 100%
10% p.a. or more	100%

NOTE:
1. Earnings per share is calculated on an underlying, fully diluted and normalised basis, as specified by the Committee prior to grant.

ANNUAL REPORT ON REMUNERATION continued

DETAILS OF VARIABLE PAY OPPORTUNITY IN THE YEAR continued

PERFORMANCE SHARE PLAN (AUDITED) continued

PSP awards granted in the year continued

The TSR performance condition will be measured as follows:

Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over the three-year performance period	% of TSR part that may vest
Below median	0%
Median	25%
Between median and upper quartile	On a straight-line basis between 25% and 100%
Upper quartile or above	100%

The ESG performance condition will be measured as follows:

Reduction in scope 1 and scope 2 emissions (market-based) over the three-year performance period	% of ESG part that may vest
Less than 15%	0%
15%	25%
Between 15% and 25%	On a straight-line basis between 25% and 100%
25% or more	100%

Any shares that vest in respect of the December 2022 awards will be subject to a two-year holding period (after allowing for the sale of sufficient shares to meet the tax and national insurance liability arising on vesting).

PENSION (AUDITED)

The following table sets out the pension benefits earned by the executive directors during the year. Only Sarah Ellard previously accrued benefits during her former membership of the Chemring Group Staff Pension Scheme.

		Total benefit accrued at 31 October 2022			Total benefit accrued at 31 October 2023				
Executive	Cash in lieu of pension contributions £'000	Pension £'000 p.a.	Cash £'000	Transfer value of accrued benefit at 31 October 2022 £'000	Pension £'000 p.a.	Cash £'000	Transfer value of accrued benefit at 31 October 2023 £'000	Increase in transfer value during year (less members' contributions) £'000	Value of benefit for single figure £'000
Michael Ord	41	—	—	—	—	—	—	—	**41**
Andrew Lewis	30	—	—	—	—	—	—	—	**30**
Sarah Ellard	21	24	72	461	**24**	**72**	**461**	—	**21**

NOTES:

1. Michael Ord received a 10% cash supplement in lieu of pension and the other executive directors received a 20% cash supplement during the 2022 financial year. With effect from 1 November 2022, the cash supplement paid to all of the executive directors was reduced to 7.5% to align with the workforce rate.
2. Transfer values represent liabilities of the applicable scheme, and do not represent sums paid to individuals.
3. Transfer values have been calculated in accordance with the Occupational Pension Scheme (Transfer Value) Regulations 1996.
4. Sarah Ellard left pensionable service on 6 April 2010 and therefore has not accrued additional pension over the year. The accrued benefits shown are the benefits at the date of exit.
5. The scheme provided pension at a rate of 1/80th of final pensionable salary plus a cash lump sum of 3/80ths for each year of membership. Final pensionable salary was capped at the HMRC notional earnings cap, and the scheme assumed a normal retirement age of 65. Early retirement is permissible from age 55 but accrued benefits are reduced accordingly using the early retirement factors in force at the date of early retirement.

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE

On 23 January 2023, we announced Andrew Lewis' intention to retire from the role of Chief Financial Officer and as a director of the Company. Andrew will step down as Chief Financial Officer and as a director of the Company on 31 December 2023 but will remain as an employee of the Company until 19 January 2024 to ensure a smooth handover to his successor.

In respect of Andrew's remuneration for FY24 and treatment of his outstanding incentive awards, given the reason for his cessation of employment is retirement, the Remuneration Committee has determined that Andrew will be treated as a "good leaver" and as such the following approach will be taken which is consistent with the provisions included in the directors' remuneration policy:

- Andrew will continue to receive his salary, pension and benefits until cessation of his employment on 19 January 2024;
- Andrew will not be entitled to receive any bonus for FY24;
- outstanding deferred bonus share awards (2021, 2022 and 2023 awards) will be retained and will vest in full, the 2021 and 2022 awards will vest in January 2026 and the 2023 awards will vest on the normal vesting date in December 2026;
- outstanding PSP awards (2021 and 2022 awards) will be pro-rated based on the proportion of the vesting period for each award that has elapsed to 19 January 2024. The PSP awards will vest in January 2026, subject to the achievement of the applicable performance conditions and the two-year post-vesting holding period for each award will continue to apply; and
- the post-cessation shareholding requirement will apply from 19 January 2024.

No payments were made to past directors during the year.

BUY-OUT ARRANGEMENTS FOR JAMES MORTENSEN

On 24 May 2023, we announced the appointment of James Mortensen as our new Chief Financial Officer. As part of his recruitment, the Committee agreed to provide compensation for the remuneration he forfeited as a result of him taking up the appointment with the Group. The structure of his buy-out awards mirrors the terms and quantum, as far as is practicable, of what was forfeited and all payments are subject to relevant performance assessments. Details of the compensatory arrangements are set out below:

- *FY23 annual bonus:* A payment of £156,987 was made to James following commencement of employment in respect of the annual bonus he forfeited with Smiths Group plc ("Smiths"). The payment is subject to clawback in the event of James ceasing employment within two years of payment. The value and the structure of the payment mirrors what was forfeited.
- *FY20 long-term incentive plan (awarded in October 2020):* 55,956 Chemring shares will be awarded in lieu of the number of shares forfeited by James as a result of his resignation from Smiths. The number of shares was determined based on converting the number of Smiths shares which would have been awarded into Chemring shares, using the relative share prices on the day prior to James commencing employment. The number of shares which will be awarded was also reduced to reflect the extent to which the applicable Smiths performance condition was met over the three-year period ending 31 July 2023, which was at 75.6% of maximum. The net number of shares from this award will be retained towards satisfying the Company's 200% of salary share ownership guidelines and the value of the award will be repayable to the Company in the event of James ceasing employment within two years.
- *FY21 long-term incentive plan (awarded in October 2021):* An award will be made over 79,665 Chemring shares in lieu of the award forfeited. The number of shares was determined based on converting the number of Smiths shares in the original award into Chemring shares using the relative share prices on the day prior to James commencing employment. These shares will vest subject to the extent that Chemring's December 2021 PSP awards' performance conditions are met, based on performance to 31 October 2024. Any shares vesting under this award will be subject to a two-year holding period post-vesting. Having considered the terms of the Smiths award, the Committee was comfortable that the replacement award was of a broadly equivalent value to the award forfeited and achieved alignment with the wider executive team at Chemring.
- *FY22 long-term incentive plan (awarded in October 2022):* An award will be made over 79,665 Chemring shares in lieu of the award forfeited. The number of shares was determined based on converting the number of Smiths shares in the original award into Chemring shares using the relative share prices on the day prior to James commencing employment. These shares will vest subject to the extent that Chemring's December 2022 PSP awards' performance conditions are met, based on performance to 31 October 2025. Any shares vesting under this award will be subject to a two-year holding period post-vesting. Having considered the terms of the Smiths award, the Committee was comfortable that the replacement award was of a broadly equivalent value to the award forfeited and achieved alignment with the wider executive team at Chemring.

Further details of the above awards will be set out in next year's directors' remuneration report following the grant of the replacement awards.

REMUNERATION IN THE WIDER WORKFORCE

In addition to determining the remuneration arrangements for the executive directors, the Committee considers and approves the base salaries for eight senior executives, excluding those based in the US. The Committee also receives information on general pay levels and policies across the Group. The Committee, therefore, has due regard to salary levels across the Group in applying its remuneration policy.

The Group comprises a number of businesses, some of which have been developed through organic growth, others of which have been acquired over time. As a result there are diverse remuneration arrangements in place across the Group. An example of this is pension provision, where contributions range from 6% to 20% of salary depending on location and length of service. Where possible the business aims to consolidate and normalise its remuneration approach, particularly in relation to fixed pay arrangements, taking into account regional and sector-related variations.

In the US, the US Board has established a Compensation Committee to set the remuneration arrangements for the senior leadership of the US businesses, in accordance with the requirements of our Special Security Agreement with the US Government. The US Compensation Committee consults with the Remuneration Committee where appropriate.

The annual bonus plan for the senior leadership is typically operated for around 80 employees and works in a similar fashion to that for the executive directors, albeit with greater focus on business unit performance where appropriate. Therefore, overall bonus outcomes maintain a level of consistency with Group level performance but allow for differentiated outcomes based on business unit and individual performance.

Below Board, the performance share plan is also operated, in order to allow us to recruit and retain the best talent. Employees who are considered to have a direct influence on Group level performance participate in this plan and in 2023 this included 50 employees.

All UK employees are encouraged to participate in the UK Sharesave Plan. At present over 450 employees participate in the UK Sharesave Plan.

ADDITIONAL STATUTORY INFORMATION ON REMUNERATION ARRANGEMENTS

DIRECTORS' SHAREHOLDINGS (AUDITED)

Shareholding guidelines apply to executive directors during employment and post-cessation of employment. Executive directors are expected to build up and maintain a shareholding in the Company equivalent to 200% of base salary, by retaining at least 50% of after-tax vested PSP awards until such time as the guidelines have been met. The executive directors are also required to hold shares to the value of the shareholding guideline (i.e. 200% of base salary or their existing shareholding if lower at the time) for two years post-cessation of employment. The shareholding will be assessed at the time of stepping down from the Board.

The interests of the directors in the ordinary shares of the Company at 31 October 2023 are shown below. All are beneficial holdings.

				Unvested and subject to performance conditions under the PSP					
Executive	Legally owned (number of shares)	Value of legally owned shares as % of salary[1]	Guideline met	Dec 2020 award	Dec 2021 award	Dec 2022 award	Total at 31 October 2023	Deferred bonus share awards	Sharesave options
Michael Ord	576,906	291%	Yes	220,375	255,555	255,737	731,667	255,719	7,894
Andrew Lewis	315,717	221%	Yes	175,848	195,386	187,061	558,295	158,120	—
Sarah Ellard	246,243	246%	Yes	125,670	136,973	131,137	393,780	108,190	7,894
Carl-Peter Forster	30,000	—	—	—	—	—	—	—	—
Alpna Amar	—	—	—	—	—	—	—	—	—
Laurie Bowen	15,000	—	—	—	—	—	—	—	—
Andrew Davies	—	—	—	—	—	—	—	—	—
Stephen King	130,500	—	—	—	—	—	—	—	—
Fiona MacAulay	—	—	—	—	—	—	—	—	—

NOTE:
1. Based on the number of shares legally owned, prevailing base salary and share price of 279.5p at 31 October 2023.

The directors' share interests at 31 October 2023 include shares held by the directors' connected persons, if any, as required by the Regulations. There have been no changes to the directors' interests in shares since 31 October 2023.

OUTSTANDING PSP AWARDS (AUDITED)

	Number of shares under award						
Executive	At 1 November 2022	Awarded during the year	Lapsed during the year	Vested during the year	At 31 October 2023	Date of vesting	Closing share price on date of grant (p)
Michael Ord	307,142	—	—	(307,142)	—	17 December 2022	225.5
	220,375	—	—	—	220,375[1]	16 December 2023	300.0
	255,555	—	—	—	255,555	15 December 2024	286.5
	—	255,737	—	—	255,737	14 December 2025	307.0
	783,072	**255,737**	**—**	**(307,142)**	**731,667**		
Andrew Lewis	245,085	—	—	(245,085)	—	17 December 2022	225.5
	175,848	—	—	—	175,848[1]	16 December 2023	300.0
	195,386	—	—	—	195,386	15 December 2024	286.5
	—	187,061	—	—	187,061	14 December 2025	307.0
	616,319	**187,061**	**—**	**(245,085)**	**558,295**		
Sarah Ellard	157,635	—	—	(157,635)	—	17 December 2022	225.5
	125,670	—	—	—	125,670[1]	16 December 2023	300.0
	136,973	—	—	—	136,973	15 December 2024	286.5
	—	131,137	—	—	131,137	14 December 2025	307.0
	420,278	**131,137**	**—**	**(157,635)**	**393,780**		

NOTE:
1. As explained above, these awards will vest at 71.85% of the maximum on 16 December 2023.

PERFORMANCE CONDITIONS FOR OUTSTANDING PSP AWARDS

	Measure	Director	Executive directors' award values	Threshold vesting	Full vesting
Awards made on 16 December 2020	Total compound EPS growth per annum over the three financial years ended 31 October 2023 (50% of award)	Michael Ord Andrew Lewis Sarah Ellard	150% of salary	5% p.a. (25% vests)	10% p.a. (100% vests)
	Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over thexthree financial years ended 31 October 2023 (50% of award)			Median ranking (25% vests)	Upper quartile ranking (100% vests)
Awards made on 15 December 2021	Total compound EPS growth per annum over the three financial years ended 31 October 2024 (50% of award)	Michael Ord Andrew Lewis Sarah Ellard	150% of salary	5% p.a. (25% vests)	10% p.a. (100% vests)
	Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over the three financial years ended 31 October 2024 (30% of award)			Median ranking (25% vests)	Upper quartile ranking (100% vests)
	Reduction in scope 1 and scope 2 emissions (market-based) over the three financial years ended 31 October 2024 (20% of award)			15% (25% vests)	25% (100% vests)
Awards made on 14 December 2022	Total compound EPS growth per annum over the three financial years ended 31 October 2025 (50% of award)	Michael Ord Andrew Lewis Sarah Ellard	150% of salary	5% p.a. (25% vests)	10% p.a. (100% vests)
	Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over the three financial years ended 31 October 2025 (30% of award)			Median ranking (25% vests)	Upper quartile ranking (100% vests)
	Reduction in scope 1 and scope 2 emissions (market-based) over the three financial years ended 31 October 2025 (20% of award)			15% (25% vests)	25% (100% vesting)

OUTSTANDING DEFERRED BONUS SHARE AWARDS (AUDITED)

	Number of shares under award						
Executive	At 1 November 2022	Awarded during the year	Lapsed during the year	Vested during the year	At 31 October 2023	Date of vesting	Closing share price on date of grant (p)
Michael Ord	100,333	—	—	(100,333)	—	16 December 2022	210.0
	71,989	—	—	—	71,989	15 December 2023	300.0
	83,481	—	—	—	83,481	14 December 2024	283.5
	—	100,249	—	—	100,249	13 December 2025	305.0
	255,803	**100,249**	**—**	**(100,333)**	**255,719**		
Andrew Lewis	64,048	—	—	(64,048)	—	16 December 2022	210.0
	45,954	—	—	—	45,954	15 December 2023	300.0
	51,060	—	—	—	51,060	14 December 2024	283.5
	—	61,106	—	—	61,106	13 December 2025	305.0
	161,062	**61,106**	**—**	**(64,048)**	**158,120**		
Sarah Ellard	41,195	—	—	(41,195)	—	16 December 2022	210.0
	29,557	—	—	—	29,557	15 December 2023	300.0
	35,795	—	—	—	35,795	14 December 2024	283.5
	—	42,838	—	—	42,838	13 December 2025	305.0
	106,547	**42,838**	**—**	**(41,195)**	**108,190**		

ADDITIONAL STATUTORY INFORMATION ON REMUNERATION ARRANGEMENTS continued

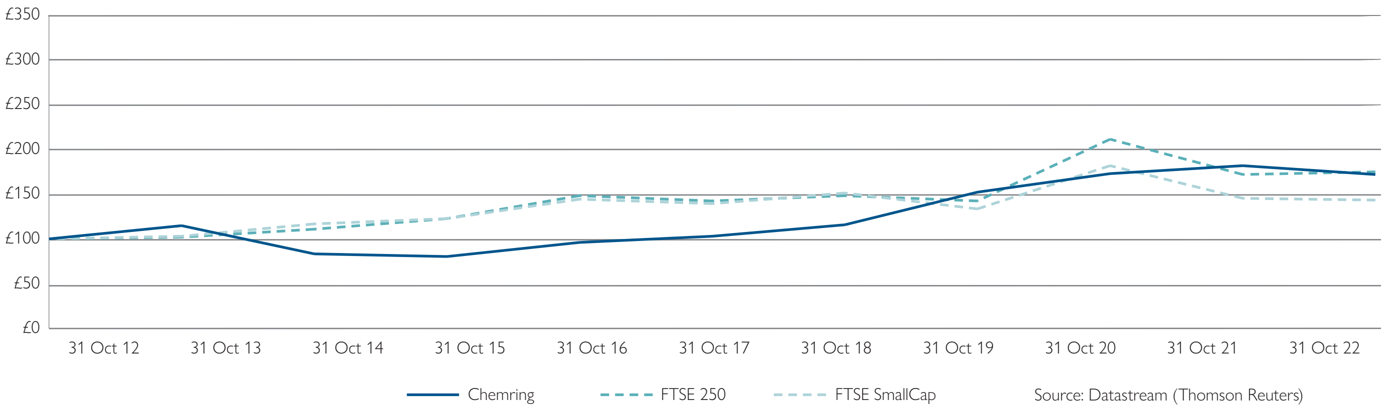
OUTSTANDING SHARESAVE OPTIONS (AUDITED)

		Number of shares under award					
Executive	At 1 November 2022	Awarded during the year	Lapsed during the year	Vested during the year	At 31 October 2023	Exercise price	Exercise date
Michael Ord	16,853	—	—	(16,853)	—	178p	1 October 2023 – 31 March 2024
	—	7,894	—	—	7,894	228p	1 October 2026 – 31 March 2027
	16,853	**7,894**	**—**	**(16,853)**	**7,894**		
Andrew Lewis	8,910	—	—	(8,910)	—	202p	1 October 2023 – 31 March 2024
	8,910	**—**	**—**	**(8,910)**	**—**		
Sarah Ellard	8,910	—	—	(8,910)	—	202p	1 October 2023 – 31 March 2024
	—	7,894	—	—	7,894	228p	1 October 2026 – 31 March 2027
	8,910	**7,894**	**—**	**(8,910)**	**7,894**		

TOTAL SHAREHOLDER RETURN PERFORMANCE GRAPH

The following graph shows the Company's cumulative TSR over the last ten financial years relative to the FTSE 250 and FTSE SmallCap Indexes. The FTSE 250 has been selected by the Committee for this comparison because it provides the most appropriate measure of performance of listed companies of a similar size to the Company. The FTSE SmallCap has been shown in previous years and has been included this year for the purpose of continuity.

The graph shows the value, by 31 October 2023, of £100 invested in Chemring Group PLC on 31 October 2013 compared with the value of £100 invested in the FTSE 250 and FTSE SmallCap. The other points are the values at intervening financial year ends.



Source: Datastream (Thomson Reuters)

CHIEF EXECUTIVE'S REMUNERATION TABLE

The total remuneration figures for the Group Chief Executive during each of the last ten financial years are shown in the table below. Michael Flowers replaced Mark Papworth as Group Chief Executive on 24 June 2014 and Michael Ord replaced Michael Flowers on 1 July 2018.

The total remuneration figure for 2014 includes the payments for loss of office made to Mark Papworth. The figure for 2018 includes a full year's salary and benefits for Michael Flowers.

The total remuneration figure for each year includes the annual bonus based on that year's performance and, where applicable, vested PSP awards based on the three-year performance period ending in the relevant year. The annual bonus payout and PSP award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Mark Papworth/ Michael Flowers	Michael Flowers			Michael Flowers/ Michael Ord	Michael Ord				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Total remuneration (£'000)	841	507	855	831	969	1,021	1,045	3,583	2,313	**1,866**
Annual bonus (% of maximum)	50%	0%	68.3%	59.5%	0%	98%	98%	98%	98%	**93.84%**
PSP awards vesting (% of maximum)	0%	0%	0%	0%	35%	0%	0%	86.4%/ 100%	100%	**71.85%**

PERCENTAGE CHANGE IN THE DIRECTORS' REMUNERATION

The table below shows the annual percentage change in the total remuneration (excluding the value of any PSP awards and pension benefits receivable in the year) for each of the directors between the 2019 and 2023 financial years, compared to that of the average for all eligible employees of the Group.

	2019 vs 2020			2020 vs 2021			2021 vs 2022			2022 vs 2023		
	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus
Group Chief Executive	2.3%	0%	2.5%	8.2%	0%	9.6%	8.0%	0%	29.1%	6.8%	0%	2.2%
Chief Financial Officer	2.6%	0%	2.7%	4.6%	0%	4.9%	3.6%	0%	28.7%	4.5%	5%	0.4%
Group Legal Director & Company Secretary	2.3%	0%	2.8%	14.7%[1]	0%	14.4%	2.7%	0%	28.7%	4.9%	0%	0.3%
Carl-Peter Forster	0%	N/A	N/A	0%	N/A	N/A	1.0%	N/A	N/A	4.9%	N/A	N/A
Alpna Amar[2]	N/A	N/A	N/A	N/A[2]	N/A	N/A	1.0%	N/A	N/A	N/A	N/A	N/A
Laurie Bowen	N/A	N/A	N/A	11.3%[3]	N/A	N/A	2.9%	N/A	N/A	4.2%	N/A	N/A
Andrew Davies	(12.6%)	N/A	N/A	8.6%[4]	N/A	N/A	4.8%	N/A	N/A	4.5%	N/A	N/A
Stephen King	0%	N/A	N/A	0%	N/A	N/A	1.5%	N/A	N/A	4.5%	N/A	N/A
Fiona MacAulay	N/A	N/A	N/A	N/A[5]	N/A	N/A	1.8%	N/A	N/A	5.4%	N/A	N/A
Average of other employees	4.0%	0%	3.0%	5.2%	5.2%	34.8%	3.2%	(18.0%)	5.0%	3.9%	(0.7%)	(6.9%)

NOTES:

1. The Group Legal Director & Company Secretary's salary was increased pro-rata to reflect her resumption of full-time working hours with effect from 1 November 2020.
2. Alpna Amar was appointed as a non-executive director on 13 June 2023.
3. The percentage increase in the fees paid to Laurie Bowen between 2020 and 2021 reflects the additional fees paid to her following her appointment as Chair of the Remuneration Committee on 4 March 2020 and the fee paid to her as the non-executive director with responsibility for employee engagement from 1 January 2021.
4. The percentage increase in the fees paid to Andrew Davies between 2020 and 2021 reflects the additional fees paid to him as Senior Independent Director from 1 January 2021.
5. Fiona MacAulay was appointed as a non-executive director on 3 June 2020. Non-executive directors' fees did not increase between 2020 and 2021.

CHIEF EXECUTIVE'S PAY RATIO

The table below shows how the Group Chief Executive's single remuneration figure from the 2023 financial year compares to equivalent single figure remuneration for full-time equivalent UK employees ranked at the 25th, 50th and 75th percentile.

The Committee considered the calculation approaches as set out in the Regulations and elected to use Method A, as it is considered to be the most appropriate and robust way to calculate the ratio. The calculation was based on:

- actual base salary, benefits, bonus and long-term incentive awards for the year ended 31 October 2023 for UK employees as at 31 October 2023, with salaries for part-time employees annualised on a full-time equivalent basis to allow equal comparisons; and
- employer pension contributions.

No components of pay and benefits were omitted for the purpose of the calculations; however, joiners and leavers during the year were excluded from the calculations.

		Total remuneration		
Year	Methodology	25th percentile (lower quartile) pay ratio	50th percentile (median) pay ratio	75th percentile (upper quartile) pay ratio
2023	Method A	57.1	37.2	23.7
2022	Method A	68.3	46.8	29.7
2021	Method A	116.3	76.1	49.2
2020	Method A	39.9	25.0	15.8

	Salary			Total remuneration		
Year	25th percentile	50th percentile	75th percentile	25th percentile	50th percentile	75th percentile
2023	£30,420	£45,100	£72,200	£32,666	£50,160	£78,732

The Committee is mindful that pay ratios, however calculated, are a useful reference point but cannot be considered in isolation. Any movement in ratios will be reviewed by the Committee to understand the causes and longer-term trends will be monitored.

The pay ratios increased in 2021 as a result of, exceptionally, the inclusion of two PSP awards vesting in relation to the year. One of the PSP awards related to a one-off award granted to the Group Chief Executive on appointment, which vested at 86.4% of maximum, and the second PSP award related to the normal PSP grant, which vested at 100% of maximum. For 2022, there was only one PSP award included in the Group Chief Executive's total single figure of remuneration, which vested in full. Whilst the Group Chief Executive also received a salary increase for 2022 and an increase to his annual bonus entitlement, in 2022 the pay ratio decreased primarily as a result of the total PSP value reducing during the year. The pay ratio has reduced further in 2023 as the Group Chief Executive's PSP award did not vest in full and his overall remuneration in 2023 was lower than in 2022.

The reward policies and practices across the Group are considered by the Committee in the design process and implementation of the remuneration policy each year for the executive directors. On this basis, the Committee is satisfied that the median pay ratio is consistent with the pay, reward and progression policies against all employees.

ADDITIONAL STATUTORY INFORMATION ON REMUNERATION ARRANGEMENTS continued

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table shows the Company's actual spend on pay (for all employees) relative to dividends and retained profits:

	2023 £m	2022 £m	% change
Staff costs	**176.6**	165.5	+7%
Dividends	**17.3**	14.4	+20%
Retained profits	**62.9**	87.2	-28%

The dividends figures relate to amounts payable in respect of the relevant financial year.

Retained profits reflect the underlying success of the Group and the profit generated in the relevant financial year.

ADVISERS TO THE REMUNERATION COMMITTEE

Korn Ferry were appointed by the Remuneration Committee to advise on remuneration and incentive plan related matters from 4 March 2021. Korn Ferry is a signatory to the Remuneration Consultants' Group Code of Conduct. The Committee has reviewed the nature of the services provided by Korn Ferry and is satisfied that no conflict of interest exists in the provision of these services. The Company received no other services from Korn Ferry during the year. The total fees paid to Korn Ferry in respect of the services to the Committee during the year were £59,865 (2022: £25,720). Fees were determined based on the scope and nature of the projects undertaken for the Committee.

The Committee reviews the performance and independence of its advisers on an annual basis.

The Committee consults internally with the Group Chief Executive (Michael Ord) and the Group Legal Director & Company Secretary (Sarah Ellard). No executive is involved in discussions on their own pay.

SHAREHOLDER VOTING ON THE DIRECTORS' REMUNERATION POLICY AT THE 2022 ANNUAL GENERAL MEETING

The directors' remuneration policy is subject to a binding vote by shareholders every three years. At the Annual General Meeting held on 3 March 2022, the resolution relating to the directors' remuneration policy received the following votes from shareholders:

For	231,710,461	98.45%
Against	3,654,614	1.55%
Total votes cast (for and against excluding withheld votes)	235,365,075	100.0%
Votes withheld[1]	7,154,172	
Total votes cast (including withheld votes)	242,519,247	

NOTE:
1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

SHAREHOLDER VOTING ON THE DIRECTORS' REMUNERATION REPORT AT THE 2023 ANNUAL GENERAL MEETING

The directors' remuneration report is subject to an advisory vote by shareholders every year. At the Annual General Meeting held on 15 March 2023, the resolution relating to the directors' remuneration report received the following votes from shareholders:

For	231,807,952	98.19%
Against	4,266,893	1.81%
Total votes cast (for and against excluding withheld votes)	236,074,845	100.0%
Votes withheld[1]	26,131	
Total votes cast (including withheld votes)	236,100,976	

NOTE:
1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

DIRECTORS' REMUNERATION POLICY

KEY OBJECTIVES

In developing a policy for the executive directors' remuneration, the Remuneration Committee seeks to:

- maintain a competitive package of rewards required to promote the long-term success of the Company, without being excessive by reference to market rates across comparator companies, and neither encouraging nor rewarding inappropriate risk taking;
- ensure performance-related elements:
  - > are transparent, stretching and rigorously applied;
  - > form a significant proportion of the total remuneration package of each executive director; and
  - > align the interests of executives with those of shareholders, by ensuring that a significant proportion of remuneration is performance related and delivered in shares; and
- set remuneration in the context of the core values of the business and with the aim of alignment with culture.

The remuneration policy for the executive directors and other senior executives is also designed with regard to the policy for employees across the Group as a whole. However, there are some differences in the structure of the remuneration policy for executive directors and other senior executives. In general, these differences arise from the development of remuneration arrangements that are market-competitive for the various categories of individuals. They also reflect the fact that, in the case of the executive directors and other senior executives, a greater emphasis tends to be placed on performance-related pay in the market.

DECISION MAKING PROCESS

The Committee periodically reviews the policy and its implementation to ensure it continues to allow us to incentivise and reward the executive directors to achieve our strategy in both the short and long-term. The views of our shareholders and investor representative bodies are taken into account in determining the policy and implementation each year as well as the UK Corporate Governance Code and market practice. The Committee also has regard to the general pay levels and policies across the Group and takes these into account when setting executive director pay.

Operation of the policy is considered annually for the year ahead in light of the strategy and wider stakeholder experience, including the level of salary increase, the types of performance metrics, and the weightings and target ranges for incentives.

CONSIDERATION OF CODE PROVISIONS IN DETERMINING POLICY

When developing the current directors' remuneration policy for the executive directors, the Remuneration Committee also addressed the following factors outlined in the 2018 Code:

FACTOR	HOW THIS HAS BEEN ADDRESSED
CLARITY Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Chair of the Remuneration Committee consults with major shareholders on the directors' remuneration policy, which is subject to shareholder approval every three years, and on any significant proposed changes to the policy. The employee engagement initiatives implemented by the Board provide an opportunity for employees to express their views on a wide range of topics, including directors' remuneration arrangements.
SIMPLICITY Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Company operates only two incentive plans for the executive directors - an annual bonus plan to incentivise and reward short-term performance and the PSP, which incentivises long-term performance and aligns management's interests with shareholder interests. The annual bonus plan structure for the executive directors is broadly replicated in the bonus arrangements for the business unit leaders and their direct reports.
RISK Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The annual bonus plan includes non-financial strategic objectives covering the management of risks in areas such as safety and compliance, as well as requiring bonus deferral. The inclusion of broad malus and clawback provisions in the incentive arrangements and the discretion reserved by the Committee to override formulaic outcomes also mitigate the risk of inappropriate rewards.
PREDICTABILITY The range of possible values of rewards to individual directors and any other limits of discretions should be identified and explained at the time of approving the policy.	The directors' remuneration policy imposes maximum levels for annual bonus payments and PSP awards, and sets out the potential remuneration scenarios for executive directors at differing levels of performance. The Remuneration Committee's discretions are also detailed in the policy.
PROPORTIONALITY The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The annual bonus plan targets and performance conditions associated with PSP awards provide a direct link between individuals' incentive rewards and delivery of strategic objectives which underpin the long-term performance of the Company. The annual bonus plan and the PSP require threshold levels of performance before any payments are made or awards vest, and the Remuneration Committee retains discretion to override formulaic outcomes if deemed appropriate.
ALIGNMENT TO CULTURE Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	The annual bonus plan includes non-financial strategic objectives which embrace the Company's values of Safety, Excellence and Innovation, and which are also aligned to the delivery of the Group's agreed strategy. The performance conditions under the PSP also incentivise long-term performance through the delivery of strategy and shareholder value.

DIRECTORS' REMUNERATION POLICY continued

POLICY SUMMARY

The table below and overleaf provides a summary of the current directors' remuneration policy. The full policy was approved by shareholders at the Annual General Meeting held on 3 March 2022 and can be found in the 2021 directors' remuneration report included in the 2021 report and accounts on our website (https://www.chemring.com/investors/annual-reports/2021). The policy remains valid until the 2025 Annual General Meeting.

> FURTHER DETAILS OF THE POLICY ARE SET OUT ON PAGES 118 TO 119, AND AN EXPLANATION OF HOW THE POLICY WILL BE APPLIED IN 2024 IS SET OUT ON PAGES 120 AND 122

EXECUTIVE DIRECTORS

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary	- Reflects the performance of the individual, their skills and experience over time, and the responsibilities of the role - Provides an appropriate level of basic fixed income, avoiding excessive risk arising from over-reliance on variable income	- Normally reviewed annually with effect from 1 January - Benchmarked periodically against companies with similar characteristics within the same sector - Salaries take account of complexity of the role, market competitiveness, Group performance and the increases awarded to the wider workforce	- Salary increases will normally be in line with those received by the wider workforce - More significant increases may be awarded at the discretion of the Committee, for example where there is a change in responsibilities, to reflect individual development and performance in the role	- None, although overall individual and company performance is a factor considered when setting and reviewing salaries
Bonus	- Incentivises annual delivery of financial, strategic and personal goals - Maximum bonus only payable for achieving demanding targets - Delivery of a proportion of bonus in deferred shares plus the ability to receive dividend equivalents provides alignment with shareholders' interests and assists with retention	- Paid in cash, with up to 40% deferred as a conditional award of deferred shares - Vesting of deferred shares is subject to continued employment (save in "good leaver" scenarios) at the end of three years from the award of the bonus - The payment of any earned bonus remains ultimately at the discretion of the Committee - Non-pensionable - Executives are entitled to receive, on vesting of deferred share awards, the value of dividend payments that would otherwise have been paid on the deferred shares during the deferral period	- Chief Executive – 150% of salary - Other executive directors – 125% of salary	- Mix of Group financial and non-financial objectives. Financial objectives will determine the majority of the award and will typically include a measure of profitability and cash flow, although the Committee has discretion to select other metrics - Non-financial objectives will be measurable and linked to goals that are consistent with the Group's strategy - Payment of the non-financial objectives element will be subject to an underpin based on the Committee's assessment of underlying business performance, including *inter alia* levels of profitability and cash flow, as well as health and safety performance - Performance below the threshold for each financial target results in zero payment in respect of that element. Payment rises from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum with 50% of the maximum normally payable for on-target performance - Includes a malus and clawback mechanism[6]
Long-term incentive plan (performance share plan – "PSP")	- Incentivises executives to achieve targets aligned to the Group's main strategic objectives of delivering sustainable growth and shareholder returns - Delivery of awards in shares plus the ability to receive dividend equivalents helps align executives' rewards with shareholders' interests	- Annual grants of shares, which vest subject to the Group's performance measured over at least three years - Any shares vesting must be held by the executives for a further period of two years - Executives are entitled to receive the value of dividend payments that would otherwise have been paid on vested awards - All awards are subject to the discretions given to the Committee in the plan rules during the vesting period	- Normally 150% of base salary (although grants of up to 200% of base salary may be made in exceptional circumstances such as on recruitment)	- Awards will be subject to a combination of long-term measures which are aligned to the shareholder experience and may include financial metrics (such as EPS), shareholder value metrics (such as TSR), capital efficiency measures (such as ROCE) and ESG or strategic measures - The Committee will have discretion to set different measures and weightings for awards in future years to best support the strategy of the business at that time - Targets for each performance measure are set by the Remuneration Committee prior to each grant. Targets will be based on a sliding scale where appropriate - For each measure, performance below threshold results in zero payment. Payment rises from 25% to 100% of the maximum opportunity for that measure for levels of performance between threshold and maximum - Includes a malus and clawback mechanism[6]

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
All-employee share scheme	- UK employees, including executive directors, are encouraged to acquire shares by participating in the Group's all-employee share plan – the UK Sharesave Plan	- The UK Sharesave Plan has standard terms	- Participation limits are those set out by HM Revenue & Customs from time to time	- N/A
Pension	- Provides retirement benefits that reward sustained contribution	- Ongoing pension provision is in the form of a cash supplement, subject to auto-enrolment in the Group's defined contribution scheme - Longer-serving employees have accrued benefits under the Group's defined benefit scheme, which was closed to future accrual for the executive directors on 6 April 2010	- Legacy arrangements: 20% of base salary cash supplement contribution paid in lieu of occupational pension scheme membership - New appointments: 10% of base salary cash supplement contribution paid in lieu of occupational pension scheme membership - All UK employees, including the executive directors, are subject to auto-enrolment into the Group's defined contribution scheme, with an employer contribution of a minimum of 6% of base salary. If executives do not opt out of this scheme, their cash supplement will be reduced by 6% - From 1 November 2022, incumbent executive director pensions will reduce to the typical workforce rate via a cliff-edge reduction	- N/A
Other benefits	- Provides a competitive package of benefits that assists with recruitment and retention	- Main benefits currently provided to UK executives include but are not limited to a car allowance, life assurance and private medical insurance - Executive directors are eligible for other benefits which may also be introduced for the wider workforce on broadly similar terms	- Cash allowance in lieu of company car of up to £25,000 per annum - Other benefits will be in line with market. The value of each benefit is based on the cost to the Company and is not pre-determined - Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit	- N/A
Minimum shareholding requirements	- Aligns the interests of the executive directors with those of shareholders	- Executive directors are expected to build up and maintain a shareholding in the company equivalent to 200% of base salary, by retaining at least 50% of the after-tax gain on vested PSP awards until such time as the guidelines have been met - From November 2021, the executive directors will be required to hold shares to the value of the shareholding guideline (i.e. 200% of base salary or their existing shareholding if lower at the time) for two years post-cessation of employment. The shareholding will be assessed at the point of stepping down from the Board		

NOTES:

1. A description of how the Company intends to implement the policy set out in this table for the forthcoming year is set out in the annual report on remuneration on pages 120 to 122.
2. The all-employee share plan does not have performance conditions. UK-based executive directors are eligible to participate in the UK Sharesave Plan on the same terms as other employees.
3. The Committee may make minor amendments to the policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.
4. The Regulations and investor guidance encourages companies to disclose a cap within which each element of the directors' remuneration policy will operate. Where maximum amounts for elements of remuneration have been set within the policy, these will operate simply as caps and are not indicative of any aspiration.
5. While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for directors and in exceptional circumstances their families, may technically come within the applicable rules, and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies (and to discharge any related tax liability).
6. The annual bonus and PSP are subject to malus and clawback provisions in the event of misconduct, error in calculation of performance, material misstatement of results, company insolvency or serious reputational damage to the Group.

DIRECTORS' REMUNERATION POLICY continued

COMMITTEE DISCRETIONS

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with governing legislation and HM Revenue & Customs rules where relevant. To ensure the efficient administration of these plans, the Committee will apply certain operational discretions. These include the following:

- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the remuneration policy);
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events and special dividends);
- determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and the PSP from year to year.

If an event occurs which results in the annual bonus plan or PSP performance conditions and/or targets being deemed no longer appropriate by the Committee (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy (taking account of the relevant circumstances).

Ultimately, the payment of any bonus is entirely at the discretion of the Committee. Equally, the operation of share incentive schemes is at the discretion of the Committee. In conjunction with malus and clawback provisions, the Committee has the flexibility to override formulaic outcomes and recover and/or withhold sums. In choosing to use this discretion, the Committee will consider the specific circumstances at the time.

Where such action is considered necessary, this will be clearly stated in the relevant directors' remuneration report.

HOW THE EXECUTIVE DIRECTORS' REMUNERATION POLICY RELATES TO THE WIDER GROUP

In addition to determining the remuneration arrangements for the executive directors, the Committee considers and approves the base salaries for eight other non-US senior executives. The Committee also receives information on general pay levels and policies across the Group. The Committee, therefore, has due regard to salary levels across the Group in applying its remuneration policy.

During the year, the designated non-executive director for employee engagement held a number of remote meetings with employees from across the Group in which the Group's key priorities going forward and the business strategy were discussed. Topics discussed during these meetings also included remuneration with the designated non-executive director sharing with employees how remuneration links to business strategy and how performance is determined. Employees are encouraged to ask questions and share their views during these meetings.

The remuneration policy described above provides an overview of the structure that operates for the most senior executives in the Group. Lower aggregate incentive quanta are applied at below executive level, with levels driven by market comparatives and the impact of the role.

Employees are provided with a competitive package of benefits, which typically includes participation in the Group's defined contribution pension arrangements.

Long-term incentives are provided to the most senior executives and those identified as having the greatest potential to influence performance within the Group. However, in order to encourage wider employee share ownership, the Company also operates a Sharesave Plan in the UK, in which all UK employees are eligible to participate.

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS AND LOSS OF OFFICE PAYMENTS

The current executive directors have rolling service contracts, details of which are summarised in the table below:

Provision	Detailed terms
Contract dates	Michael Ord - 30 April 2018 (effective 1 June 2018) Andrew Lewis - 12 December 2016 (effective 9 January 2017) James Mortensen - 23 May 2023 (effective 1 November 2023) Sarah Ellard - 2 November 2011 (effective 7 October 2011)
Notice period	12 months from both the Company and from the executive
Termination payments	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period plus the fair value of any contractual benefits (including pension) Payments may be made in instalments and in these circumstances, there is a requirement to mitigate loss

The executive directors' service contracts are available for inspection at the Company's registered office.

POLICY IN RESPECT OF THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
The Chairman's and non-executive directors' fees	Takes account of recognised practice and set at a level that is sufficient to attract and retain high-calibre non-executives	- The Chairman is paid a single fee for all his responsibilities. The non-executive directors are paid a basic fee. The Chairs of the Remuneration Committee and the Audit Committee, the Senior Independent Director and the non-executive director responsible for employee engagement each receive additional fees to reflect their extra responsibilities - When reviewing fee levels, account is taken of market movements in non-executive director fees, Board Committee responsibilities, ongoing time commitments, the general economic environment and the level of increases awarded to the wider workforce - Fee increases, if applicable, are normally effective from January of each year - Non-executive directors do not participate in any pension, bonus or share incentive plans - Non-executive directors may be compensated for travel, accommodation or hospitality-related expenses in connection with their roles and any tax thereon - In exceptional circumstances, additional fees may be paid where there is a substantial increase in the temporary time commitment required of non-executive directors	- N/A	- N/A

CHAIRMAN'S AND NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

Non-executive directors do not receive compensation for loss of office but are appointed for a fixed term of three years, renewable for further three-year terms if both parties agree and subject to annual re-election by shareholders. The Chairman's appointment may be terminated on six months' notice by either party and the other non-executive directors' appointments may be terminated on three months' notice by either party. The non-executive directors' letters of appointment are available for inspection at the Company's registered office.

The following table provides details of the terms of appointment for the Chairman and the current non-executive directors:

Non-executive	Date original term commenced	Date current term commenced	Expected expiry date of current term
Carl-Peter Forster	1 May 2016	1 May 2022	30 April 2025
Alpna Amar	13 June 2023	13 June 2023	12 June 2026
Laurie Bowen	1 August 2019	1 August 2022	31 July 2025
Andrew Davies	17 May 2016	17 May 2022	16 May 2025
Stephen King	1 December 2018	1 December 2021	30 November 2024
Fiona MacAulay	3 June 2020	3 June 2023	2 June 2026

DIRECTORS' REMUNERATION POLICY continued

APPLICATION OF THE REMUNERATION POLICY IN 2024

This part of the report sets out how the approved directors' remuneration policy will be implemented in 2024.

EXECUTIVE DIRECTORS

Element	Implementation
Salary	- The executive directors' salaries were reviewed in November 2023, and the following salary increases were agreed, effective 1 January 2024: > Michael Ord - £577,200 > Sarah Ellard - £291,177 > Andrew Lewis will be retiring from his role as Chief Financial Officer on 31 December 2023 and therefore no salary increase was awarded. > James Mortensen joined the Board on a salary of £370,000 with effect from 1 November 2023. - The increases for the Group Chief Executive and the Group Legal Director & Company Secretary were agreed at 4%, with the rate of increase below the range of budgeted increases of 5% to 7% that were set by, and then agreed with, each individual operating business for 2024.
Benefits	- No changes are proposed to the benefits provision for 2024.
Pension	- The executive directors will receive a pension contribution of 7.5% of salary, which aligns with the typical rate of workforce pension provision.
Bonus	- The maximum bonus opportunity will be 150% of salary for the Group Chief Executive and 125% of salary for the new Chief Financial Officer and the Group Legal Director & Company Secretary. Andrew Lewis will not receive a bonus for 2024. - The financial performance measures and weightings of financial performance measures and strategic objectives for the annual bonus plan will be unchanged: > Earnings per share 40% > Operating cash flow 40% > Strategic objectives 20% - Strategic objectives have been set to reflect performance in the following key areas: > Safety, including ensuring that the Group's total recordable injury frequency rate and frequency of process safety events remain below the targeted maximum rates > Sustainability, including the continued delivery of reductions in the Group's scope 1 and scope 2 carbon emissions > Ongoing development and deployment of the Code of Conduct, the Operational Framework and the operational assurance policies, processes and standards > Continued development and deployment of common standards for the protection of people, property, information and technology, with specific emphasis on cyber-security > People management, including the continued strengthening of employee engagement activities > Delivery of diversity, equity and inclusion objectives > Delivery of organic and inorganic growth strategies for Roke > Delivery of continued growth in the US space and missiles markets > Delivery of sustainable growth in the energetic materials market and execution of the associated capital investment programmes > Delivery of the US DoD bio-security Programs of Record > Reassess the future strategy for the Countermeasures businesses - The Committee does not believe that it would be in shareholders' interests to prospectively disclose the financial targets under the annual bonus plan due to issues of commercial sensitivity. However, detailed retrospective disclosure of both the financial targets and the strategic objectives, and performance against them, will be included in next year's annual report on remuneration. As was the case in 2023, the range of financial targets approved for 2024 have been set in the context of current business planning and the current economic outlook. Overall, the targets are considered similarly challenging to those set in prior years in the current market context. - No bonus will be payable in respect of the strategic objectives unless the Committee is satisfied that this is justified by the Group's underlying performance, including *inter alia* levels of profitability and cash flow, as well as health and safety performance.

Element	Implementation
Performance Share Plan ("PSP")	- Executive directors will be granted PSP awards over 150% of salary in 2024. Andrew Lewis will not receive a PSP award in 2024. - Performance conditions for 2024 (tested over a three-year performance period to 31 October 2026) and weightings will be 50% EPS, 30% relative TSR and 20% ESG targets. 25% of each part of the award will vest for threshold or median performance, with full vesting of each part of the award for stretch or upper quartile performance. - The EPS performance condition for the 2024 awards will be measured as follows:

Total compound EPS growth over the three-year performance period[1]	% of EPS part that may vest
Less than 5% p.a.	0%
5% p.a.	25%
Between 5% p.a. and 10% p.a.	On a straight-line basis between 25% and 100%
10% p.a. or more	100%

- The TSR performance condition for the 2024 awards will be measured as follows:

Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over the three-year performance period	% of TSR part that may vest
Below median	0%
Median	25%
Between median and upper quartile	On a straight-line basis between 25% and 100%
Upper quartile or above	100%

- The ESG performance condition for the 2024 awards will be measured as follows:

Reduction in scope 1 and scope 2 emissions (market-based) over the three-year performance period	% of ESG part that may vest
Less than 15%	0%
15%	25%
Between 15% and 25%	On a straight-line basis between 25% and 100%
25% or more	100%

- The choice of EPS, TSR and emissions reduction targets aligns with the Group's long-term strategic objectives of delivering profitable growth and shareholder returns on a sustainable basis. The range of EPS and emissions reduction targets were set with reference to internal plans, market expectations and current economic circumstances. The overall targets are similarly challenging to those set in prior years in the context of current market conditions.

NOTES:

1. The EPS target range is considered stretching when viewed against internal forecasts and a broader reflection of prevailing macroeconomic factors.
2. The reduction in scope 1 and scope 2 emissions target is aligned with our strategy of becoming net zero by 2030 and takes into account the expected glidepath to reaching this goal.

DIRECTORS' REMUNERATION POLICY continued

APPLICATION OF THE REMUNERATION POLICY IN 2024 continued

FEES FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

As detailed in the directors' remuneration policy, the Company's approach to setting the non-executive directors' remuneration takes account of recognised practice, and is set at a level that is sufficient to attract and retain high-calibre non-executives. The fees for the non-executive directors are determined by the executive directors and the Chairman, and the Remuneration Committee determines the fees for the Chairman.

Details of the fees that will apply for 2024 are set out below:

	Fee as at 1 January 2024	Percentage increase
Chairman's fee	£224,952	4%
Other non-executive directors' base fee	£61,862	4%
Audit Committee Chair fee	£10,000	—
Remuneration Committee Chair fee	£10,000	—
Senior Independent Director fee	£10,000	—
Non-executive directors' fee for employee engagement	£5,000	—

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The directors' remuneration report was approved by the Board on 12 December 2023.

Signed on behalf of the Board

Laurie Bowen
Chair of the Remuneration Committee
12 December 2023

DIRECTORS' REPORT

The directors present their annual report, together with the audited financial statements of the Group and the Company, for the year ended 31 October 2023.

The following sections of the annual report are incorporated into the directors' report by reference:

- strategic report on pages 1 to 78;
- corporate governance report on pages 84 to 88;
- Audit Committee report on pages 94 to 97;
- directors' remuneration report on pages 100 to 122; and
- notes to the Group financial statements as detailed in this section.

BUSINESS REVIEW

The strategic report on pages 1 to 78 provides a review of the Group's business development, performance and position during and at the end of the financial year, its strategy and likely future developments, key performance indicators, and a description of the principal risks and uncertainties facing the business. Further information regarding financial risk management policies and financial instruments is given in note 22 to the Group financial statements.

There have been no significant events since the balance sheet date.

RESULTS AND DIVIDENDS

The profit attributable to the Group's shareholders for the year was £5.4m (2022: £47.4m).

The directors are recommending the payment of a final dividend of 4.6p per ordinary share which, together with the interim dividend of 2.3p per share paid in September 2023, gives a total for the year of 6.9p (2022: 5.7p). The final dividend is subject to approval by shareholders at the Annual General Meeting on 23 February 2024 and has not therefore been included as a liability in these financial statements.

DIRECTORS AND THEIR INTERESTS

The current directors are shown on pages 82 and 83.

In accordance with the Company's Articles of Association, all directors are required to submit themselves for election or re-election at every Annual General Meeting. All directors will therefore be seeking election or re-election at the Annual General Meeting on 23 February 2024.

Details of the service contracts entered into between the Company and the executive directors are set out in the directors' remuneration report on page 118. The non-executive directors do not have service contracts with the Company.

The Company maintains directors' and officers' liability insurance in respect of legal action against its directors and officers. The Company has also granted indemnities to its directors to the extent provided by law (which are qualifying third party indemnities within the meaning of section 236 of the Companies Act 2006). Neither the insurance nor the indemnities provide cover in the event of proven fraudulent or dishonest activity.

Other than in relation to their service contracts, none of the directors is or was beneficially interested in any significant contract to which the Group was a party during the year ended 31 October 2023.

Information required in relation to directors' shareholdings is set out in the directors' remuneration report on page 110.

EMPLOYEES AND EMPLOYEE CONSULTATION

Details of the Group's employment policies and employee consultation practices are set out on pages 56 to 60.

The Group makes no distinction between disabled and able-bodied persons in recruitment, employment and training, career development and promotion, provided that any disability does not make the particular employment impractical or impossible under the strict health and safety legislation under which the Group's businesses operate.

POLITICAL DONATIONS

No political donations were made during the year (2022: £nil).

CONTRACTUAL ARRANGEMENTS

The Group contracts with a wide range of customers, comprising governments, armed forces, prime contractors and OEMs across the globe. The US Department of Defense is the largest single customer and procures the Group's products under a significant number of separate contracts placed with individual Group businesses.

The Group's businesses utilise many suppliers across the world and arrangements are in place to ensure that businesses are not totally reliant on single suppliers for key raw materials or components.

RESEARCH AND DEVELOPMENT

The Group's research and development expenditure for the year is detailed in the financial review on page 65.

CHANGE OF CONTROL

Individual Group businesses have contractual arrangements with third parties, entered into in the normal course of business, which may be amended or may terminate on a change of control of the relevant business, or in certain circumstances, following a takeover of the Group.

The most significant agreements entered into by the Group which contain provisions granting the counterparties certain rights in the event of a change of control of the Company are the revolving credit facility agreements entered into with the Group's banks. These agreements provide that, in the event of a change of a control, the Company must repay all outstanding borrowings, together with accrued interest and other sums owing under each agreement.

SHARE CAPITAL AND SHAREHOLDER RIGHTS

GENERAL

The Company's share capital consists of ordinary shares of 1p each and preference shares of £1 each, which are fully paid up and quoted on the main market of the London Stock Exchange. Full details of the movements in the issued share capital of the Company during the financial year are provided in note 25 to the Group financial statements.

Details of the rights attaching to shares are set out in the Articles of Association (the "Articles"). All holders of ordinary shares are entitled to attend, speak and vote at any general meeting of the Company, and to appoint a proxy or proxies to exercise these rights. At a general meeting, every shareholder present in person, by proxy or (in the case of a corporate member) by corporate representative has one vote on a show of hands, and on a poll hasone vote for every share held. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in respect of the resolutions to be passed at the Annual General Meeting.

A member or members representing at least 5% of the ordinary share capital of the Company may require the directors to convene a general meeting. A member or members representing at least 5% of the ordinary share capital of the Company or at least 100 members with the right to vote at an Annual General Meeting and each holding, on average, at least £100 of paid-up share capital may request a resolution to be put before an Annual General Meeting.

There are no restrictions on the transfer of ordinary shares in the capital of the Company, other than certain restrictions which may from time to time be imposed by law. In accordance with the Market Abuse Regulation, certain employees are required to seek the approval of the Company to deal in its shares.

The cumulative preference shares, which are also publicly traded on the London Stock Exchange, carry an entitlement to a dividend at the rate of 7p per share per annum, payable in equal instalments on 30 April and 31 October each year. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividends. There are no restrictions on the transfer of the cumulative preference shares.

SHARE CAPITAL AND SHAREHOLDER RIGHTS continued

GENERAL continued

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company's Articles may only be amended by special resolution at a general meeting of shareholders.

ISSUE OF SHARES

Under the provisions of section 551 of the Companies Act 2006 (the "Act"), the Board is prevented from exercising its powers under the Articles to allot shares without an authority contained either in the Articles or in a resolution of the shareholders passed in general meeting. The authority, when given, can last for a maximum period of five years, but the Board proposes that renewal should be sought at each Annual General Meeting. An ordinary resolution, seeking such authority, will be proposed at the forthcoming Annual General Meeting.

Section 561 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, the Board proposes that advantage be taken of the provisions of sections 570 and 573 of the Act not to apply the Act's pre-emptive requirements. Accordingly, a special resolution will be proposed at the forthcoming Annual General Meeting which, if passed, will have the effect of granting the directors the power to allot not more than 20% of the issued ordinary share capital free of the requirements of section 561 of the Act. No issue of these shares will be made which would effectively alter the control of the Company without the prior approval of the shareholders in general meeting.

PURCHASE OF OWN SHARES

On 1 August 2023, the Company launched a share buyback programme for the buyback of up to £50m of the Company's ordinary shares over a one-year period. 3,194,803 ordinary shares were purchased by the Company during the year and subsequently cancelled. The Company did not hold any shares in treasury at 31 October 2023 (2022: nil).

A special resolution will be proposed at the forthcoming Annual General Meeting to renew the Company's authority to purchase its own shares in the market up to a limit of 10% of its issued ordinary share capital. The maximum and minimum prices will be stated in the resolution at the date of the Annual General Meeting. The directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. The directors of the Company may consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This will give the Company the ability to reissue treasury shares quickly and cost effectively, and will provide the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10% anti-dilution limit set by The Investment Association. The directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

SUBSTANTIAL SHAREHOLDINGS

At 11 December 2023, the following substantial holdings in the ordinary share capital of the Company had been notified to the Company in accordance with Chapter 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority. It should be noted that these holdings may have changed since the Company was notified; however, notification of any change is not required until the next notifiable threshold is crossed.

NAME	% INTEREST
Invesco Limited	8.1
BlackRock, Inc.	7.9
Old Mutual Asset Managers	5.1
Ameriprise Financial, Inc. and its group	5.0
J O Hambro Capital Management Limited	5.0
FIL Limited	Below 5.0
Jupiter Fund Management PLC	Below 5.0
Schroders Plc	Below 5.0
AXA Investment Managers S.A.	4.9
Aviva PLC and its subsidiaries	4.9
J P Morgan Chase & Co	4.9
Royal London Asset Management Limited	4.9
Neptune Investment Management Limited	4.8
Prudential Plc	4.8
Investec Asset Management Limited	4.8
Standard Life Investments Limited	4.8
Norges Bank	4.0
BT Pension Scheme Trustees Limited as Trustee of the BT Pension Scheme	3.8

EMPLOYEE SHARE SCHEMES AND PLANS

APPROACH TO SHARE OWNERSHIP

The Group actively encourages its employees to share in the future success of the Group, and therefore operates share-based arrangements to provide incentives and rewards to employees.

The Group operated three share-based incentive plans during the year, as set out below. Further details of awards and vesting are provided in note 27 to the Group financial statements.

THE CHEMRING GROUP 2018 UK SHARESAVE PLAN (THE "UK SHARESAVE PLAN")

The UK Sharesave Plan is open to all eligible UK employees. Employees may choose between three and five-year savings periods, at the end of which the employee can choose to exercise the option or seek the return of their savings. A grant of options was made on 4 August 2023.

THE CHEMRING GROUP PERFORMANCE SHARE PLAN 2016 (THE "2016 PSP")

The 2016 PSP is the primary long-term incentive plan for executive directors and senior employees. Discretionary awards are granted under the PSP over a fixed number of shares by reference to salary, with awards ordinarily vesting, subject to meeting performance criteria, on the third anniversary of the grant date. Awards were granted under the plan on 14 December 2022.

THE CHEMRING GROUP RESTRICTED SHARE PLAN (THE "RSP")

The RSP provides for the discretionary grant of deferred share awards to selected key employees. Executive directors are not eligible to participate. Awards typically vest on the second or third anniversary of the grant date, subject to meeting continuous service criteria. Awards under the RSP may only be satisfied with market-purchased shares. No awards were granted under the plan during the year.

GOING CONCERN

Details of the conclusions arrived at by the directors in preparing the financial statements on a going concern basis are set out in the viability statement on page 77.

ADDITIONAL INFORMATION, AS REQUIRED BY LISTING RULES REQUIREMENT 9.8.4

The annual report is required to contain certain information under Listing Rules Requirement 9.8.4. Where this information has not been cross-referenced within the Group financial statements, it can be found in the following sections:

- capitalised interest (see note 7);
- long-term incentive schemes (see directors' remuneration report);
- allocation of equity securities for cash (see note 27);
- contracts of significance (see directors' report);
- election of independent directors (see corporate governance report);
- contractual arrangements (see directors' report);
- details of independent directors (see corporate governance report); and
- substantial shareholders (see directors' report).

No profit forecasts are issued by the Group and no directors have waived any current or future emoluments.

Other than in relation to ordinary shares held in treasury of which there were none during the year, no shareholders have waived or agreed to waive dividends.

None of the shareholders is considered to be a Controlling Shareholder (as defined in Listing Rule 6.1.2.A) and the Group complies with the independence provisions of the Listing Rules.

PROVISION OF INFORMATION TO THE AUDITOR

Each director at the date of this report confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

AUDITOR

Resolutions will be proposed at the forthcoming Annual General Meeting to reappoint KPMG and to authorise the directors to determine the external auditor's remuneration.

ANNUAL GENERAL MEETING

The resolutions to be proposed at the Annual General Meeting to be held on 23 February 2024, together with explanatory notes, appear in the separate Notice of Annual General Meeting sent to all shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law, and they have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*.

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance report that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual report prepared under the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report and directors' report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The strategic report, the directors' report and the responsibility statement were approved by the Board of directors on 12 December 2023 and are signed on its behalf by:

Michael Ord
Group Chief Executive
12 December 2023

Sarah Ellard
Group Legal Director
12 December 2023

FINANCIAL STATEMENTS

IN THIS SECTION:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 October 2023

	Note	2023 Underlying performance £m	2023 Non-underlying items[1] £m	2023 Total £m	2022[2] Underlying performance £m	2022[2] Non-underlying items[1] £m	2022[2] Total £m
Continuing operations							
Revenue	1,2	**472.6**	**—**	**472.6**	401.0	—	401.0
Operating profit	2,4	**69.2**	**(23.8)**	**45.4**	59.4	(10.0)	49.4
Finance expense	7	**(1.3)**	**—**	**(1.3)**	(1.5)	—	(1.5)
Profit before tax		**67.9**	**(23.8)**	**44.1**	57.9	(10.0)	47.9
Taxation	8	**(10.2)**	**3.8**	**(6.4)**	(4.6)	1.1	(3.5)
Profit after tax		**57.7**	**(20.0)**	**37.7**	53.3	(8.9)	44.4
Discontinued operations							
(Loss)/profit after tax from discontinued operations	5	**(0.9)**	**(31.4)**	**(32.3)**	3.5	(0.5)	3.0
Profit after tax		**56.8**	**(51.4)**	**5.4**	56.8	(9.4)	47.4
Earnings per ordinary share							
Continuing operations							
Basic	10	**20.5p**		**13.4p**	19.0p		15.8p
Diluted	10	**20.0p**		**13.1p**	18.5p		15.4p
Continuing and discontinued operations							
Basic	10	**20.2p**		**1.9p**	20.2p		16.9p
Diluted	10	**19.7p**		**1.9p**	19.7p		16.4p

1. Further information about non-underlying items is set out in note 3.
2. 2022 comparative information has been re-presented due to a change in classification for discontinued operations. See note 5 for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2023

	Note	2023 £m	2022 £m
Profit after tax attributable to equity holders of the parent as reported		**5.4**	47.4
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of the defined benefit pension scheme	29	**(4.7)**	(2.3)
Movement on deferred tax relating to the pension scheme	24	**1.6**	0.8
		(3.1)	(1.5)
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(15.2)**	35.0
Tax on exchange differences on translation of foreign operations		**(1.1)**	(0.4)
		(16.3)	34.6
Total comprehensive (loss)/income attributable to equity holders of the parent		**(14.0)**	80.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2023

	Share capital £m	Share premium account £m	Special capital reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 November 2022	2.8	307.7	12.9	7.5	87.2	418.1
Profit after tax	—	—	—	—	5.4	5.4
Other comprehensive loss	—	—	—	(15.2)	(4.7)	(19.9)
Tax relating to components of other comprehensive loss	—	—	—	(1.1)	1.6	0.5
Total comprehensive (loss)/income	—	—	—	(16.3)	2.3	(14.0)
Ordinary shares issued	—	1.0	—	—	—	1.0
Purchase of own shares	—	—	—	—	(16.9)	(16.9)
Share-based payments (net of settlement)	—	—	—	—	7.6	7.6
Dividends paid	—	—	—	—	(17.3)	(17.3)
At 31 October 2023	**2.8**	**308.7**	**12.9**	**(8.8)**	**62.9**	**378.5**

	Share capital £m	Share premium account £m	Special capital reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 November 2021	2.8	307.1	12.9	(27.1)	57.1	352.8
Profit after tax	—	—	—	—	47.4	47.4
Other comprehensive income/(loss)	—	—	—	35.0	(2.3)	32.7
Tax relating to components of other comprehensive income/(loss)	—	—	—	(0.4)	0.8	0.4
Total comprehensive income	—	—	—	34.6	45.9	80.5
Ordinary shares issued	—	0.6	—	—	—	0.6
Share-based payments (net of settlement)	—	—	—	—	5.6	5.6
Dividends paid	—	—	—	—	(14.4)	(14.4)
Purchase of own shares	—	—	—	—	(7.0)	(7.0)
At 31 October 2022	2.8	307.7	12.9	7.5	87.2	418.1

CONSOLIDATED BALANCE SHEET
As at 31 October 2023

	Note	2023 £m	2023 £m	2022 £m	2022 £m
Non-current assets					
Goodwill	11	**100.5**		118.1	
Development costs	12	**17.6**		34.6	
Other intangible assets	12	**9.6**		11.4	
Property, plant and equipment	13	**242.2**		231.3	
Retirement benefit surplus	29	**5.9**		11.2	
Deferred tax	24	**36.9**		32.3	
			412.7		438.9
Current assets					
Inventories	15	**101.7**		99.6	
Trade and other receivables	16	**74.8**		61.1	
Cash and cash equivalents	17	**6.4**		19.8	
Derivative financial instruments	22	**0.8**		0.7	
			183.7		181.2
Total assets			**596.4**		620.1
Current liabilities					
Lease liabilities	19	**(1.1)**		(1.8)	
Trade and other payables	20	**(124.0)**		(98.2)	
Provisions	23	**(5.6)**		(1.6)	
Current tax		**(8.2)**		(7.9)	
Derivative financial instruments	22	**(3.2)**		(4.2)	
			(142.1)		(113.7)
Non-current liabilities					
Borrowings	18, 32	**(14.1)**		(20.9)	
Lease liabilities	19	**(5.5)**		(4.2)	
Provisions	23	**(12.0)**		(16.8)	
Deferred tax	24	**(43.8)**		(45.2)	
Derivative financial instruments	22	**(0.3)**		(1.1)	
Preference shares	18, 25	**(0.1)**		(0.1)	
			(75.8)		(88.3)
Total liabilities			**(217.9)**		(202.0)
Net assets			**378.5**		418.1
Equity					
Share capital	25		**2.8**		2.8
Share premium account	26		**308.7**		307.7
Special capital reserve	26		**12.9**		12.9
Translation reserve	26		**(8.8)**		7.5
Retained earnings			**62.9**		87.2
Total equity			**378.5**		418.1

These financial statements of Chemring Group PLC (registered number 86662) were approved and authorised for issue by the Board of directors on 12 December 2023.

Signed on behalf of the Board

Michael Ord
Director

Andrew Lewis
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 October 2023

	Note	2023 £m	2022[2] £m
Cash flows from operating activities			
Cash generated from continuing underlying operations	30	**80.0**	85.1
Cash impact of continuing non-underlying items		**(2.1)**	(1.1)
Cash (utilised in)/generated from discontinued underlying operations	30	**(0.8)**	5.0
Cash impact of discontinued non-underlying items		**(1.9)**	—
Cash flows from operating activities		**75.2**	89.0
Tax paid		**(9.3)**	(8.5)
Net cash inflow from operating activities		**65.9**	80.5
Cash flows from investing activities			
Purchases of intangible assets		**(1.5)**	(3.0)
Purchases of property, plant and equipment		**(32.7)**	(31.5)
Acquisition of subsidiary net of cash acquired	28	**(7.2)**	—
Short-term funding to defined benefit pension scheme	34	**2.0**	(2.0)
Proceeds on disposal of property, plant and equipment		**—**	6.0
Net cash outflow from investing activities		**(39.4)**	(30.5)
Cash flows from financing activities			
Dividends paid	9	**(17.3)**	(14.4)
Purchase of own shares		**(14.0)**	(7.0)
Net proceeds for transactions in own shares		**0.6**	0.1
Finance expense paid		**(0.7)**	(1.3)
Capitalised facility fees paid		**(0.3)**	—
Drawdown of borrowings		**60.1**	30.0
Repayments of borrowings		**(66.8)**	(41.0)
Payment of lease liabilities		**(1.8)**	(2.2)
Net cash outflow from financing activities		**(40.2)**	(35.8)
(Decrease)/increase in cash and cash equivalents	31	**(13.7)**	14.2
Cash and cash equivalents at beginning of year[1]		**19.8**	5.4
Effect of foreign exchange rate changes		**0.3**	0.2
Cash and cash equivalents at end of year	17, 32	**6.4**	19.8

1. Cash and cash equivalents of £5.4m at the beginning of 2022 includes a bank overdraft
2. 2022 comparative information has been re-presented due to a change in classification for discontinued operations. See note 5 for further details.

1. REVENUE

All of the Group's revenue is derived from the sale of goods and the provision of services. The following table provides an analysis of the Group's revenue by destination:

	Sensors & Information £m	Countermeasures & Energetics £m	2023 £m
UK	**142.6**	**59.6**	**202.2**
US	**34.1**	**147.7**	**181.8**
Europe	**9.3**	**62.0**	**71.3**
Asia Pacific	**0.7**	**15.2**	**15.9**
Rest of the world	**0.3**	**1.1**	**1.4**
	187.0	**285.6**	**472.6**

	Sensors & Information £m	Countermeasures & Energetics £m	2022 £m
UK	100.3	51.5	151.8
US	13.1	166.8	179.9
Europe	5.7	48.8	54.5
Asia Pacific	1.2	10.4	11.6
Rest of the world	0.2	3.0	3.2
	120.5	280.5	401.0

The directors consider that the only countries that are significant in accordance with IFRS 8 *Operating Segments* are the US and the UK.

The following table discloses the split of the Group's revenue between goods and services:

	Sensors & Information £m	Countermeasures & Energetics £m	2023 £m
Goods	**41.6**	**277.0**	**318.6**
Services	**145.4**	**8.6**	**154.0**
	187.0	**285.6**	**472.6**

	Sensors & Information £m	Countermeasures & Energetics £m	2022 £m
Goods	19.6	274.3	293.9
Services	100.9	6.2	107.1
	120.5	280.5	401.0

All revenues recognised arose from contracts with customers.

As at 31 October 2023 £922m (2022: £651m) of revenue was not yet recognised in respect of obligations that were unfulfilled or only partially fulfilled as at the year end. £403m (2022: £403m) of this revenue is expected to be recognised in the next financial year and £519m (2022: £248m) in future periods.

2. BUSINESS SEGMENTS

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive and the Board to allocate resources to the segments and to assess their performance. For management purposes, the Group's operating and reporting structure clusters similar businesses together, based on the products and services they offer. These segments are the basis on which the Group reports its segmental information.

The principal activities of each segment are as follows:

Sensors & Information	Provision of consulting and technology services to solve security-critical issues. Development and manufacture of electronic countermeasures and biological threat detection equipment.
Countermeasures & Energetics	Development and manufacture of expendable countermeasures for air and sea platforms, cartridge/propellant actuated devices, pyrotechnic devices for satellite launch and deployment, missile components, propellants, separation sub-systems, actuators and energetic materials.

2. BUSINESS SEGMENTS continued

A segmental analysis of revenue and operating profit is set out below:

Year ended 31 October 2023	Sensors & Information £m	Countermeasures & Energetics £m	Unallocated* £m	Total £m
Revenue	187.0	285.6	—	472.6
Segment result before depreciation, amortisation and non-underlying items and discontinued operations	38.5	65.5	(15.5)	88.5
Depreciation	(3.6)	(15.0)	—	(18.6)
Amortisation	(0.7)	—	—	(0.7)
Segmental underlying operating profit	34.2	50.5	(15.5)	69.2
Amortisation of acquired intangibles (note 3)	(1.3)	(1.7)	—	(3.0)
Non-underlying items (note 3)**	(22.2)	—	1.4	(20.8)
Impact of non-underlying items on profit before tax (note 3)	(23.5)	(1.7)	1.4	(23.8)
Segmental operating profit	10.7	48.8	(14.1)	45.4
Finance expense			(1.3)	(1.3)
Profit before tax			(15.4)	44.1
Tax			(6.4)	(6.4)
Profit for the year from continuing operations			(21.8)	37.7
Discontinued operations	(32.3)	—	—	(32.3)
Profit for the year	(21.6)	48.8	(21.8)	5.4

Year ended 31 October 2022	Sensors & Information £m	Countermeasures & Energetics £m	Unallocated* £m	Total £m
Revenue	120.5	280.5	—	401.0
Segment result before depreciation, amortisation and non-underlying items and discontinued operations	28.0	64.2	(14.9)	77.3
Depreciation	(2.6)	(15.1)	—	(17.7)
Amortisation	—	(0.2)	—	(0.2)
Segmental underlying operating profit	25.4	48.9	(14.9)	59.4
Amortisation of acquired intangibles (note 3)	(1.8)	(2.1)	—	(3.9)
Non-underlying items (note 3)	(1.2)	—	(4.9)	(6.1)
Impact of non-underlying items on profit before tax (note 3)	(3.0)	(2.1)	(4.9)	(10.0)
Segmental operating profit	22.4	46.8	(19.8)	49.4
Finance expense			(1.5)	(1.5)
Profit before tax			(21.3)	47.9
Tax			(3.5)	(3.5)
Profit for the year from continuing operations			(24.8)	44.4
Discontinued operations	3.0	—	—	3.0
Profit for the year	25.4	46.8	(24.8)	47.4

* Unallocated items are specific corporate level costs that cannot be allocated to a business segment.

** An impairment charge of £18.5m is included in Sensors & Information for the year ended 31 October 2023.

Assets and liabilities by segment are not reported to the Group Chief Executive on a monthly basis; therefore they are not used as a key decision making tool and are not disclosed here. A disclosure of non-current assets by location, excluding retirement benefit surplus and deferred tax, is shown below:

Non-current assets by location	2023 £m	2022 £m
UK	167.5	149.4
US	166.8	211.5
Norway	20.4	18.0
Australia	15.2	16.5
	369.9	395.4

2. BUSINESS SEGMENTS continued

INFORMATION ON MAJOR CUSTOMERS

Of the Group's total revenue, £117.8m (2022: £124.4m) arose from sales to the US DoD, £59.9m (2022: £35.5m) arose from the sales to the UK MOD and £54.5m (2022: £40.2m) arose from sales to BAE Systems plc. These were the only customers where direct sales accounted for more than 10% of Group revenue for the year. Sales were reported in both of the Group's segments.

3. ALTERNATIVE PERFORMANCE MEASURES

In accordance with our accounting policy we have presented the following reconciliation of alternative performance measures ("APMs") used throughout this report to their IFRS equivalent measures as follows:

Non-underlying items and non-underlying measures	2023 £m	2022 £m
Gain/(loss) on the movement in the fair value of derivative financial instruments (note 22)	**1.4**	(4.1)
Acquisition expenses (note 28)	**(3.7)**	(2.0)
Impairment of Chemical Detection assets	**(18.5)**	—
Release of disposal provisions (note 23)	**3.2**	—
Increase in legal and disposal provisions (note 23)	**(3.2)**	—
Impact of non-underlying items on EBITDA	**(20.8)**	(6.1)
Amortisation of acquired intangibles arising from business combinations (note 12)	**(3.0)**	(3.9)
Impact of non-underlying items on profit before tax	**(23.8)**	(10.0)
Tax impact of non-underlying items	**3.8**	1.1
Impact of non-underlying items on continuing profit after tax	**(20.0)**	(8.9)
Non-underlying discontinued operations after tax (note 5)	**(31.4)**	(0.5)
Impact of non-underlying items on profit after tax	**(51.4)**	(9.4)
Underlying profit after tax	**56.8**	56.8
Statutory profit after tax	**5.4**	47.4

The APMs used may not be comparable across companies. The impact of non-underlying items on statutory basic and diluted EPS, as well as a reconciliation to the IFRS equivalent, is presented in note 10. The impact of non-underlying items on cash generated from operating activities, as well as a reconciliation to the IFRS equivalent, is presented in note 30. The cash impact of non-underlying items includes the impact of exceptional items from prior years where the income statement and cash flow timings differ. Non-underlying items are defined in the accounting policies on page 171.

DERIVATIVE FINANCIAL INSTRUMENTS

Included in non-underlying items is a £1.4m gain (2022: £4.1m loss) on the movement in fair value of derivative financial instruments. This is excluded from underlying earnings to ensure the recognition of the gain or loss on the derivative matches the timing of the underlying transaction.

ACQUISITION EXPENSES

Included in non-underlying items is £3.7m (2022: £2.0m) of acquisition related expenses. This includes £3.4m (2022: £1.0m) relating to deferred consideration contingent on continued employment of the former owners of Geollect and Cubica, which has been accounted for as equity-settled share-based payments under IFRS 2 *Share-based payments*. We have classified this cost as a non-underlying item as it is a non-recurring cost relating to acquisitions. See note 28 for further details. The remaining expense of £0.3m (2022: £1.0m) primarily includes professional fees incurred in relation to the Group's mergers and acquisitions activity during the year. The acquisition related expenses are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the costs of acquiring a business rather than organically developed, these costs have been excluded from the underlying measures.

IMPAIRMENT OF CHEMICAL DETECTION ASSETS

Included in non-underlying items is £18.5m (2022: £nil) of non-cash impairment expenses, of which £15.6m relates to capitalised development costs and £2.9m relates to other assets. After having undertaken a wider strategic review of the US Sensors business we have concluded that the prospect of securing a Program of Record in the Chemical Detection part of the business is no longer probable and therefore we have chosen to record a non-cash impairment of development costs (see note 12) and other related assets in our Chemical Detection line of business. The impairment expenses are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by non-recurring asset impairments, these costs have been excluded from the underlying measures.

LEGAL AND DISPOSAL PROVISIONS

£3.2m of provisions, where the original charge was treated as exceptional, were released in the year as the risk of economic outflow is no longer considered probable. Other legal and disposal provisions, which were originally treated as exceptional, were increased by £3.2m in the year as the value of liabilities was reassessed. Details are contained in note 23.

AMORTISATION OF ACQUIRED INTANGIBLES

Included in non-underlying items is the amortisation charge arising from business combinations of £3.0m (2022: £3.9m). Amortisation of acquired intangibles arising from business combinations is associated with acquisition accounting under IFRS 3 *Business Combinations*. IFRS requires intangibles to be recognised on acquisition that would not have been capitalised had the business grown organically under Chemring's ownership. As such, these costs are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the history of business units being acquired rather than organically developed, have been excluded from the underlying measures.

3. ALTERNATIVE PERFORMANCE MEASURES continued

TAX

The tax impact of non-underlying items comprises a £3.8m tax credit (2022: £1.1m credit) on the above non-underlying items.

We present the underlying effective tax rate for the Group, excluding non-underlying items, that is comparable over time. This is the taxation expense for the Group, excluding any non-underlying tax charge or credit, as a percentage of underlying profit before taxation.

NET DEBT

A reconciliation and analysis of net debt is presented in notes 31 and 32. This APM allows management to monitor the indebtedness of the Group.

DISCONTINUED OPERATIONS

Further details on the results of discontinued operations are presented in note 5.

EBITDA

In our financial review we present measures of EBITDA, which is calculated as follows:

	2023 £m	2022 £m
Operating profit	**45.4**	49.4
Amortisation arising from business combinations (note 12)	**3.0**	3.9
Amortisation of development costs (note 12)	**0.7**	0.1
Amortisation of patents and licences (note 12)	**—**	0.1
Depreciation of property, plant and equipment (note 13)	**18.6**	17.7
EBITDA	**67.7**	71.2
Non-underlying items	**20.8**	6.1
Underlying EBITDA	**88.5**	77.3

CONSTANT CURRENCY REVENUE AND OPERATING PROFIT

In our financial review we present a measure of constant currency revenue and operating profit. This is calculated by translating our results for the year ended 31 October 2023 at the average exchange rates for the comparative year ended 31 October 2022.

CASH CONVERSION

In our financial review we present a measure of cash conversion. This is calculated as underlying operating cash as a ratio of underlying EBITDA for the stated period. Comparative period values for years prior to the year ended 31 October 2022 can be found on page 179 in the five-year record of financials.

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

		2023 £m	2022 £m
Research and development costs	– internally-funded	**10.1**	7.5
Amortisation	– arising from business combinations	**3.0**	3.9
	– development costs	**0.7**	0.1
	– patents and licences	**—**	0.1
Depreciation of property, plant and equipment	– owned assets	**17.2**	16.5
	– leased assets	**1.4**	1.2
Impairment of development costs		**15.6**	2.2
Profit on disposal of non-current assets		**—**	(1.9)
Government grant income		**(0.1)**	—
Foreign exchange losses		**2.7**	2.0
Staff costs (note 6)		**176.6**	165.5
Cost of inventories recognised as an expense		**146.5**	124.3

The remaining items within operating profit predominantly relate to general and administrative expenses and production overheads, and include £nil (2022: £4.8m) of other income.

4. OPERATING PROFIT continued

A detailed analysis of the auditor's remuneration on a worldwide basis is set out below:

Auditor's remuneration	2023 £m	2022 £m
Fees payable to the Company's auditor and its associates for:		
– the audit of the Company's annual accounts	**0.4**	0.4
– the audit of the Company's subsidiaries, pursuant to legislation	**0.7**	0.7
	1.1	1.1
Other services		
Audit-related assurance services	**0.1**	0.1
	1.2	1.2

Included in the fees for the audit of the Company's annual accounts is £0.1m (2022: £0.1m) in respect of the parent company. A description of the work of the Audit Committee is set out in the Audit Committee report on pages 94 to 97, and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor. No services were provided by the auditor pursuant to contingent fee arrangements.

5. RESULTS FROM DISCONTINUED OPERATIONS

Following the US DoD's decision in 2022 to transition the HMDS Program of Record to sustainment earlier than they had previously indicated, we evaluated the potential sustainment program and determined that in the short to medium term there is insufficient DoD funding to make it economically viable for Chemring to continue to operate the business. The decision has therefore been taken that the explosive hazard detection ("EHD") business will not continue to operate and it has therefore been treated as a discontinued operation in 2023. Prior to the decision to discontinue the EHD business, it was presented as part of the Sensors & Information segment.

	2023 £m	2022 £m
Revenue	**9.3**	41.8
Underlying operating (loss)/profit from discontinued operations	**(1.2)**	4.6
Tax on underlying operating (loss)/profit from discontinued operations	**0.3**	(1.1)
Underlying (loss)/profit after tax from discontinued operations	**(0.9)**	3.5
(Loss)/profit after tax is analysed as:		
Before non-underlying items	**(0.9)**	3.5
Non-underlying items	**(33.6)**	(0.7)
Tax on non-underlying items	**2.2**	0.2
	(31.4)	(0.5)
(Loss)/profit for the year for discontinued operations	**(32.3)**	3.0

In 2023 the non-underlying items include a non-cash impairment of £31.2m (of which £20.5m relates to the goodwill associated with the acquisition of the EHD business in 2009 and £10.7m relates to other assets), site rationalisation costs of £1.7m and the amortisation of acquired intangibles of £0.7m. Amortisation of acquired intangibles arising from business combinations is associated with acquisition costs under IFRS 3 *Business Combinations*. As such, these costs are not reflective of the underlying activities of the discontinued operations and therefore have been treated as non-underlying items. The impairment expenses and site rationalisation costs are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by non-recurring asset impairments or expenses, these costs have been excluded from the underlying measures.

In 2022 the non-underlying items were the amortisation of acquired intangibles of £0.7m.

The cash flows from discontinued operations are presented in note 30.

5. RESULTS FROM DISCONTINUED OPERATIONS continued

The comparative income statement and cash flow information has been re-presented on the basis of the classification of operations as discontinued:

	Underlying			Non-underlying		
CONSOLIDATED INCOME STATEMENT	Reported 2022 £m	Adjustment £m	Re-presented 2022 £m	Reported 2022 £m	Adjustment £m	Re-presented 2022 £m
Continuing operations						
Revenue	442.8	(41.8)	401.0	—	—	—
Operating profit	64.0	(4.6)	59.4	(10.7)	0.7	(10.0)
Finance expense	(1.5)	—	(1.5)	—	—	—
Profit before tax	62.5	(4.6)	57.9	(10.7)	0.7	(10.0)
Taxation	(5.7)	1.1	(4.6)	1.3	(0.2)	1.1
Profit after tax	56.8	(3.5)	53.3	(9.4)	0.5	(8.9)
Discontinued operations						
Profit after tax	—	3.5	3.5	—	(0.5)	(0.5)
Total profit after tax	**56.8**	**—**	**56.8**	**(9.4)**	**—**	**(9.4)**
CONSOLIDATED CASH FLOW STATEMENT						
Continuing operations						
Cash flows from operating activities	90.1	(5.0)	85.1	(1.1)	—	(1.1)
Discontinued operations						
Cash flows from operating activities	—	5.0	5.0	—	—	—
Total cash flows from operating activities	**90.1**	**—**	**90.1**	**(1.1)**	**—**	**(1.1)**

6. STAFF COSTS

The average monthly number of employees, including executive directors, was:

	2023 Number	2022 Number
Direct	**1,610**	1,394
Indirect	**931**	899
Continuing operations	**2,541**	2,293
Discontinued operations	**37**	41
	2,578	2,334

The costs incurred in respect of employees from continuing operations, including share-based payments, were:

	2023 £m	2022 £m
Wages and salaries	**148.8**	138.0
Social security costs	**15.0**	14.0
Other pension costs	**8.4**	7.1
Share-based payment charge	**4.4**	6.4
Staff costs	**176.6**	165.5

The share-based payment charge of £4.4m (2022: £6.4m) excludes £3.4m (2022: £1.0m) of deferred consideration in relation to acquisitions accounted for as equity-settled share-based payments. These amounts are included in non-underlying costs, see notes 3 and 27 for details.

7. FINANCE EXPENSE

	2023 £m	2022 £m
Bank overdraft and loan interest	**2.9**	1.6
Amortisation of debt finance costs	**0.4**	0.3
Interest cost on retirement benefit obligations (note 29)	**0.6**	0.1
Lease liability interest	**0.2**	0.1
	4.1	2.1
Amount capitalised	**(2.8)**	(0.6)
Finance expense	**1.3**	1.5

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 5.7% (2022: 1.3%). During the year £2.8m (2022: £0.6m) of interest was capitalised in relation to the Tennessee modernisation and automation programme and the investment in capacity expansion in the niche energetics businesses.

8. TAXATION

	2023 £m	2022 £m
Current tax charge – current year	**10.1**	4.1
Current tax credit – prior year	**(0.5)**	(1.7)
Deferred tax (credit)/charge – current year (note 24)	**(2.7)**	0.7
Deferred tax (credit)/charge – prior year (note 24)	**(0.5)**	0.4
Tax charge	**6.4**	3.5

Income tax in the UK is calculated at 22.5% (2022: 19.0%) of the taxable profit for the year. Tax for other jurisdictions is calculated at the rates prevailing in those jurisdictions.

8. TAXATION continued

The tax charge can be reconciled to the income statement as follows:

	2023 £m	2022 £m
Profit before tax	**44.1**	47.9
Tax at the UK corporation tax rate of 22.5% (2022: 19.0%)	**9.9**	9.1
Expenses not deductible for tax purposes	**0.5**	0.1
Changes in tax rates	**0.3**	—
Tax losses/future interest deductions not previously recognised	**(2.8)**	(4.6)
Release of tax risk provision	**(1.2)**	(1.7)
Prior period adjustments	**(1.0)**	(1.3)
Overseas profits taxed at rates different to the UK standard rate	**0.7**	1.9
Tax charge for continuing operations	**6.4**	3.5

In addition to the tax charge in the income statement, a tax credit of £0.5m (2022: £0.4m) has been recognised in other comprehensive income in the year.

The effective rate of tax on the profit before tax of the Group is 14.5% (2022: 7.3%), and the effective rate of tax on the underlying profit before tax of the Group is 15.0% (2022: 7.9%). The effective rate of tax on the underlying profit before tax is higher than the 2022 effective tax rate due to the recognition of a deferred tax asset in respect of future US interest deductions in the prior year.

Included within the tax charge is a current year non-underlying deferred tax credit of £3.8m (2022: £1.1m), predominantly relating to the impairment of Chemical Detection assets and tax on amortisation of acquired intangibles.

The UK Finance Bill 2021 was published on 11 March 2021 and substantively enacted on 24 May 2021. The bill provides for an increase in the rate of corporation tax from 19% to 25% with effect from 1 April 2023, hence the UK effective rate of 22.5% in 2023. The Group underlying effective tax rate is expected to increase in 2024 due to the full year impact of the increased UK tax rate.

FACTORS AFFECTING THE TAX CHARGE IN FUTURE YEARS

The Group's future tax charge and effective tax rate could be affected by several factors including: tax reform in countries around the world, including any arising from the implementation of the OECD's BEPS actions and European Commission initiatives such as the proposed tax and financial reporting directive or as a consequence of state aid investigations, future corporate acquisitions and disposals and any restructuring of our business.

9. DIVIDENDS

	2023 £m	2022 £m
Dividends paid on ordinary shares of 1p each		
Final dividend of 3.8p per share for the year ended 31 October 2022 (3.2p per share for the year ended 31 October 2021)	**10.8**	9.1
Interim dividend of 2.3p per share for the year ended 31 October 2023 (1.9p per share for the year ended 31 October 2022)	**6.5**	5.3
Total dividends	**17.3**	14.4

Subject to approval at the Annual General Meeting, the final dividend of 4.6p per ordinary share will be paid on 12 April 2024 to all shareholders registered at the close of business on 22 March 2024. The estimated cash value of this dividend is £12.9m, although the final payment is likely to be lower as a result of the impact of share buybacks. The total dividend for the year will therefore be 6.9p (2022: 5.7p) per ordinary share. As the final dividend is subject to approval by the shareholders at the Annual General Meeting, it has not been included as a liability in the financial statements for the year ended 31 October 2023.

The cumulative preference shares carry an entitlement to a dividend at the rate of 7p per share per annum which was paid in equal instalments on 30 April 2023 and 31 October 2023.

10. EARNINGS PER ORDINARY SHARE

Earnings per share is based on the average number of shares in issue, excluding own shares held, of 281,655,927 (2022: 280,506,245).

Diluted earnings per share has been calculated using a diluted average number of shares in issue, excluding own shares held, of 288,780,153 (2022: 288,218,004).

The number of shares used in the calculations is as follows:

	2023 Ordinary shares Number millions	2022 Ordinary shares Number millions
Weighted average number of shares used to calculate basic earnings per share	**281.7**	280.5
Additional shares issuable other than at fair value in respect of options outstanding	**7.1**	7.7
Weighted average number of shares used to calculate diluted earnings per share	**288.8**	288.2

The earnings used in the calculations of the various measures of earnings per share are as follows:

	2023			2022		
	£m	Basic EPS (Pence)	Diluted EPS (Pence)	£m	Basic EPS (Pence)	Diluted EPS (Pence)
Underlying profit after tax	**57.7**	**20.5**	**20.0**	53.3	19.0	18.5
Non-underlying items (note 3)	**(20.0)**			(8.9)		
Profit from continuing operations	**37.7**	**13.4**	**13.1**	44.4	15.8	15.4
(Loss)/profit from discontinued operations	**(32.3)**	**(11.5)**	**(11.2)**	3.0	1.1	1.0
Total profit after tax	**5.4**	**1.9**	**1.9**	47.4	16.9	16.4

11. GOODWILL

	£m
Cost	
At 1 November 2021	184.5
Foreign exchange adjustments	20.4
At 31 October 2022	204.9
Acquisitions through business combinations (note 28)	5.9
Foreign exchange adjustments	(6.5)
At 31 October 2023	**204.3**
Accumulated impairment losses	
At 1 November 2021	(75.8)
Foreign exchange adjustments	(11.0)
At 31 October 2022	(86.8)
Impairment	(20.5)
Foreign exchange adjustments	3.5
At 31 October 2023	**(103.8)**
Carrying amount	
At 31 October 2023	**100.5**
At 31 October 2022	118.1

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Cash-generating units have historically been represented by the individual operating companies within the operating segment descriptions on page 132. Over time, certain operating companies have evolved to focus on very distinct products or services, often linked to a particular program of record, which amount to the generation of independent cash inflows. Accordingly, the directors have reassessed the definition of a CGU to be the division within an operating company. In most of our operating companies, this has not led to a change in the CGUs identified as there is only one division, but it has for Chemring Sensors & Electronic Systems, Inc. Following the transition of the EMBD Program of Record into full rate production and shipment of initial units to the customer at the end of 2022, this business unit is split into three separate CGUs to reflect the independent cash flows being generated and the way in which management monitors the business. The three CGUs being Explosive Hazard Detection ("EHD"), Biological Detection and Chemical Detection.

The goodwill that was previously allocated to Chemring Sensors & Electronic Systems, Inc. has been allocated across the three new CGUs on a relative value basis. This goodwill relates to two separate acquisitions, one in the EHD line of business, all of which has been allocated to this CGU, and one which relates to both the Biological Detection and Chemical Detection lines of business, which was allocated based on value in use.

11. GOODWILL continued

The Group tests goodwill at least annually for impairment. Tests are conducted more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations have been individually estimated for each CGU and include the discount rates and expected changes to cash flows during the period for which management has detailed plans, which are underpinned by the winning and execution of key contracts. Based on our assessment, there is no reasonable possible change in a key assumption which would result in the impairment of goodwill.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to each of the CGUs. Pre-tax discount rates, derived from the Group's post-tax weighted average cost of capital of 8.5% (2022: 7.2%) which have been adjusted for a premium specific to each of the CGUs to account for differences in currency risk, country risk and other factors affecting specific CGUs, have been used to discount projected cash flows. The premiums for 2023 were all 1% (2022: 1% to 2%).

Expected changes to cash flows during the period for which management has detailed plans relate to revenue forecasts, expected contract outcomes and forecast operating margins in each of the operating companies based on our Board-approved five-year plan which considered past experience and our understanding of customer budgets and priorities. The relative value ascribed to each varies between CGUs as the budgets are built up from the underlying operating companies within each CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes.

At the end of five years, the calculations assume the performance of the CGUs will grow at a nominal annual rate of 2.25% (2022: 2.25%) in perpetuity. Growth rates are based on management's view of industry growth forecasts. The weighted average cost of capital is derived using beta values of a comparator group of defence companies adjusted for funding structures as appropriate.

The pre-tax discount rates used for value-in-use calculations and the carrying value of goodwill by CGUs are:

	2023 %	2022 %	**2023 £m**	2022 £m
Roke Manor Research Limited	**12.9**	11.2	**37.4**	31.5
Chemring Energetics UK Limited	**12.9**	10.2	**14.6**	14.6
Chemring Sensors & Electronic Systems, Inc.	**N/A**	10.5	**N/A**	40.8
Chemring Sensors & Electronic Systems, Inc. – Explosive Hazard Detection	**11.8**	n/a	**—**	n/a
Chemring Sensors & Electronic Systems, Inc. – Biological Detection	**11.8**	n/a	**18.2**	n/a
Chemring Sensors & Electronic Systems, Inc. – Chemical Detection	**11.8**	n/a	**—**	n/a
Chemring Energetic Devices, Inc.	**11.8**	10.5	**17.1**	18.0
Other			**13.2**	13.2
			100.5	118.1

The goodwill arising from the acquisition of the Geollect Limited of £5.9m during the year ended 31 October 2023 was allocated to the Roke Manor Research Limited CGU as it will form part of this operating company going forward (see note 28 for further details).

The pre-tax discount rates used for other CGUs ranged from 11.6% to 12.9% (2022: 10.2% to 12.3%).

The "Other" CGU is the carrying amount of goodwill that is allocated across multiple CGUs.

In the year ended 31 October 2023, a strategic review of the Group's sensors business was conducted following the US DoD's decision in 2022 to transition the HMDS Program of Record to sustainment earlier than they had previously indicated; Chemring has now been able to evaluate the potential sustainment program and determined that in the short to medium term there is insufficient US DoD funding to make it economically viable for Chemring to continue to operate the business. The decision has therefore been taken that the EHD business will not continue to operate and it has therefore been treated as a discontinued operation in 2023. A non-cash impairment, within discontinued operations, of the goodwill associated with the acquisition of the EHD business in 2009 totalling £20.5m, has been recorded. The impairment has been recorded against the EHD CGU, with the value of the recoverable amount of the asset based on its value in use.

Stress testing was performed on the forecasts to consider the impact of reasonably possible scenarios over the forecast period, including a 1.5% increase in discount rate, a 1% reduction in long-term growth rate, a 10% fall in the forecast cash flows or a $0.10 weakening in the sterling to US dollar exchange rate. Even under any of these circumstances, no CGUs would require an impairment against goodwill.

There are no reasonably possible changes in assumptions that would require an impairment against goodwill.

12. DEVELOPMENT COSTS AND OTHER INTANGIBLE ASSETS

	Development costs £m	Acquired technology £m	Acquired customer relationships £m	Patents and licences £m	Total £m
Cost					
At 1 November 2021	55.6	91.5	48.8	0.5	140.8
Additions	2.5	0.4	—	—	0.4
Disposals	(0.4)	—	—	(0.3)	(0.3)
Foreign exchange adjustments	6.2	15.2	6.2	0.3	21.7
At 31 October 2022	63.9	107.1	55.0	0.5	162.6
Acquisitions through business combinations (note 28)	—	1.4	1.2	—	2.6
Additions	1.5	—	—	—	—
Disposals	—	—	—	—	—
Foreign exchange adjustments	(2.0)	(4.9)	(2.0)	—	(6.9)
At 31 October 2023	**63.4**	**103.6**	**54.2**	**0.5**	**158.3**
Amortisation					
At 1 November 2021	(25.6)	(86.2)	(40.3)	(0.2)	(126.7)
Charge	(0.1)	(2.0)	(2.6)	(0.1)	(4.7)
Impairment	(2.2)	—	—	—	—
Disposals	0.3	—	—	0.3	0.3
Foreign exchange adjustments	(1.7)	(14.8)	(5.1)	(0.2)	(20.1)
At 31 October 2022	(29.3)	(103.0)	(48.0)	(0.2)	(151.2)
Charge	(0.7)	(1.6)	(2.1)	—	(3.7)
Impairment	(16.3)	(0.2)	—	—	(0.2)
Disposals	—	—	—	—	—
Foreign exchange adjustments	0.5	4.7	1.7	—	6.4
At 31 October 2023	**(45.8)**	**(100.1)**	**(48.4)**	**(0.2)**	**(148.7)**
Carrying amount					
At 31 October 2023	**17.6**	**3.5**	**5.8**	**0.3**	**9.6**
At 31 October 2022	34.6	4.1	7.0	0.3	11.4

Included within the development costs of £17.6m, individually material balances relate to Joint Biological Tactical Detection System of £9.2m (2022: £9.7m) and Perceive of £5.5m (2022: £5.6m). Development costs are amortised over their useful economic lives, estimated to be between three and ten years, with the remaining amortisation periods for these assets ranging up to ten years.

During the year ended 31 October 2023, the Group recognised an impairment of capitalised development costs of £15.6m having undertaken a wider strategic review of the US Sensors business and concluding that the prospect of securing a Program of Record in the Chemical detection part of the business is no longer probable. In addition, a further £0.7m impairment was recognised in relation to capitalised development costs associated with the EHD business that has been treated as a discontinued operation in 2023.

Acquired intangibles are recognised at fair value on acquisition and are amortised over their estimated useful lives. Fair values for acquired intangibles are assessed by reference to future estimated cash flows, discounted at an appropriate rate to present value, or by reference to the amount that would have been paid in an arm's length transaction between two knowledgeable and willing parties. Other intangible assets are recognised at cost and are amortised over their estimated useful economic lives, which are set out in the accounting policies section.

Acquired technology of £3.5m includes individually material balances relating to Roke (including the Cubica Group and Geollect) of £3.1m (2022: £2.1m), Chemring Energetic Devices of £0.4m (2022: £0.9m) and Chemring Sensors & Electronic Systems of £nil (2022: £1.0m). The remaining amortisation periods for these assets are eight years and one year respectively.

Acquired customer relationships of £5.8m include individually material balances relating to Chemring Energetic Devices of £3.1m (2022: £4.6m), Roke (including the Cubica Group and Geollect) of £2.7m (2022: £1.8m) and Chemring Sensors & Electronic Systems of £nil (2022: £0.6m). The remaining amortisation periods for these assets are three years and eight years respectively.

During the year ended 31 October 2023, the Group recognised an impairment of acquired technology of £0.2m related to the Chemical Detection business.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Right-of-use land and buildings £m	Right-of-use plant and equipment £m	Total £m
Cost or valuation					
At 31 October 2021	131.2	147.8	5.5	0.7	285.2
Reclassification	0.2	(0.3)	—	—	(0.1)
Additions	9.2	25.6	3.7	—	38.5
Disposals	(5.7)	(3.7)	(0.2)	—	(9.6)
Foreign exchange adjustments	10.4	13.4	1.1	—	24.9
At 31 October 2022	145.3	182.8	10.1	0.7	338.9
Reclassification	0.2	(0.2)	—	—	—
Additions	14.4	21.8	2.2	0.1	38.5
Disposals	(0.7)	(5.3)	(0.1)	—	(6.1)
Foreign exchange adjustments	(4.7)	(8.5)	(0.3)	—	(13.5)
At 31 October 2023	**154.5**	**190.6**	**11.9**	**0.8**	**357.8**
Depreciation					
At 31 October 2021	(21.8)	(62.1)	(2.4)	(0.2)	(86.5)
Reclassification	0.3	(0.2)	—	—	0.1
Charge	(3.5)	(13.0)	(1.4)	(0.2)	(18.1)
Disposals	2.5	3.1	—	—	5.6
Foreign exchange adjustments	(2.4)	(5.7)	(0.6)	—	(8.7)
At 31 October 2022	(24.9)	(77.9)	(4.4)	(0.4)	(107.6)
Charge	(3.8)	(13.4)	(1.6)	(0.1)	(18.9)
Impairment	(0.1)	(0.2)	—	—	(0.3)
Disposals	0.7	5.3	0.1	—	6.1
Foreign exchange adjustments	1.2	3.7	0.2	—	5.1
At 31 October 2023	**(26.9)**	**(82.5)**	**(5.7)**	**(0.5)**	**(115.6)**
Carrying amount					
At 31 October 2023	**127.6**	**108.1**	**6.2**	**0.3**	**242.2**
At 31 October 2022	120.4	104.9	5.7	0.3	231.3

During the year, £2.8m (2022: £0.6m) of interest was capitalised, as set out in note 7. £1.0m (2022: £0.8m) of capitalised interest was charged as depreciation and £nil (2022: £nil) was disposed of. This results in a net book value for capitalised interest of £10.6m (2022: £8.8m).

During the year ended 31 October 2023, the Group recognised an impairment of property, plant and equipment of £0.3m in relation to assets associated with the EHD division of the US Sensors business which has been treated as a discontinued operation in 2023. See note 5 for further details.

Included within land and buildings and plant and equipment are assets under construction of £28.6m and £30.6m respectively (2022: £13.6m and £11.5m). These assets are not depreciated.

Land and buildings were revalued at 30 September 1997 by Chestertons Chartered Surveyors, independent valuers not connected with the Group, on the basis of depreciated replacement cost for two pyrotechnic sites and on open market for the remainder, which represent Level 2 measurements in the fair value hierarchy.

	2023 £m	2022 £m
30 September 1997 depreciated replacement cost	**4.0**	4.0
Freehold at cost	**150.5**	141.3
Cost of land and buildings as at 31 October	**154.5**	145.3

If stated under historical cost principles, the comparable amounts for the total of land and buildings would be:

	2023 £m	2022 £m
Cost	**153.8**	144.5
Accumulated depreciation	**(27.1)**	(25.2)
Historical cost value	**126.7**	119.3

All other tangible fixed assets are stated at historical cost.

13. PROPERTY, PLANT AND EQUIPMENT continued

At 31 October 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £27.9m (2022: £6.9m).

Cash flows from purchases of property, plant and equipment are £32.7m (2022: £31.5m). The difference to the additions total presented above includes £2.3m (2022: £3.8m) non-cash movements related to right-of-use assets as well as the movement in accrued capital expenditure.

14. SUBSIDIARY UNDERTAKINGS

All subsidiary undertakings have been reflected in these financial statements. The subsidiary undertakings held at 31 October 2023, which have a single class of ordinary shares all 100% owned by the Group, are shown below. All of these subsidiary undertakings are wholly controlled by Chemring Group PLC, unless otherwise stated.

Subsidiary undertaking	Country of incorporation (or registration) and operation	Operating segment
Chemring Australia Pty Limited	Australia	Countermeasures & Energetics
B.D.L. Systems Limited	England	Dormant
Chemring Countermeasures Limited*	England	Countermeasures & Energetics
Chemring Energetics Limited*	England	Dormant
Chemring North America Unlimited	England	Dormant
Chemring Prime Contracts Limited*	England	Dormant
Chemring Technology Solutions Limited*	England	Countermeasures & Energetics
Chemring Holdings Limited* (formerly CHG Overseas Limited)	England	Holding company
Cubica Technology Limited*	England	Dormant
Geollect Limited*	England	Sensors & Information
Greys Exports Limited	England	Dormant
Q6 Holdings Limited*	England	Dormant
Richmond Electronics & Engineering Limited	England	Dormant
Roke Manor Research Limited	England	Sensors & Information
Vigil AI Limited**	England	Sensors & Information
Chemring Nobel AS	Norway	Countermeasures & Energetics
Chemring Energetics UK Limited	Scotland	Countermeasures & Energetics
Alloy Surfaces Company, Inc.	US	Countermeasures & Energetics
ASC Realty LLC	US	Property holding company
Chemring Energetic Devices, Inc.	US	Countermeasures & Energetics
Chemring North America Group, Inc.	US	Holding company
Chemring Sensors & Electronic Systems, Inc.	US	Sensors & Information
CHG Flares, Inc.	US	Holding company
CHG Group, Inc.	US	Holding company
Geollect LLC	US	Sensors & Information
Kilgore Flares Company LLC	US	Countermeasures & Energetics
Roke USA, Inc.	US	Sensors & Information
Tactical Systems and Ordnance, Inc.	US	Non-trading

* Shares directly held by Chemring Group PLC.

** 80% indirectly owned by Chemring Group PLC.

Chemring Holdings Limited (company number 02731691), Chemring Technology Solutions Limited (company number 01528540) and Geollect Limited (company number 10584604) are exempt from the requirement to file audited accounts for the year ended 31 October 2023 by virtue of section 479A of the Companies Act 2006. See page 180 for the registered offices of the subsidiary undertakings.

15. INVENTORIES

	2023 £m	2022 £m
Raw materials	**49.6**	48.1
Work in progress	**33.1**	38.8
Finished goods	**19.0**	12.7
	101.7	99.6

There are no significant differences between the replacement cost of inventory and the carrying amount shown above. The Group recognised £0.3m (2022: £0.7m) as a write down of inventories to net realisable value. See note 4 for details of cost of inventories recognised as an expense.

16. TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Trade receivables	**41.5**	33.8
Allowance for doubtful debts	**(0.2)**	(0.5)
	41.3	33.3
Advance payments to suppliers	**2.3**	1.7
Other receivables	**10.7**	8.5
Prepayments	**6.9**	6.2
Accrued income	**13.6**	11.4
	74.8	61.1

All amounts shown above are due within one year.

The average credit period taken by customers on sales of goods, calculated using a countback basis, is 16 days (2022: 17 days). No interest is charged on receivables from the date of invoice to payment.

Given the Group's customer base, expected credit losses are typically not material; however, if there is any doubt over recoverability, the Group's policy is to provide in full for trade receivables outstanding for more than 120 days beyond agreed terms. As at 31 October 2023, £0.5m of gross trade receivables were aged greater than 30 days past due (2022: £0.1m).

The directors consider that the carrying amount of trade and other receivables approximates to their fair values.

Of the £11.4m of accrued income at 31 October 2022, £11.4m had been billed and paid in the year. Of the £13.6m of accrued income at 31 October 2023, over half was billed in the month after the reporting date. The remainder relates to the completion of performance obligations which will be billed at the next contractual milestone, which is expected within the next year.

Of the £10.7m (2022: £8.5m) of other receivables at 31 October 2023, £nil (2022: £2.0m) related to a short-term loan due from the Chemring Group Staff Pension Scheme to fund margin calls on liability driven investments, which was repaid in November 2022, and £8.9m (2022: £4.8m) related to research and development expenditure credits receivable.

17. CASH AND CASH EQUIVALENTS

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. For the purposes of the statement of cash flows, cash and cash equivalents comprises cash at bank of £6.4m (2022: £19.8m).

18. BORROWINGS

	2023 £m	2022 £m
Within non-current liabilities		
Bank borrowings	**14.1**	20.9
Preference shares	**0.1**	0.1
Borrowings due after more than one year	**14.2**	21.0
Total borrowings	**14.2**	21.0

18. BORROWINGS continued

Analysis of borrowings by currency:

	2023 £m	2022 £m
Sterling	**14.2**	0.1
US dollar	**—**	20.9
	14.2	21.0

The weighted average interest rates paid were as follows:

		2023 %	2022 %
Bank overdrafts		**5.4**	2.3
UK bank loans	– Sterling denominated	**5.7**	2.3
	– US dollar denominated	**1.4**	1.4

An analysis of borrowings by maturity is as follows:

	2023			2022		
	Bank loans and overdrafts £m	Preference shares £m	Total £m	Bank loans and overdrafts £m	Preference shares £m	Total £m
Borrowings falling due:						
– within one to two years	**—**	**—**	**—**	—	—	—
– within two to five years	**14.1**	**—**	**14.1**	20.9	—	20.9
– after five years	**—**	**0.1**	**0.1**	—	0.1	0.1
	14.1	**0.1**	**14.2**	20.9	0.1	21.0
Total borrowings	**14.1**	**0.1**	**14.2**	20.9	0.1	21.0

The Group's principal debt facilities comprise a £150m revolving credit facility up to December 2025 of which £130m has been extended to December 2026, as well as a US$10m overdraft, in November 2023 the overdraft was increased to US$20m. These were established in July 2021 with a syndicate of six banks and there is one option to extend for one year to December 2027. None of the borrowings in the current or the prior year were secured.

There have been no breaches of the terms of the loan agreements during the current or prior year.

The Group has the following undrawn borrowing facilities available, in respect of which all conditions precedent have been met. Interest costs under these facilities are charged at floating rates.

	2023 £m	2022 £m
Undrawn borrowing facilities	**142.9**	136.7

The Group is subject to two key financial covenants, which are tested quarterly. These covenants relate to the leverage ratio between "underlying EBITDA" and net debt, and the interest cover ratio between underlying EBITDA and finance costs. The calculation of these ratios involves the translation of non-sterling denominated debt using average, rather than closing, rates of exchange and includes liabilities on foreign exchange forward contracts within its definition of net debt. Therefore the leverage ratio of 0.21 times differs to the ratio of 0.16 times that is disclosed elsewhere in the annual report and accounts, which is calculated using the closing rates of exchange and does not include liabilities on foreign exchange forward contracts within its definition of net debt. The Group was in compliance with the covenants throughout the year. The year-end leverage ratio was 0.21 times (covenant limit of 3 times) and the year-end interest cover ratio was 30.01 times (covenant floor of 4 times).

19. LEASES

The carrying amount, additions and depreciation charge for right-of-use assets by class of underlying asset is included in note 13.

The expense relating to short-term and low-value leases in the year was £1.3m (2022: £0.9m). In total, payments of £1.8m (2022: £2.2m) were made under leasing contracts. Included in the financing activities section of the cash flow is £1.6m (2022: £2.1m) to repay the principal portion of the lease and £0.2m (2022: £0.1m) to repay lease interest. Included in the operating activities section of the cash flow is £1.3m (2022: £0.9m) relating to short-term and low-value leases.

19. LEASES continued

A maturity analysis of the future undiscounted lease payments in respect of the Group's lease liabilities is presented in the table below:

	2023 £m	2022 £m
Lease liabilities falling due:		
– within one year	**1.1**	1.8
Lease liabilities falling due:		
– within one to two years	**0.8**	0.8
– within two to five years	**1.9**	1.4
– more than five years	**3.0**	2.1
	5.7	4.3
Impact of discounting	**(0.2)**	(0.1)
Lease liabilities included in balance sheet as at 31 October	**6.6**	6.0

20. TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Within current liabilities		
Trade payables	**16.3**	14.7
Other payables	**32.8**	28.5
Interest payable	**—**	0.1
Other tax and social security	**6.4**	6.8
Advance receipts from customers	**47.2**	26.6
Accruals	**15.3**	17.6
Deferred income	**6.0**	3.9
	124.0	98.2

Other payables of £32.8m (2022: £28.5m) includes payroll-related creditors of £18.1m (2022: £18.0m).

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

Advance receipts from customers represent the obligation to transfer goods or services to a customer for which consideration has been received. The amount of £26.6m included in advance receipts from customers recognised at 31 October 2022 has been recognised as revenue in 2023 (2022: £17.1m). Of the £47.2m of advanced receipts from customers at 31 October 2023, £24.4m is relevant to goods and services that will be delivered and provided within a year. No revenue was recognised in 2023 from performance obligations satisfied in previous years.

The average credit period taken on purchases of goods is 18 days (2022: 18 days) using year-end trade payables divided by cost of sales. No interest is payable on trade payables from the date of invoice to payment.

21. FINANCIAL RISK MANAGEMENT

The Group uses financial instruments to manage financial risk wherever it is appropriate to do so. The main risks addressed by financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk. The Group's policies in respect of the management of these risks, which remained unchanged throughout the year, are set out below.

(A) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The impairment provisions for financial assets disclosed in note 16 "Trade and other receivables" are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Customers are mainly multinational organisations or government agencies with which the Group has long-term business relationships. The Group's principal customers are government defence departments, such as the US Department of Defense ("US DoD") and the UK Ministry of Defence ("UK MOD"), US and UK defence prime contractors, such as BAE Systems and General Dynamics, and distributors of products for their onward sale to end users.

The majority of revenue in 2023 related to the US DoD, the UK MOD and the US and UK defence prime contractors, which consistently pay within terms and are deemed low credit risk as a result. For all other customers the Group's policy is to trade under a letter of credit. If there is any doubt over recoverability, the Group's policy is to provide in full for trade receivables outstanding for more than 120 days beyond agreed terms. The balances which might be affected by credit risk are trade receivables, accrued income and cash and cash equivalents.

21. FINANCIAL RISK MANAGEMENT continued

(B) CAPITAL MANAGEMENT

The Group manages its capital to ensure that all entities in the Group will be able to continue as a going concern while meeting the returns to stakeholders. The capital structure of the Group consists of equity (as disclosed in the consolidated statement of changes in equity), retained earnings, cash and cash equivalents (note 17) and a revolving credit facility ("RCF") (note 18). The Group seeks to manage its capital through an appropriate mix of these items. The Group's principal debt facilities comprise a £150m revolving credit facility up to December 2025 of which £130m has been extended to December 2026, as well as a US$10m overdraft, in November 2023 the overdraft was increased to US$20m. These were established in July 2021 with a syndicate of six banks and there is one option to extend for one year to December 2027. As at 31 October 2023, the RCF was drawn by £15.1m (2022: £21.7m).

(C) FINANCIAL RISK MANAGEMENT

The primary risks that the Group is exposed to are liquidity risk, foreign currency risk, interest rate risk and credit risk. It is the Group's policy to manage these risks under the following policies:

i. Liquidity risk management

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows. The Group's policy is to maintain continuity of funding through available cash and cash equivalents and the RCF.

ii. Foreign currency risk management

The Group's presentational currency is sterling. The Group is subject to exposure on the translation of the assets of foreign subsidiaries, whose functional currencies differ from the Group. The Group's primary balance sheet translation exposures are to the US dollar, Australian dollar and Norwegian krone. The Group minimises the balance sheet translation exposures, where it is practical to do so, by funding subsidiaries with long-term loans, on which exchange differences are taken to reserves. US dollar borrowings held by the Group are treated as a net investment hedge against the US dollar assets of the Group.

The Group faces currency exposures arising from the translation of profits earned in foreign currency. These exposures are not hedged. Exposures also arise from foreign currency denominated trading transactions undertaken by subsidiaries' deemed transactional exposures. The Group's policy is to hedge transactional exposures above £250,000 in the banking market on a one-to-one basis using forward contracts. Below £250,000, the exposures are netted across subsidiaries and any surplus or deficit hedged in the banking market using spot or forward contracts. The Group's policy is that there is no speculative trading in financial instruments. During the year ended 31 October 2023, there were no options or structured derivatives utilised.

iii. Interest rate risk management

The Group finances its operations through a combination of retained profits and bank borrowings. The UK borrowings are denominated in sterling and US dollars, and at the shorter end are subject to floating rates of interest.

IFRS 9 FINANCIAL INSTRUMENTS

Chemring Group PLC is not a financial institution and does not have any complex financial instruments. The Group does not apply hedge accounting to derivatives and the Group's customers are generally governments that are considered creditworthy and pay consistently within agreed payment terms.

	2023		2022	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Assets carried at amortised cost				
Trade receivables	**41.3**	**41.3**	33.3	33.3
Accrued income	**13.6**	**13.6**	11.4	11.4
Cash and cash equivalents	**6.4**	**6.4**	19.8	19.8
Assets carried at fair value				
Derivative financial instruments	**0.8**	**0.8**	0.7	0.7
Liabilities carried at fair value				
Derivative financial instruments	**(3.5)**	**(3.5)**	(5.3)	(5.3)
Liabilities carried at amortised cost				
Trade payables	**(16.3)**	**(16.3)**	(14.7)	(14.7)
Other payables	**(32.8)**	**(32.8)**	(28.5)	(28.5)
Interest payable	**—**	**—**	(0.1)	(0.1)
Borrowings	**(14.2)**	**(14.2)**	(21.0)	(21.0)

The following items are not financial instruments as defined by IFRS 9:

(a) prepayments made/advances received (right to receive future goods or services, not cash or a financial asset);

(b) tax receivables and payables and similar items (statutory rights and obligations, not contractual); or

(c) deferred revenue and warranty obligations (obligations to deliver goods and services, not cash or financial assets).

22. FINANCIAL INSTRUMENTS

The following table details the fair value of derivative financial instrument assets/(liabilities) recognised in the balance sheet:

	2023 £m	2022 £m
Included in current assets	**0.8**	0.7
Included in current liabilities	**(3.2)**	(4.2)
	(2.4)	(3.5)
Included in non-current liabilities	**(0.3)**	(1.1)
Forward foreign exchange contracts	**(2.7)**	(4.6)

There was a £1.4m gain (2022: £4.1m loss) on the movement in the fair value of derivative financial instruments recognised in the income statement.

The table below details the remaining contractual maturities of the Group's derivative financial instruments and loans at the reporting date. The amounts are gross and undiscounted and include interest payments estimated based on the conditions existing at the reporting date.

	2023			2022		
	Derivative instruments £m	Loans and overdrafts £m	Total £m	Derivative instruments £m	Loans and overdrafts £m	Total £m
Falling due:						
– within one year	**(2.4)**	**—**	**(2.4)**	(3.5)	(0.3)	(3.8)
– within one to two years	**(0.3)**	**—**	**(0.3)**	(1.1)	(0.3)	(1.4)
– within two to five years	**—**	**(14.2)**	**(14.2)**	—	(21.3)	(21.3)
	(2.7)	**(14.2)**	**(16.9)**	(4.6)	(21.9)	(26.5)

A maturity analysis of the contracted cash outflows on lease liabilities is provided in note 19.

FAIR VALUE HIERARCHY

IFRS 7 *Financial Instruments: Disclosures* requires companies that carry financial instruments at fair value in the balance sheet to disclose their level of hierarchy, determining into which category those financial instruments fall under the fair value hierarchy.

The fair value measurement hierarchy is as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. as unobservable inputs).

The following tables present the Group's assets and liabilities that are measured at fair value:

		2023		2022	
	Fair value hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Held at fair value					
Derivative financial instruments – assets	Level 2	**0.8**	**0.8**	0.7	0.7
Derivative financial instruments – liabilities	Level 2	**(3.5)**	**(3.5)**	(5.3)	(5.3)
		(2.7)	**(2.7)**	(4.6)	(4.6)

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data.

SENSITIVITY ANALYSIS

For the year ended 31 October 2023 the closing exchange rate for the US dollar was 1.21 (2022: 1.15), AU dollar was 1.92 (2022: 1.80) and Norwegian krone was 13.56 (2022: 11.97). The average exchange rates were 1.24 (2022: 1.23), 1.91 (2022: 1.75) and 13.10 (2022: 11.82) respectively.

22. FINANCIAL INSTRUMENTS continued

SENSITIVITY ANALYSIS continued

The following table details the Group's sensitivity to a 10% weakening or strengthening of sterling against the US dollar, AU dollar and Norwegian krone with regards to its income statement. The Group considers a 10% strengthening or weakening of sterling as a reasonably possible change in foreign exchange rates.

	10 per cent weakening of sterling		10 per strengthening of sterling	
Continuing operations	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Revenue	**22.0**	**24.2**	**(19.7)**	**(16.5)**
Underlying operating profit	**3.3**	**2.9**	**(2.4)**	**(2.6)**
Interest	**—**	—	**—**	—
Underlying profit before tax	**3.3**	**2.9**	**(2.4)**	**(2.6)**

As at 31 October 2023, 100% of the Group's gross debt was at floating rates. The Group monitors its exposure to movements in interest rates, having regard to prevailing market conditions, and considers the use of interest rate swaps on an ongoing basis to manage this exposure. The Group has not entered into any interest rate swaps as of 31 October 2023.

Based on the closing debt value as at 31 October 2023, a change in interest rates of 1% throughout the year would cause the Group's finance expense to change by £0.2m.

23. PROVISIONS

	Legal provision £m	Environmental provision £m	Disposal provision £m	Dilapidations provision £m	Total £m
At 31 October 2022	3.5	3.9	11.0	—	18.4
Transfer from trade and other payables	—	—	—	0.2	0.2
Transfer between categories	—	—	(0.2)	0.2	—
Released	—	—	(3.2)	—	(3.2)
Provided	1.0	0.7	2.2	0.3	4.2
Foreign exchange adjustments	—	(0.2)	(0.2)	—	(0.4)
Paid	(0.5)	(0.9)	(0.2)	—	(1.6)
At 31 October 2023	**4.0**	**3.5**	**9.4**	**0.7**	**17.6**

These provisions are classified on the balance sheet as follows:

	2023 £m	2022 £m
Included in current liabilities	**5.6**	1.6
Included in non-current liabilities	**12.0**	16.8
	17.6	18.4

The legal provision represents the estimated legal liabilities faced by the Group at the balance sheet date. There are uncertainties regarding the range of possible outcomes and timing of cash outflows, dependent on the outcome of court proceedings. Further details of the Group's contingent liabilities are set out in note 33.

The environmental provision is held in respect of potential liabilities, associated with the Group's facility in Chicago, US. The range of possible outcomes is between £1.6m and £7.9m. There are uncertainties regarding the timing of cash outflows, dependent on the outcome of regulatory proceedings.

The disposal provision includes material balances relating to estimated liabilities faced by the Group in respect of the disposal of its European Munitions businesses in 2014 under the terms of their respective sale agreements. The range of possible outcomes is between £nil and £17.1m, and the risk of economic outflow relating to these reduces with the passage of time. These are expected to be utilised over the next five years.

The dilapidations provision represents the estimated liabilities costs that the Group estimates will be incurred upon vacating properties which are occupied under rental agreements.

Provisions are subject to uncertainty in respect of the outcome of future events. Legal provisions will be utilised based on the outcome of cases and the level of costs incurred defending the Group's position. Environmental provisions will be utilised based on the outcome of further environmental studies and remediation work. Disposal provisions will be utilised based on the outcome of certain events which are specified in sale and purchase agreements. It is not possible to estimate more accurately the expected timing of any resulting outflows of economic benefits.

24. DEFERRED TAX

The following are the principal deferred tax assets/(liabilities) recognised by the Group and movements thereon:

	Accelerated tax depreciation £m	Pensions £m	US interest deductions £m	Tax losses £m	Acquired intangibles £m	Other £m	Total £m
At 1 November 2021	(19.4)	(3.7)	3.8	5.6	(7.0)	8.2	(12.5)
(Charge)/credit to income	(11.5)	—	3.5	6.3	(0.6)	1.2	(1.1)
(Charge)/credit to other comprehensive income	(2.2)	0.8	0.8	1.0	(0.7)	1.0	0.7
Transfers	0.1	—	—	—	(0.1)	—	—
At 31 October 2022	(33.0)	(2.9)	8.1	12.9	(8.4)	10.4	(12.9)
(Charge)/credit to income	(1.3)	0.3	(0.2)	5.4	(0.3)	1.8	5.7
Credit/(charge) to other comprehensive income	1.0	1.6	(0.2)	(0.6)	0.2	(0.4)	1.6
Recognised on acquisition	—	—	—	—	(0.6)	—	(0.6)
Recognised directly in equity	—	—	—	—	—	(0.7)	(0.7)
At 31 October 2023	**(33.3)**	**(1.0)**	**7.7**	**17.7**	**(9.1)**	**11.1**	**(6.9)**
Analysed as:							
Deferred tax assets	—	—	7.7	17.7	—	11.5	36.9
Deferred tax liabilities	(33.3)	(1.0)	—	—	(9.1)	(0.4)	(43.8)
At 31 October 2023	**(33.3)**	**(1.0)**	**7.7**	**17.7**	**(9.1)**	**11.1**	**(6.9)**
Deferred tax assets	0.3	—	8.1	12.9	—	11.0	32.3
Deferred tax liabilities	(33.3)	(2.9)	—	—	(8.4)	(0.6)	(45.2)
At 31 October 2022	(33.0)	(2.9)	8.1	12.9	(8.4)	10.4	(12.9)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. Deferred tax balances after offset are analysed on the balance sheet as per the table above.

Deferred tax balances of £11.1m (2022: £10.4m) within the "Other" category above include temporary differences arising on provisions and accruals.

At the balance sheet date, the Group had unrecognised deferred tax of £0.5m (2022: £3.7m) on gross tax losses of £8.3m (2022: £21.2m) and unrecognised deferred tax of £19.7m (2022: £18.2m) on gross interest deductions of £73.7m (2022: £72.2m) as a result of US interest limitation regulations, potentially available for offset against future profits in certain circumstances. The Group also had unrecognised deferred tax of £0.7m (2022: £1.5m) on gross capital losses of £3.5m (2022: £6.9m). No deferred tax asset has been recognised in respect of these amounts because of the unpredictability of future taxable qualifying profit streams. The aforementioned gross interest deductions are available indefinitely with no fixed expiry date, while the gross tax losses and gross capital losses expire in 2031 and 2026 respectively.

The Group has not recognised any deferred tax liability on temporary differences relating to potentially taxable unremitted earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and none are expected to reverse in the foreseeable future.

25. SHARE CAPITAL

	2023 £m	2022 £m
Issued and fully paid		
280,842,610 (2022: 283,541,742) ordinary shares of 1p each	**2.8**	2.8

During the year, 495,671 ordinary shares (2022: 392,231) were issued for cash to employees under the Group's approved savings-related share schemes.

The Company's share capital also includes 62,500 7% cumulative preference shares of £1 each, which are all issued and fully paid up, and are classified for accounting purposes within non-current liabilities. The cumulative preference shares carry an entitlement to a dividend at the rate of 7p per share per annum, payable in equal instalments on 30 April and 31 October each year. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividends.

On 1 August 2023, the Company announced the details of a share buyback programme to repurchase up to £50m of its own shares over the following 12 months. During 2023, 3,194,803 shares were repurchased for a total price, including transaction costs, of £9.0m. These shares were subsequently cancelled, with the nominal value of shares cancelled deducted from share capital against the special capital reserve.

As at 31 October 2023, the Group had agreed to further share repurchases of £2.9m that were settled in cash subsequent to year end. The £2.9m is included as a liability in trade and other payables (see note 20).

26. RESERVES

The share premium account, the special capital reserve and the revaluation reserve are not distributable.

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, in accordance with the requirements of the Companies Act 1985.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and the accumulation of gains or losses from the effective portion of hedges of net investments in foreign operations.

Included within retained earnings is £4.3m (2022: £7.3m) of the Company's own shares held by the Group's Employee Share Ownership Plan Trust ("ESOP") which is treated as a branch of the parent company. The ESOP purchased 1,652,072 shares during the year (2022: 2,467,329) and 2,734,163 shares (2022: 2,607,129) were distributed following the vesting of awards under the deferred bonus and PSP schemes. The total number of ordinary shares held by the ESOP at 31 October 2023 was 1,361,618 (2022: 2,443,709).

On 1 August 2023, the Company announced the details of a share buyback programme to repurchase up to £50m of its own shares over the following 12 months. See note 25 for further details.

Group dividends (note 9) are payable out of the parent company retained earnings as disclosed in the parent company financial statements. This provides cover over the declared final dividend of 4.6p per ordinary share for the year ended 31 October 2023.

27. SHARE-BASED PAYMENTS

The Group operates share-based compensation arrangements to provide incentives to the Group's senior management and eligible employees. The Group recognised a net charge of £7.8m (2022: £7.4m) in respect of share-based payments during the year, of which £3.4m (2022: £1.0m) is included in non-underlying costs.

Details of the four schemes which operated during the year are set out below.

THE CHEMRING GROUP PERFORMANCE SHARE PLAN 2016 (THE "2016 PSP")

Under the 2016 PSP, conditional awards of ordinary shares are made at nil cost to employees. Awards ordinarily vest on the third anniversary of the award date.

	2016 PSP Number of conditional shares	
	2023	2022
Outstanding at the beginning of the year	**5,987,329**	6,218,961
Awarded	**2,290,834**	2,386,342
Vested	**(2,015,696)**	(2,374,231)
Lapsed	**(709,187)**	(243,743)
Outstanding at the end of the year	**5,553,280**	5,987,329
Subject to vesting at the end of the year	**—**	—

The following awards were outstanding at 31 October 2023:

Date of award	Number of ordinary shares under award	Vesting price per share Pence	Date when awards due to vest
16 December 2020	1,513,830	nil	16 December 2023
15 December 2021	1,995,759	nil	15 December 2024
14 December 2022	2,043,691	nil	14 December 2025

The Group has applied a discount to the share-based payments to reflect the anticipated achievement of the stipulated targets for each 2016 PSP award based on the predicted figures within the Group's financial projections and the expected number of leavers over the life of the awards.

The 2016 PSP awards made in the year ended 31 October 2023 had targets based on earnings per share growth, total shareholder return and reduction in the Group's carbon emissions. The awards have been valued using the following modelling inputs. The total shareholder return element was valued using a Monte-Carlo model. Expected volatility was determined by assessing the volatility in share price of the Group and its comparator group of companies over a three-year period prior to the grant date.

	Date awarded		
	14 December 2022	15 December 2021	16 December 2020
Share price at valuation	305p	284p	300p
Exercise price	nil	nil	nil
Risk-free rate	0.5%	0.5%	0.5%
Expected volatility	29.1%	29.1%	29.1%
Fair value	272.3p	232.9p	246.4p

The weighted average fair value of awards made during the year was 272.3p (2022: 232.9p).

In the year ended 31 October 2023 2,015,696 awards vested (2022: 2,374,231). The charge recognised in respect of the awards is based on their fair value at the grant date.

27. SHARE-BASED PAYMENTS continued

THE CHEMRING GROUP 2018 UK SHARESAVE PLAN (THE "UK SHARESAVE PLAN")

Options were granted during the year on 1 September 2023.

	2023		2022	
	Number of share options	Weighted average exercise price Pence	Number of share options	Weighted average exercise price Pence
Outstanding at the beginning of the year	**1,878,345**	**229.3**	1,770,380	197.4
Granted	**845,661**	**264.0**	664,054	264.0
Exercised	**(483,778)**	**193.5**	(362,049)	153.4
Lapsed	**(204,745)**	**240.5**	(194,040)	198.3
Outstanding at the end of the year	**2,035,483**	**236.1**	1,878,345	229.3
Subject to exercise at the end of the year	**145,218**	**201.7**	5,056	178.0

The following options were outstanding at 31 October 2023:

Date of award	Number of ordinary shares under award	Exercise price per share Pence	Dates between which options may be exercised
30 July 2018	1,685	178.0	1 October 2023–31 March 2024
29 July 2019	25,713	154.0	1 October 2024–31 March 2025
30 July 2020	143,533	202.0	1 October 2023–31 March 2024
30 July 2020	83,162	202.0	1 October 2025–31 March 2026
26 July 2021	330,735	240.0	1 October 2024–31 March 2025
26 July 2021	67,900	240.0	1 October 2026–31 March 2027
1 September 2022	453,765	264.0	1 October 2025–31 March 2026
1 September 2022	91,485	264.0	1 October 2027–31 March 2028
4 August 2023	723,601	228.0	1 October 2026–31 March 2027
4 August 2023	113,904	228.0	1 October 2028–31 March 2029

The weighted average fair value of options granted in the year was 57.0p (2022: 34.0p). The weighted average fair value of options exercised in the year was 38.9p (2022: 30.7p). The weighted average share price on exercise of the options during the year was 193.5p (2022: 153.4p).

The fair values of the share options in the UK Sharesave Plan are based on the difference between the exercise price and the share price on the grant date of the option.

DEFERRED BONUS SHARE AWARDS

Under the deferred bonus share awards, deferred awards of ordinary shares are made at nil cost to employees. Awards ordinarily vest on the second or third anniversary of the award date.

	Number of deferred shares	
	2023	2022
Outstanding at the beginning of the year	**937,055**	766,171
Awarded	**320,288**	456,232
Vested	**(361,932)**	(225,621)
Lapsed	**(21,313)**	(59,727)
Outstanding at the end of the year	**874,098**	937,055
Subject to vesting at the end of the year	**—**	—

27. SHARE-BASED PAYMENTS continued

DEFERRED BONUS SHARE AWARDS continued

The following awards were outstanding at 31 October 2023:

Date of award	Number of ordinary shares under award	Share price at valuation Pence	Vesting price per share Pence	Date when awards are due to vest
15 December 2020	147,500	300p	nil	15 December 2023
14 December 2021	240,321	284p	nil	14 December 2023
14 December 2021	170,336	284p	nil	14 December 2024
13 December 2022	111,748	305p	nil	13 December 2024
13 December 2022	204,193	305p	nil	13 December 2025

The fair value of the deferred bonus share awards is based on the share price on the grant date of the award. The weighted average fair value of awards made during the year was 305p (2022: 284p). The Group has applied a discount to the share-based payments to reflect the expected number of leavers over the life of the awards.

DEFERRED SHARES RELATED TO ACQUISITION

Deferred consideration in relation to the acquisition of the "Cubica Group" of up to £2.0m and in relation to the acquisition of Geollect of up to £7.5m has been accounted for as equity-settled share-based payments under IFRS 2. See note 28 for further detailed disclosure.

Cubica Group

The deferred consideration is comprised of two tranches of 326,792 Chemring ordinary shares each, valued at £2m based on the share price on 2 June 2021 of 307p. The first tranche vested on the second anniversary of completion, 2 June 2023, and the second tranche will vest on the third anniversary of completion, 2 June 2024, subject to continued employment with Chemring Group PLC.

No further awards were granted during the year ended 31 October 2023 (2022: nil) in respect of the Cubica Group acquisition. 326,792 vested (2022: nil) and nil (2022: nil) lapsed in the year. 326,792 are outstanding at the end of the year (2022: 653,584). Nil were subject to vesting at the end of the year (2022: nil).

The fair value of the deferred share awards is based on the share price on the grant date of the award.

Geollect

The deferred consideration is comprised of two tranches of 1,233,552 Chemring ordinary shares each, valued at £7.5m based on the share price on 7 December 2022 of 298.5p. The first tranche will vest on the second anniversary of completion, 7 December 2024, and the second tranche will vest on the third anniversary of completion, 7 December 2025, subject to continued employment with Chemring Group PLC.

A total of 2,467,104 awards were granted during the year ended 31 October 2023. Nil vested or lapsed in the year (2022: nil) and 2,467,104 are outstanding at the end of the year (2022: nil). Nil were subject to vesting at the end of the year (2022: nil).

The fair value of the deferred share awards is based on the share price on the grant date of the award. The weighted average fair value of awards made during the year was 298.5p.

28. ACQUISITION OF SUBSIDIARY

ACQUISITIONS IN THE YEAR ENDED 31 OCTOBER 2023

Acquisition of Geollect Limited

On 7 December 2022, Chemring Group PLC acquired 100% of the issued shares in Geollect Limited ("Geollect"). Geollect is an international provider of geospatial intelligence consultancy and subscription services. The acquisition has strong synergies to Roke and will expand the Group's existing capabilities and product offerings. The operating results and assets and liabilities of the acquired company have been consolidated from 7 December 2022.

The acquisition was completed for an initial purchase consideration of £7.3m, funded from Chemring's existing bank facilities.

Deferred consideration of up to £7.5m is payable in Chemring 1p ordinary shares in two tranches (subject to the former owners remaining employed in the Chemring Group) on the second and third anniversary of completion. In accordance with IFRS 3 these costs will be treated as post-acquisition expenses and accounted for as equity-settled share-based payments under IFRS 2. See note 3 for further details. Acquisition-related costs of £3.1m have been classified as non-underlying costs in the statement of profit or loss in the year ended 31 October 2023, which includes £2.8m relating to share-based payments.

Since acquisition to 31 October 2023, Geollect contributed revenue of £1.2m and an adjusted operating profit of £0.1m to the Group's results. If the acquisition had occurred on 1 November 2022, we estimate that its revenue would have been £1.3m, and adjusted operating profit for the year would have been £0.1m. In determining these amounts, we have assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 November 2022.

28. ACQUISITION OF SUBSIDIARY continued

ACQUISITIONS IN THE YEAR ENDED 31 OCTOBER 2023 continued

Acquisition of Geollect Limited continued

Details of the consideration transferred were:

	£m
Cash paid	7.2
Loans assumed	0.1
Total purchase consideration	7.3

The provisionally determined fair values of the assets and liabilities of Geollect Limited as at the date of acquisition were as follows:

	Fair value £m
Trade and other receivables	0.1
Trade and other payables	(0.6)
Loans	(0.1)
Intangible assets: customer relationships	1.2
Intangible assets: technology	1.4
Deferred tax liability	(0.6)
Net identifiable assets	1.4
Add: goodwill	5.9
Net assets acquired	7.3

Goodwill is attributable to the skills and technical talent of the assembled workforce and synergies expected to arise after the Group's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Acquisition of the Cubica Group

On 2 June 2021, Chemring Group PLC acquired 100% of the issued shares in Cubica Technology Limited ("Cubica") and Q6 Holdings Limited ("Q6"), collectively the "Cubica Group". The acquisition completed for an initial cash consideration of £7.0m. Deferred consideration of up to £2.0m has been accounted for as equity-settled share-based payments under IFRS 2, resulting in a charge of £0.6m (2022: £1.6m) in the income statement. This has been classified as non-underlying costs; see note 3 and note 27 for more details.

29. RETIREMENT BENEFIT OBLIGATIONS

In the UK, the Group operates a defined benefit scheme (the "Chemring Group Staff Pension Scheme"). The Group's other UK and overseas pension arrangements are all defined contribution schemes, with a combined cost of £8.4m (2022: £7.3m) for continuing operations. Chemring Nobel operated a defined benefit pension scheme that was closed in October 2022 and the liability transferred to an insurance company. The net deficit of the Chemring Nobel Scheme as at 31 October 2022 was £nil and as such was immaterial for disclosure in the prior year comparisons.

The Chemring Group Staff Pension Scheme is a funded scheme and the assets of the scheme are held in a separate trustee administered fund. The scheme was closed to future accrual on 6 April 2012. A full actuarial valuation for the scheme as at 6 April 2021 has been updated to 31 October 2023, using the projected unit credit method. The main assumptions for the scheme are detailed below. The surplus of the Chemring Group Staff Pension Scheme was £5.9m at 31 October 2023 (2022: £11.2m).

Under the funding plan agreed with the trustees following the 2021 actuarial valuation, no further deficit recovery payments are required. The Company and the trustees monitor funding levels annually, and a new funding plan is agreed with the trustees every three years, based on actuarial valuations.

The trust deed provides for an unconditional right to a return of surplus assets in the event of a plan wind-up. The trustees are given no rights to unilaterally wind up or augment the benefits due to members of the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

29. RETIREMENT BENEFIT OBLIGATIONS continued

The movement in the net defined benefit asset is as follows:

	Defined benefit obligations		Defined benefit asset		Net defined benefit asset	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
At 1 November	**(60.2)**	(90.9)	**71.4**	104.6	**11.2**	13.7
Included in profit or loss						
Administrative expenses	**—**	—	**(1.1)**	(0.3)	**(1.1)**	(0.3)
Net interest (cost)/credit	**(3.0)**	(1.6)	**3.5**	1.8	**0.5**	0.2
	(3.0)	(1.6)	**2.4**	1.5	**(0.6)**	(0.1)
Included in other comprehensive income						
Remeasurement (loss)/gain:						
Actuarial (loss)/gain arising from:						
– demographic and financial assumptions	**3.8**	29.9	**—**	—	**3.8**	29.9
– experience adjustment	**(0.4)**	(1.8)	**—**	—	**(0.4)**	(1.8)
– return on plan assets excluding interest income	**—**	—	**(8.1)**	(30.4)	**(8.1)**	(30.4)
	3.4	28.1	**(8.1)**	(30.4)	**(4.7)**	(2.3)
Other						
Settlements	**—**	0.9	**—**	(1.0)	**—**	(0.1)
Net benefits paid out	**3.5**	3.3	**(3.5)**	(3.3)	**—**	—
At 31 October	**(56.3)**	(60.2)	**62.2**	71.4	**5.9**	11.2

The Chemring Group Staff Pension Scheme had 801 members at the end of the year (2022: 828). Of these members 59.8% (2022: 58.9%) were pensioners drawing benefits from the scheme and the balance were deferred members. The duration of the liability is long, with pension payments expected to be made for at least the next 40 years.

The pension scheme's assets are analysed as follows:

	2023 £m	2022 £m	**2023 %**	2022 %
Liability driven investment	**33.7**	25.3	**54.2**	35.4
Diversified alternatives	**—**	26.9	**—**	37.6
Corporate bonds	**25.4**	—	**40.8**	—
Multi-asset credit	**—**	7.8	**—**	10.9
Assets held by insurance company	**1.0**	1.1	**1.6**	1.5
Cash	**2.1**	10.3	**3.4**	14.6
	62.2	71.4	**100.0**	100.0

Liability driven investments, diversified alternatives, corporate bonds and multi-asset credit assets are either pooled or unpooled investment vehicles. Unpooled investment vehicles, which are not quoted on active markets, have been valued at the latest available bid price or single price provided by the pooled investment manager. Where funds are valued weekly, the value is taken as at the week ending immediately before or after the year-end date. Shares in other pooled arrangements have been valued at the latest available net assets value, determined in accordance with fair value principles, provided by the pooled investment manager.

The scheme's assets are invested in accordance with the statement of investment principles after taking professional advice from the scheme's investment advisers. During the year the investment strategy has progressed in line with the trustees' strategic objective of reaching a buy-out ready position, which has changed the portfolio allocation of scheme assets. As such, at 31 October 2023 the pension scheme assets have been invested in corporate bonds and a portfolio of leveraged liability driven pooled funds designed to hedge interest rate and inflation risk.

The scheme's liability matching portfolio is invested in leveraged pooled liability driven investment ("LDI") funds, a liquidity fund and investments in funds with underlying assets in corporate bonds. The trustees target an interest rate and inflation hedge ratio of around 100% (based on the scheme's technical provisions funding basis).

29. RETIREMENT BENEFIT OBLIGATIONS continued

As at 31 October 2022, the Group loaned £2.0m to the Chemring Group Staff Pension Scheme representing a short-term loan to fund margin calls on liability driven investments. This was included in the 31 October 2022 cash amount in the table above and was repaid in November 2022.

The principal assumptions used in the actuarial valuation of the Chemring Group Staff Pension Scheme were as follows:

		2023 %	2022 %
Discount rate		**5.6**	4.9
Inflation	– RPI	**3.6**	3.1
	– CPI	**2.9**	2.7

In determining defined benefit obligations, the Group uses mortality assumptions which are based on published mortality tables. For the Chemring Group Staff Pension Scheme, the actuarial table currently used is S3PA tables (series 3 of the SAPS tables) with future improvements in line with CMI 2022 and a 1.25% long-term trend rate.

This results in the following life expectancies at age 65:

		2023 No.	2022 No.
Future pensioners	– male	**87.9**	88.2
	– female	**90.0**	90.4
Current pensioners	– male	**87.1**	87.4
	– female	**88.7**	89.0

While the vaccination programme has significantly reduced the number of deaths directly attributable to CV-19, the impact of the pandemic on future mortality rates remains uncertain. At this stage the Group has assumed CV-19 will have no lasting impact on mortality rates and that life expectancies will return to pre-pandemic expectations. We will continue to monitor and assess this at future reporting dates.

The most significant assumptions in the pension valuation are the discount rate applied to the liabilities, the inflation rate to be applied to pension payments and the mortality rates. If the discount rate used in determining retirement benefit obligations were to change by 0.1% then it is predicted that the deficit in the scheme would change by approximately £0.6m. A change in the rate of inflation by 0.1% is predicted to change the deficit by approximately £0.2m and a 10% change to the mortality assumption would change the deficit by approximately £1.6m. The principal risks to the scheme are that the investments do not perform as well as expected, the discount rate continues to rise driven by higher market interest rates, short-term movements in inflation, and the rate of improvement in mortality assumed is insufficient and life expectancies continue to rise.

The Group anticipates contributions to the defined benefit scheme for the year ending 31 October 2024 will be £nil (2023: £nil).

Subsequent to the year-end, on 28 November 2023 the Trustees of the scheme entered into an agreement with an insurer, Pension Insurance Corporation ("PIC"), to purchase a bulk annuity insurance policy that operates as an investment asset. Such arrangements are commonly referred to as a "buy-in". The buy-in removes all remaining material pension exposure from the balance sheet, while maintaining the security of benefits to the scheme members. The legal responsibility for the scheme will transfer through a subsequent "buy-out" transaction, expected to be completed in the next 12-24 months. On legal completion of the buy-out, the defined benefit assets and matching defined benefit liabilities will be derecognised from the Group balance sheet. See note 35 for further details.

30. CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	2023 £m	2022 £m
Operating profit from continuing operations		**45.4**	49.4
Amortisation of development costs	12	**0.7**	0.1
Amortisation of intangible assets arising from business combinations	12	**3.0**	3.9
Amortisation of patents and licences	12	**—**	0.1
Impairment of development costs	12	**15.6**	2.2
Profit on disposal of non-current assets		**—**	(1.9)
Depreciation of property, plant and equipment	13	**18.6**	17.7
Non-underlying items		**5.2**	6.1
Share-based payment expense	27	**4.4**	6.4
Operating cash flows before movements in working capital		**92.9**	84.0
Increase in inventories		**(18.2)**	(6.4)
(Increase)/decrease in trade and other receivables		**(18.7)**	4.5
Increase in trade and other payables		**23.7**	2.9
Increase in provisions		**0.3**	0.1
Operating cash flow from continuing underlying operations		**80.0**	85.1
Discontinued operations			
Operating cash flow from discontinued underlying operations		**(0.8)**	5.0
Cash impact of non-underlying items from discontinued operations		**(1.9)**	—
Net cash (outflow)/inflow from discontinued operating activities		**(2.7)**	5.0
Net cash (outflow)/inflow from discontinued operations		**(2.7)**	5.0

31. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2023 £m	2022 £m
(Decrease)/increase in cash and cash equivalents	**(13.7)**	14.2
Decrease in debt and lease financing due to cash flows	**8.8**	13.2
(Increase)/decrease in net debt resulting from cash flows	**(4.9)**	27.4
Effect of foreign exchange rate changes	**0.3**	(4.2)
Acquired debt	**(0.1)**	—
New leases entered into, lease interest and other non-cash movements	**(2.1)**	(3.5)
Amortisation of debt finance costs	**(0.4)**	(0.3)
Movement in net debt	**(7.2)**	19.4
Net debt at the beginning of the year	**(7.2)**	(26.6)
Net debt at the end of the year	**(14.4)**	(7.2)

32. ANALYSIS OF NET DEBT

	At 1 November 2022 £m	Cash flows £m	Non-cash changes £m	Exchange rate effects £m	At 31 October 2023 £m
Cash and cash equivalents (including bank overdraft)	19.8	(13.7)	—	0.3	**6.4**
Debt due after one year	(20.9)	7.0	(0.3)	0.1	**(14.1)**
Preference shares	(0.1)	—	—	—	**(0.1)**
	(1.2)	(6.7)	(0.3)	0.4	**(7.8)**
Lease liabilities	(6.0)	1.8	(2.3)	(0.1)	**(6.6)**
	(7.2)	(4.9)	(2.6)	0.3	**(14.4)**

Accrued interest is included in the carrying amount of interest payable (note 20) measured at amortised cost and therefore is not presented as a separate line item in the above table.

33. CONTINGENT LIABILITIES

The Group is, from time to time, party to legal proceedings and claims, and is involved in correspondence relating to potential claims, which arise in the ordinary course of business.

COUNTERMEASURES UK INCIDENT

On 10 August 2018, an incident occurred at our Countermeasures facility in Salisbury. The Group responded to support those who were injured and all related claims by employees have now been settled under our employers' liability insurance. We also fully supported the UK Health and Safety Executive ("HSE") with its investigation, which has been concluded. Whilst provisions have been recorded for costs that have been identified (included within "legal provisions"), it is possible that additional uninsured costs and financial penalties may be incurred as a result of the HSE investigation. At this stage these costs are not anticipated to be material in the context of the Group's financial statements.

34. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension schemes are disclosed in note 29. As at 31 October 2023, £nil (2022: £2.0m) was due from the Chemring Group Staff Pension Scheme. The balance due in the prior year represented a short-term loan to fund margin calls on liability driven investments which was repaid in November 2022. The amount receivable was classified in other receivables on the consolidated balance sheet.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The directors of the Company had no material transactions with the Company during the year, other than in connection with their service agreements. The remuneration of the executive directors is determined by the Remuneration Committee, having regard to the performance of the individuals and market trends. The remuneration of the non-executive directors is determined by the Board, having regard to the practice of other companies and the particular demands of the Group.

For the purposes of remuneration disclosure, key management personnel includes only the directors and excludes the other senior business managers and members of the Executive Committee. Further information on the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 104 to 108.

Total emoluments for key management personnel charged to the consolidated income statement were:

	2023 £m	2022 £m
Short-term employee benefits	**2.9**	3.2
Post-employment benefits	**0.1**	0.2
Share-based payment benefits	**1.6**	2.4
Total remuneration of key management personnel	**4.6**	5.8

35. POST BALANCE SHEET EVENTS

(A) PENSION BUY-IN/BUY-OUT

Subsequent to the year-end, on 28 November 2023 the trustees of the Group's legacy UK defined benefit scheme, the Chemring Group Staff Pension Scheme ("the Scheme"), entered into an agreement with an insurer, Pension Insurance Corporation ("PIC"), to purchase a bulk annuity insurance policy that operates as an investment asset. Such arrangements are commonly referred to as a "buy-in". The buy-in removes future risk associated with funding of the Scheme from the balance sheet, while ensuring the security of benefits for the Scheme members. The buy-in premium has initially been funded through the transfer of the majority of the Scheme's assets to PIC, as well as by an upfront contribution from the Group of approximately £1.6m. The upfront contribution from the Group will be funded from the Group's existing bank facilities.

The Scheme will now have protection against longevity risk and market risk for the material obligations of all deferred and pensioner members. As a result, the pension surplus, calculated on an IAS 19 basis, included in the balance sheet at 31 October 2023 of £3.7m net of tax, is expected to be largely removed as the fair value of this insurance policy, held as an asset of the Scheme, will be set equal to the value of defined benefit obligations covered under IAS 19.

The legal responsibility for the Scheme will transfer through a subsequent "buy-out" transaction, expected to be completed in the next 12-24 months. On completion of the full buy-out of the scheme, the defined benefit assets and matching defined benefit liabilities will be derecognised from the Group balance sheet.

PARENT COMPANY BALANCE SHEET

As at 31 October 2023

	Note	2023 £m	2023 £m	2022 £m	2022 £m
Non-current assets					
Property, plant and equipment	1	**0.4**		0.2	
Investments in subsidiaries	2	**786.0**		766.6	
Amounts owed by subsidiary undertakings	3	**—**		10.7	
Retirement benefit surplus	10	**3.1**		5.8	
Deferred tax	9	**0.6**		0.8	
			790.1		784.1
Current assets					
Trade and other receivables	3	**14.6**		23.2	
Cash and cash equivalents		**0.3**		—	
			14.9		23.2
Total assets			**805.0**		807.3
Current liabilities					
Trade and other payables	4	**(36.9)**		(30.7)	
			(36.9)		(30.7)
Non-current liabilities					
Borrowings	5	**(30.0)**		(21.8)	
Trade and other payables	4	**(0.3)**		(1.1)	
Provisions	6	**(9.1)**		(8.2)	
Preference shares	7	**(0.1)**		(0.1)	
			(39.5)		(31.2)
Total liabilities			**(76.4)**		(61.9)
Net assets			**728.6**		745.4
Equity					
Share capital	8		**2.8**		2.8
Share premium account			**308.7**		307.7
Special capital reserve			**12.9**		12.9
Retained earnings			**404.2**		422.0
Total equity			**728.6**		745.4

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

In accordance with the concession granted under section 408 of the Companies Act 2006, the profit and loss account of Chemring Group PLC has not been presented separately in these financial statements. There is no material difference between the results disclosed and the results on an unmodified historical cost basis. The Company reported a profit for the year ended 31 October 2023 of £11.0m (2022: £45.1m loss).

These financial statements of Chemring Group PLC (registered number 86662) were approved and authorised for issue by the Board of directors on 12 December 2023.

Signed on behalf of the Board

Michael Ord
Director

Andrew Lewis
Director

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2023

	2023 £m	2022 £m
Profit/(loss) after tax attributable to equity holders of the parent as reported	**11.0**	(45.1)
Items that will not be reclassified subsequently to profit and loss		
Remeasurement of the defined benefit pension scheme, net of deferred tax	**(1.6)**	(0.9)
Total comprehensive income/(loss) attributable to the equity holders of the parent	**9.4**	(46.0)

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2023

	Share capital £m	Share premium account £m	Special capital reserve £m	Retained earnings £m	Total £m
At 1 November 2022	2.8	307.7	12.9	422.0	745.4
Profit after tax	—	—	—	11.0	11.0
Other comprehensive loss	—	—	—	(1.6)	(1.6)
Total comprehensive income	—	—	—	9.4	9.4
Ordinary shares issued	—	1.0	—	—	1.0
Share-based payments (net of settlement)	—	—	—	7.6	7.6
Deferred tax on share-based payments	—	—	—	(0.6)	(0.6)
Dividends paid	—	—	—	(17.3)	(17.3)
Purchase of own shares	—	—	—	(16.9)	(16.9)
At 31 October 2023	**2.8**	**308.7**	**12.9**	**404.2**	**728.6**

	Share capital £m	Share premium account £m	Special capital reserve £m	Retained earnings £m	Total £m
At 1 November 2021	2.8	307.1	12.9	483.8	806.6
Loss after tax	—	—	—	(45.1)	(45.1)
Other comprehensive loss	—	—	—	(0.9)	(0.9)
Total comprehensive loss	—	—	—	(46.0)	(46.0)
Ordinary shares issued	—	0.6	—	—	0.6
Share-based payments (net of settlement)	—	—	—	5.6	5.6
Dividends paid	—	—	—	(14.4)	(14.4)
Purchase of own shares	—	—	—	(7.0)	(7.0)
At 31 October 2022	2.8	307.7	12.9	422.0	745.4

The auditor's remuneration for audit and other services is disclosed in note 4 to the Group financial statements.

A final dividend of 4.6p per ordinary share has been proposed. See note 9 to the Group financial statements.

As at 31 October 2023 the Company had distributable reserves of £404.2m (2022: £422.0m). When required, the Company can receive dividends from its subsidiaries to further increase distributable reserves.

Included within retained earnings is the Company's own shares held by the Group's Employee Share Ownership Plan Trust ("ESOP"); see note 26 of the Group financial statements for details.

1. PROPERTY, PLANT AND EQUIPMENT

Detailed disclosure of property, plant and equipment was not considered necessary due to its immaterial value. The Company had no capital commitments as at 31 October 2023 or 31 October 2022.

2. INVESTMENTS IN SUBSIDIARIES

	Shares in subsidiary undertakings £m
Cost	
At 31 October 2022	902.8
Additions	19.4
At 31 October 2023	**922.2**
Impairment	
At 31 October 2022	(136.2)
Impairment	—
At 31 October 2023	**(136.2)**
Carrying amount	
At 31 October 2023	**786.0**
At 31 October 2022	766.6

Investment values are allocated to their respective legal entities. Where the investment value relates to an intermediate holding company, the subsidiaries of that holding company are used to support the carrying value.

During the year ended 31 October 2023, Chemring Group PLC acquired Geollect Limited for a cost of investment of £7.3m. See note 28 of the Group financial statements for further details.

As part of a Group reorganisation during the year, investments held in Roke Manor Research Limited and Chemring Energetics UK Limited were transferred at their carrying value from Chemring Group PLC to one of the Company's subsidiary entities, Chemring Holdings Limited (formerly CHG Overseas Limited). The net impact of this transfer on the total value of investments was £nil, as the decrease in the value of the investments held in Roke Manor Research Limited and Chemring Energetics UK Limited was offset by the increase in the value of the investment held in Chemring Holdings Limited.

In addition, during the year Chemring Group PLC acquired Chemring Technology Solutions Limited from its subsidiary, Chemring Energetics Limited, for £12.1m.

The Company tests investments at least annually for impairment. Tests are conducted more frequently if there are indications that investments might be impaired. There were no impairment indicators identified during the year ended 31 October 2023. The recoverable amounts of the CGUs are determined from value-in-use calculations. In determining the value in use, we have allocated central costs necessary to generate the underlying cash flows. The key assumptions for the value-in-use calculations have been individually estimated for each CGU and are detailed in note 11 of the Group financial statements. All of the CGUs referred to in note 11 represent either investments held directly by the Company or investments held by an intermediate holding company, in which case the value-in-use of the those CGUs in aggregation is used to support the carrying value of the intermediate holding company. The pre-tax discount rates used for the CGUs ranged from 11.6% to 12.9% (2022: 10.2% to 12.3%).

Stress testing was performed on the forecasts to consider the impact of reasonably possible scenarios over the forecast period, including a 1% reduction in long-term growth rate, a 1.5% increase in discount rate, a 10% fall in the forecast cash flows or a $0.10 weakening in the GBP to US dollar exchange rate. Even under any of these circumstances, no investment would require an impairment.

Details of the Group undertakings at 31 October 2023 are set out in note 14 to the Group financial statements. The Company has given a parental guarantee under section 479A of the Companies Act 2006 to certain subsidiary undertakings, details of which are also set out in note 14 to the Group financial statements.

The directors consider that the carrying value of the investments does not exceed their fair value.

3. TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Within current assets		
Amounts owed by subsidiary undertakings	**12.9**	19.7
Derivative financial instruments (note 22 to the Group financial statements)	**0.7**	0.7
Prepayments and accrued income	**0.7**	0.8
Other debtors	**0.3**	2.0
	14.6	23.2
Within non-current assets		
Amounts owed by subsidiary undertakings	**—**	10.7
	—	10.7

The directors consider that the carrying value of the trade and other receivables approximates to their fair value.

Interest on amounts owed by subsidiary undertakings is charged between 0.0% and 8.5%. No interest is charged on trade and other receivables from the date of invoice to payment. Expected credit losses on financial assets are not material.

As at 31 October 2022, Chemring Group PLC loaned £2.0m to the Chemring Group Staff Pension Scheme to fund margin calls on liability driven investments. This is a related party transaction, for further details refer to note 34 to the Group financial statements. This short-term loan was included in other debtors above and was repaid in November 2022.

4. TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Within current liabilities		
Derivative financial instruments (note 22 to the Group financial statements)	**3.2**	4.1
Trade payables	**0.2**	0.5
Amounts owed to subsidiary undertakings	**25.7**	19.2
Other payables	**7.8**	6.8
Accruals and deferred income	**—**	0.1
	36.9	30.7
Within non-current liabilities		
Derivative financial instruments (note 22)	**0.3**	1.1
	37.2	31.8

Other payables of £7.8m (2022: £6.8m) includes payroll-related creditors of £3.6m (2022: £4.4m).

Interest on amounts owed to subsidiary undertakings attracts interest rates between 0% and 5%. No interest is payable on trade payables from the date of invoice to payment.

5. BORROWINGS

	2023 £m	2022 £m
Borrowings due after more than one year		
Bank borrowings – US dollar denominated	**—**	20.9
Bank borrowings – sterling denominated	**30.0**	0.9
Total borrowings	**30.0**	21.8

An analysis of borrowings by maturity is as follows:

	2023 £m	2022 £m
Borrowings falling due:		
– less than one year	**—**	—
– within one to two years	**—**	—
– within two to five years	**30.0**	21.8
	30.0	21.8

The interest incurred on the above borrowings is detailed within notes 7 and 18 to the Group financial statements. As at 31 October 2023, sterling denominated borrowings related to drawdowns on the revolving credit facility and the stand-alone Company bank overdraft which carried interest at 6.25%.

6. PROVISIONS

	Total £m
At 31 October 2022	8.2
Provided	1.8
Released	(0.2)
Paid	(0.7)
At 31 October 2023	**9.1**

It is not possible to estimate more accurately the expected timing of any resulting outflows of economic benefits. Total provisions include legal provisions, which represent the estimated legal costs relating to ongoing investigations, and disposal provisions, which relate to estimated liabilities faced by the Company in respect of the disposal of its European Munitions businesses in 2014 under the terms of their respective sale agreements. See note 23 to the Group financial statements for further details.

7. PREFERENCE SHARES

	2023 £m	2022 £m
Cumulative preference shares (62,500 shares of £1 each)	**0.1**	0.1

The cumulative preference shares carry an entitlement to a dividend at the rate of 7p per share per annum, payable in equal instalments on 30 April and 31 October each year. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividends.

8. SHARE CAPITAL

	2023 £m	2022 £m
Issued, allotted and fully paid		
280,842,610 (2022: 283,541,742) ordinary shares of 1p each	**2.8**	2.8

During the year, 495,671 ordinary shares (2022: 392,231) were issued for cash to employees under the Group's approved savings-related share schemes.

On 1 August 2023, the Company announced the details of a share buyback programme to repurchase up to £50m of its own shares over the following 12 months. See note 25 to the Group financial statements for further details.

The preference shares are presented as a liability and accordingly are excluded from called-up share capital in the balance sheet.

SHARE-BASED INCENTIVE SCHEMES

Full details of the schemes are set out in note 27 to the Group financial statements.

9. DEFERRED TAX

	2023 £m	2022 £m
At the beginning of the year	**0.8**	(0.9)
(Charge)/credit to income statement	**(1.0)**	1.2
Credit to other comprehensive income	**0.8**	0.5
Deferred tax asset at the end of the year	**0.6**	0.8
The amount provided represents:		
Pension	**(0.8)**	(2.0)
Other temporary differences	**1.4**	2.8
	0.6	0.8

At the balance sheet date, the Company had unrecognised tax losses of £nil (2022: £nil) potentially available for offset against future profits in certain circumstances.

10. RETIREMENT BENEFIT OBLIGATIONS

The Company has assumed its share of the assets and liabilities of the Group's defined benefit pension scheme. An analysis of the surplus balance is shown below:

	Total £m
At 31 October 2021, retirement benefit surplus	7.2
Contributions	—
Other finance costs	(0.1)
Actuarial movements	(1.3)
At 31 October 2022, retirement benefit surplus	5.8
Contributions	—
Other finance costs	(0.3)
Actuarial movements	(2.4)
At 31 October 2023, retirement benefit surplus	**3.1**

Further details are set out in note 29 to the Group financial statements.

11. STAFF COSTS

	2023 Number	2022 Number
Average monthly number of total employees (including executive directors)	**34**	34

The costs incurred in respect of these employees (including share-based payments) were:

	2023 £m	2022 £m
Wages and salaries	**6.6**	5.0
Social security costs	**0.8**	1.0
Other pension costs	**0.5**	0.6
Share-based payment	**5.6**	4.2
	13.5	10.8

Disclosures in respect of directors' emoluments can be found in the directors' remuneration report on pages 100 to 122.

1. GENERAL INFORMATION

Chemring Group PLC is a company incorporated in England and Wales under registration number 86662. The address of the registered office is Roke Manor, Old Salisbury Lane, Romsey, Hampshire SO51 0ZN. The nature of the Group's operations and its principal activities are set out in note 2 of the Group financial statements and in the directors' report on pages 123 to 125. These financial statements are the consolidated financial statements of Chemring Group PLC and its subsidiaries (the "Group").

Chemring Group PLC and the companies in which it directly and indirectly owns investments are separate and distinct entities. In this publication of the annual report and accounts, the collective expressions "Chemring" and "the Group" may be used for convenience where reference is made in general to those companies. Likewise, the words "we", "us", "our" and "ourselves" are used in some places to refer to the subsidiaries of the Group in general. These expressions are also used where no useful purpose is served by identifying any particular company or companies.

The financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Group operates, and rounded to the nearest £0.1m. Foreign operations are included in accordance with the foreign currencies accounting policy.

GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements. Further detail is contained in the statement on going concern on page 77 which forms part of these financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board ("IASB") or by the IFRS Interpretations Committee. The Group's approach to these is as follows:

i) There were no IFRS Interpretations Committee ("IFRIC") interpretations, amendments to existing standards and new standards adopted in the year ended 31 October 2023 that have materially impacted the reported results or the financial position.

ii) The following IFRIC interpretations, amendments to existing standards and new standards were adopted in the year ended 31 October 2023 but have not materially impacted the reported results or the financial position:

> Reference to the Conceptual Framework (Amendments to IFRS 3);

> Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);

> Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); and

> Annual Improvements to IFRS Standards 2018–2020.

iii) At the date of authorisation of this announcement, the following standards and interpretations that are potentially relevant to the Group and which have not yet been applied in these reported results were in issue but not yet effective (and in some cases had not yet been adopted by the UK Endorsement Board):

EFFECTIVE FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023

> IFRS 17 *Insurance Contracts*;

> Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);

> Definition of Accounting Estimates (Amendments to IAS 8); and

> Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

EFFECTIVE FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2024

> Classification of Liabilities as Current or Non-current (Amendments to IAS 1);

> Non-current liabilities with covenants (Amendments to IAS 1);

> Supplier finance (Amendments to IAS 7 and IFRS 7);

> Financial instrument disclosures (Amendments to IFRS 7);

> General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1); and

> Climate-related Disclosures (IFRS S2).

EFFECTIVE FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2025

> Lack of exchangeability (Amendments to IAS 21).

The directors do not expect the adoption of these standards and interpretations will have a material impact on the results of the Group in future periods.

3. GROUP ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with UK-adopted international accounting standards ("UK-adopted IFRS") in conformity with the requirements of the Companies Act 2006.

The financial statements are prepared under the historical cost convention, except as described below under the heading of "Derivative financial instruments".

The accounting policies adopted have been applied consistently throughout the current and previous year.

For the year ended 31 October 2023, the comparative consolidated income statement, consolidated cash flow statement and associated disclosure notes have been re-presented to show the Explosive Hazard Detection division of the US Sensors business as a discontinued operation.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Company and all of its subsidiaries. Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company considers that it has the power to govern the financial and operating policies of the US entities falling within the Special Security Agreement and these entities have therefore been consolidated in these financial statements.

The Company and all of its subsidiaries make up their financial statements to the same date. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interest

The Group recognises non-controlling interest in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For non-controlling interests that the Group holds, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Q6 Holdings Limited, a wholly owned subsidiary of Chemring Group PLC, owns 80% of the issued shares of Vigil AI Limited. Disclosure of the minority interest on the face of the primary statements has not been included as this is considered immaterial to the Group. As at 31 October 2023, profit, total comprehensive income and equity attributable to minority interests were less than £0.1m.

3. GROUP ACCOUNTING POLICIES continued

REVENUE RECOGNITION

Chemring is organised into two sectors, Sensors & Information and Countermeasures & Energetics.

From a revenue recognition perspective, whilst Chemring operates across the whole lifecycle of its products and services, these are generally awarded by its customers as individual contracts for the different stages rather than being large, complex, long-term framework agreements requiring extensive consideration of price allocation and performance obligations. As a result we are less susceptible to judgements over revenue recognition regarding contract performance, modifications and cancellations.

Whilst as a Group we aim to develop products which can be sold on to multiple end users and markets, in some instances the nature of products and services are unique to a customer and may not have an alternative use at the point of production. In such cases, where an enforceable right to payment exists, revenue will be recognised over time.

From time to time we enter into contracts for "customer-funded R&D" where Chemring provides a service towards the development of a technology for a customer resulting in revenue. In certain instances, Chemring partly funds the development effort and these can result in the recognition of a controlled asset.

Contracts

The majority of the Group's revenue arises from the manufacture and shipment of goods.

Sales contracts are reviewed for performance obligations but the principal driver for timing of revenue recognition is delivery obligations, typically based on Incoterms. Certain contracts may also require customer acceptance testing. Once the relevant delivery obligation has been met and, as applicable, customer acceptance received, revenue can be recognised.

The timing of payment from customers is generally aligned to revenue recognition, though on certain contracts advance receipts are received as disclosed in note 20. This also applies to sales where there are no goods shipped but a deliverable is completed at a certain point in time, such as the issue of a report where there is no enforceable right to payment for work in progress.

In a smaller number of cases, revenue also arises from milestone contracts that contain multiple performance obligations. Often these contracts are already divided into milestones for payment purposes, but judgement is required when assessing the way the contract is divided up to ensure that each element is a separate and valid performance obligation. If they are not, the relevant revenue amount is allocated across the other obligations as appropriate. In some cases milestones are achieved in one period but not billed until the next period, leading to a timing difference with the recognition of revenue in advance of customer billing. In this instance accrued income is recognised as described in note 16. There are no contracts with a significant financing component.

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. This is based on the agreed contract price, with no material claims and incentive payment terms, and therefore significant judgement to determine the transaction price is not required. Typically our contracts do not have any material variable consideration and no significant judgement has been required around the extent to which this ought to be recognised. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices, where stand-alone selling prices are typically estimated based on expected costs plus contract margin.

The Group provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent separate performance obligations.

A number of sales contracts allow for bill and hold arrangements, where the customer has bought the goods but has not yet taken physical possession. This usually arises when the customer has limited storage space or there have been delays in their own production schedule. For such revenue to be recognised the bill and hold arrangement must be substantive and the relevant goods must be clearly identified as belonging to the customer and ready for immediate shipment at the customer's request. These categories of sales are common across all segments.

Qualifying costs to obtain a contract are not material across the Group.

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has identified a sales contract with a customer;
- the performance obligations within this contract have been identified;
- the transaction price has been determined;
- this transaction price has been allocated to the performance obligations in the contract; and
- revenue is recognised as or when each performance obligation is satisfied.

Performance obligations are satisfied when the customer gains control of promised goods or services from the contract. Customers do not typically gain a right of return of goods.

Rendering of services

Revenue from a contract to provide services, including customer-funded research and development, is recognised by reference to the stage of completion of the contract. Stage of completion is typically estimated by either the proportion of contract costs incurred for work performed to date or completion of relevant milestones where this faithfully depicts the transfer of control of the goods and services to the customer and does not significantly differ from using the proportion of contract costs incurred basis.

Another significant source of Group revenue, especially within the Sensors & Information segment, arises from time and materials contracts, where revenue is typically accrued and billed in the following month based on work performed to date, following which payment is typically promptly received.

Principal versus agent assessment

The Group enters into certain arrangements which involve a consortium of service providers. The Group acts as a "prime" contractor in certain contracts with customers and utilises sub-contractors to undertake the work. Under these contracts the Group is considered to be primarily responsible for fulfilling the service to the customer. The Group performs a technical assessment of the work before it is delivered to the customer and is responsible for quality and performance of the sub-contractor. As such the Group is considered to be the principal to the arrangement with the customer and includes sub-contractor costs within revenue. However, where the Group is merely acting as an agent of a sub-contractor then no revenue is recognised in respect of sub-contractor costs.

All consortium arrangements are assessed by the Group to determine if it is the principal or agent considering who is responsible for fulfilling the performance obligation, who bears inventory risk and who has price discretion.

Contract assets and liabilities

As described above, on some contracts there is a timing difference between the recognition of revenue and the customer billing. Where this is the case, contract asset and liability balances are recognised, referred to as accrued income or deferred income and advance receipts from customers in the financial statements.

3. GROUP ACCOUNTING POLICIES continued

ACQUISITIONS AND DISPOSALS

On acquisition of a subsidiary, associate or jointly controlled entity, the cost is measured as the fair value of the consideration. The assets, liabilities and contingent liabilities of subsidiary undertakings that meet the IFRS 3 (Revised) *Business Combinations* recognition criteria are measured at the fair value at the date of acquisition, except that:

- deferred tax assets or liabilities, and liabilities or assets relating to employee benefit arrangements, are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 (Revised) *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payments*; and
- assets (or disposal groups) that are classified as held for sale, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Where cost exceeds fair value of the net assets acquired, the difference is recorded as goodwill.

Where the fair value of the net assets exceeds the cost, the difference is recorded directly in the income statement. The accounting policies of subsidiary undertakings are changed where necessary to be consistent with those of the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period runs from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date, subject to a maximum period of one year.

In accordance with IFRS 3 (Revised) *Business Combinations*, acquisition and disposal-related items are recognised through the income statement. Acquisition and disposal-related items refer to credits and costs associated with the acquisition and disposal of businesses, together with the costs of aborted bids and the establishment of joint ventures.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

When the Group makes a decision to exit a significant business unit or separate major line of business, the associated operations and cash flows are classified as discontinued operations in the financial statements, in accordance with the provisions of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

These discontinued operations may represent components of the Group that have already been disposed of or are classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sales transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in itsxpresent condition. Management must be committed to the sale which should be expected to qualify as a completed sale within one year from the date of classification.

INTANGIBLE ASSETS – GOODWILL

The purchased goodwill of the Group is regarded as having an indefinite useful economic life and, in accordance with IAS 36 *Impairment of Assets*, is not amortised but is subject to annual tests for impairment. On disposal of a subsidiary, associate or jointly controlled entity, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

ACQUIRED INTANGIBLES

The Group recognises, separately from goodwill, intangible assets that are separable or arise from contractual or other legal rights and whose fair value can be measured reliably. These intangible assets are amortised at rates calculated to write down their cost or valuation to their estimated residual values by equal instalments over their estimated useful economic lives, which are:

- technology – average of ten years
- customer relationships – average of ten years

DEVELOPMENT COSTS

Development costs that qualify as intangible assets are capitalised as incurred and, once the relevant intangible asset is ready for use, are amortised on a straight-line basis over their estimated useful lives, averaging ten years (2022: ten years).

The carrying value of development assets is assessed for recoverability at least annually or when a trigger is identified.

PATENTS AND LICENCES

Patents and licences are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives, averaging six years (2022: seven years).

PROPERTY, PLANT AND EQUIPMENT

Other than historically revalued land and buildings, property, plant and equipment is held at cost less accumulated depreciation and any recognised impairment loss. Borrowing costs on significant capital expenditure projects are capitalised and allocated to the cost of the project.

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 instalments over their estimated useful economic lives, which are:

- freehold buildings – up to fifty years
- leasehold buildings – the period of the lease
- plant and equipment – up to ten years

IMPAIRMENT OF NON-CURRENT ASSETS

Assets that have indefinite lives are allocated to the Group's cash-generating units and tested for impairment at least annually. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever changes in circumstances indicate that the carrying value may not be recoverable. To the extent that the carrying value exceeds the recoverable amount, an impairment loss is recorded for the difference as an expense in the income statement. The recoverable amount used for impairment testing is the higher of the value-in-use and the asset's fair value less costs of disposal. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

INVENTORIES

Inventories are recorded at the lower of cost and net realisable value. Cost represents materials, direct labour, other direct costs and related overheads, and is determined using a weighted average cost basis. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Provision is made for slow-moving, obsolete and defective items where appropriate.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are ready for their intended use. Once the assets are ready for their intended use, these capitalised borrowing costs are depreciated in line with the underlying asset.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

3. GROUP ACCOUNTING POLICIES continued

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants for staff retraining costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful economic lives of the assets concerned.

TAX

The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it excludes items of income or expense that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax represents amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable taxable profits will be available in the future against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxed by the same tax authority, and when the Group intends to settle its current tax assets and liabilities on a net basis.

SPECIAL CAPITAL RESERVE

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, in accordance with the requirements of the Companies Act 1985.

FOREIGN CURRENCIES

The individual financial statements of each Group company are presented in its functional currency, being the currency of the primary economic environment in which it operates. For the purpose of these Group financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for these financial statements.

In preparing the financial statements of each Group company, transactions in foreign currencies, being currencies other than the entity's functional currency, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the income statement for the period.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward foreign exchange contracts which are accounted for as derivative financial instruments (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting these financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

FINANCIAL ASSETS

Trade receivables

Trade receivables do not carry any interest and are stated at their fair value and amortised cost as reduced by appropriate allowances for expected credit losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are accounted for on an accruals basis in the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

3. GROUP ACCOUNTING POLICIES continued

FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS continued

Trade payables

Trade payables are not interest bearing and are stated at their fair value and amortised cost.

Derivative financial instruments

The Group's activities expose it to the financial risks of foreign currency transactions, and it uses forward foreign exchange contracts to hedge its exposure to these transactional risks. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised at fair value on the date the derivative contract is entered into and are revalued to fair value at each balance sheet date. The fair values of derivative financial instruments are calculated by external valuers.

The Group does not apply hedge accounting for derivative financial instruments, with changes in the fair value of derivatives being recognised in the income statement immediately.

Hedges of net investments in foreign operations

Any gain or loss on the hedging instrument relating to the effective portion ofthe hedge is recognised in the statement of comprehensive income and accumulated in the translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit schemes are charged as an administrative expense in the period to which they relate. For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Remeasurement of the defined benefit pension scheme, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in the statement of comprehensive income in full in the period in which they occur.

The Group determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit asset, taking into account any changes in the net defined benefit asset during the year as a result of contributions and benefit payments. Net interest income and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

LEASED ASSETS

At the lease commencement date (i.e. the date the underlying asset is available for use), the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The lease liability is initially measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate. The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made before commencement of the lease, any initial direct costs and any restoration costs. The asset is recorded as property, plant and equipment, and is depreciated over the shorter of its estimated useful economic life and the lease term on a straight-line basis.

The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the lease liability. The lease payment is allocated between repayment of the lease liability and finance cost.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the income statement on a straight-line basis over the lease term.

SHARE-BASED COMPENSATION

The Group operates equity-settled share-based compensation schemes.

For grants made under the Group's share-based compensation schemes, the fair value of an award is measured at the date of grant and reflects any market-based vesting conditions. Non-market-based vesting conditions are excluded from the fair value of the award. At the date of grant, the Company estimates the number of awards expected to vest as a result of non-market-based vesting conditions, and the fair value of this estimated number of awards is recognised as an expense in the income statement on a straight-line basis over the vesting period. At each balance sheet date, the impact of any revision to vesting estimates is recognised in the income statement over the vesting period. Proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium.

PROVISIONS

Provisions are recognised when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. The Group uses the "expected value" or "most likely outcome" method on a case-by-case basis to estimate the value of provisions.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Environmental provisions

Where the Group is liable for decontamination work or the restoration of sites to their original condition, an estimate is made of the costs needed to complete these works, discounted back to present values, relying upon independent third party valuers where appropriate.

Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring and not those associated with the ongoing activities of the entity.

Warranty provisions

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, based upon the best estimate of the expenditure required to settle the Group's obligations.

Disposal provisions

Disposal provisions relate to estimated liabilities faced by the Group in respect of discontinued operations and other disposed entities under the terms of their respective sale agreements.

3. GROUP ACCOUNTING POLICIES continued

CONTINGENT LIABILITIES

The Group exercises judgement in recognising exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement may be necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and/or to quantify the possible range of the financial settlement.

ALTERNATIVE PERFORMANCE MEASURES

In the analysis of the Group's financial performance and position, operating results and cash flows, APMs are presented to provide readers with additional information. The principal APMs presented are underlying measures of earnings including underlying operating profit, underlying profit before tax, underlying profit after tax, underlying EBITDA, underlying earnings per share and underlying operating cash flow. In addition, EBITDA, net debt and constant currency metrics are presented which are also considered non-IFRS measures. These measures are consistent with information regularly reviewed by management to run the business, including planning, budgeting and reporting purposes and for its internal assessment of the operational performance of individual businesses.

The directors believe that the use of these APMs assists in providing additional information on the underlying trends, performance and position of the Group. APMs are used to assist with the comparability of information between reporting periods by adjusting for items that are non-recurring or otherwise non-underlying. Management considers non-underlying items to be:

- amortisation of acquired intangibles;
- material exceptional items, for example relating to acquisitions and disposals, business restructuring costs and legal costs;
- gains or losses on the movement in the fair value of derivative financial instruments; and
- the tax impact of all of the above.

The Group's use of APMs is consistent and we provide comparatives alongside all current period figures.

Further detail on the APMs presented within these financial statements, including a reconciliation to the IFRS equivalent, is presented in note 3.

EXCEPTIONAL ITEMS

Exceptional items are excluded from management's assessment of profit because by their size or nature they need to be separately disclosed to properly understand the Group's underlying quality of earnings. They are typically gains or losses arising from events that are not considered part of the core operations of the business. These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

POST-BALANCE SHEET EVENTS

In accordance with IAS 10 *Events after the Reporting Period*, the Group continues to disclose events that it considers material, non-disclosure of which can influence the economic decisions of users of the financial statements.

4. CHEMRING GROUP PLC – PARENT COMPANY ACCOUNTING POLICIES

FRS 101 *REDUCED DISCLOSURE FRAMEWORK*

The financial statements have been prepared in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*.

The Company operates a defined benefit scheme including employees of other Group companies (a Group plan). Following FRS 101, the scheme assets and liabilities have been allocated across the Group companies using a method that management considers to be the most appropriate, based on scheme membership, in accordance with the Group's internal policy.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- share-based payments;
- financial instruments;
- fair value measurements;
- IFRS 16 *Leases* (paragraphs 52 and 58);
- presentation of comparative information in respect of certain assets;
- IFRSs issued but not yet effective;
- related party transactions;
- assumptions and sensitivities for impairment review; and
- cash flow.

Investment in Group undertakings

Investments are stated at cost less any provision for impairment in value.

Critical accounting judgements and sources of estimation uncertainty

There are no critical accounting judgements for the Company. The other non-significant areas that include a degree of estimation uncertainty are below.

5. ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

When applying the Group's accounting policies, management must make judgements, assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenue and expenses recognised during the period. Such judgements, assumptions and estimates are based upon factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources.

ACCOUNTING JUDGEMENTS

Revenue recognition

Following IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue on the basis of the satisfaction of performance obligations.

Management has to consider whether performance obligations should be recognised at a single point in time, which is generally the case for the sale of products by the Group, or over a period of time, which is more common for certain service contracts.

In making its judgement about obligations that are satisfied at a point in time, management has to consider at what point control has passed to the customer, allowing revenue to be recognised. This is typically determined through a consideration of customer acceptance testing, stage of completion, contract terms and delivery arrangements.

KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

OTHER NON-SIGNIFICANT AREAS THAT INCLUDE A DEGREE OF ESTIMATION UNCERTAINTY OR JUDGEMENTS

While these areas do not present a significant risk resulting in a material adjustment, they are areas of focus for management and include:

Provisions

The Group holds provisions where appropriate in respect of future economic outflows which arise due to past events. These are subject to uncertainty in respect of the outcome of future events. Estimates, judgements and assumptions are based on factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources. Actual outflows of economic benefit may not occur as anticipated, and estimates may prove to be incorrect, leading to further charges or releases of provisions as circumstances change. The provisions held by the Group as at 31 October 2023 are set out in note 23.

5. ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY continued

OTHER NON-SIGNIFICANT AREAS THAT INCLUDE A DEGREE OF ESTIMATION UNCERTAINTY OR JUDGEMENTS continued

Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit, and to determine a suitable discount rate in order to calculate present value (see note 11). In reviewing the carrying value of goodwill of the Group's businesses, the Board has considered the separate plans and cash flows of these businesses consistent with the requirements of IAS 36 *Impairment of Assets*. The plans and cash flows of these businesses reflect current and anticipated conditions in the defence industry. The total goodwill intangible asset is set out in note 11, which shows a carrying value of £100.5m at 31 October 2023.

Capitalised development costs impairment

IAS 38 *Intangible Assets* requires that development costs, arising from the application of research findings or other technical knowledge to a plan or design of a new substantially improved product, are capitalised, subject to certain criteria being met. Determining the future cash flows generated by the products in development requires estimates which may differ from the actual outcome. In particular, this can depend on the estimation applied to future milestone events to secure long-term positions on production contracts, for example Programs of Record for the US DoD. The total capitalised development intangible asset is set out in note 12, which shows a carrying value of £17.6m at 31 October 2023. Included in this balance are individually material balances relating to Joint Biological Tactical Detection System (£9.2m) and Perceive (£5.5m).

Taxation

The Group operates in a number of countries around the world. Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. In some jurisdictions agreeing tax liabilities with local tax authorities can take several years. This could necessitate future adjustments to taxable income and expense already recorded. At the year-end date, tax liabilities and assets are based on management's best judgements around the application of the tax regulations and management's estimate of the future amounts that will be settled.

The Group's operating model involves the cross-border supply of goods into end markets. There is a risk that different tax authorities could seek to assess higher profits (or lower costs) to activities being undertaken in their jurisdiction, potentially leading to higher total tax payable by the Group.

At 31 October 2023 there was a provision of £2.3m in respect of uncertain tax positions. Due to the uncertainties noted above, there is a risk that the Group's judgements are challenged, resulting in a different tax payable or recoverable from the amounts provided. Management estimates that the reasonably possible range of outcomes is between £nil and £3.5m.

Deferred tax assets on tax losses and US interest deductions

The category of deferred tax asset which contains significant estimation uncertainty and which requires management judgement in assessing its recoverability relates to US interest limitations and tax losses carried forward (see note 24).

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that it is probable that future taxable profits will be available, or to the extent that the existing taxable temporary differences, of an appropriate type, reverse in an appropriate period to utilise the tax losses carried forward. The assessment of future taxable profits involves significant estimation uncertainty, principally relating to an assessment of management's projections of future taxable income based on business plans and ongoing tax planning strategies. These projections include assumptions about the future strategy of the Group, the economic and regulatory environment in which the Group operates, future tax legislation and customer behaviour, amongst other variables.

Defined benefit pension scheme

Estimation is required in the determination of the discount rate and inflation assumptions underpinning the valuation of the liabilities of the Group's defined benefit pension scheme. There is a range of possible values for each of the actuarial assumptions and small changes in assumptions may have a significant impact on the size of the deficit. Note 29 provides information on the key assumptions and analysis of their sensitivities.

Investments in subsidiaries impairment (parent company only)

The parent company tests investments at least annually for impairment, in addition to when there is an indicator of impairment. Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of the legal entities to which the investments relate. Where the investment value relates to an intermediate holding company, the subsidiaries of that holding company are used to support the carrying value. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the legal entity, and to determine a suitable discount rate in order to calculate present value (see note 11 of the Group financial statements). In reviewing the carrying value of investments in subsidiaries, the Board has considered the separate plans and cash flows of these businesses consistent with the requirements of IAS 36 *Impairment of Assets*. The plans and cash flows of these businesses reflect current and anticipated conditions in the defence industry. The total investments in subsidiaries are set out in note 2 of the parent company financial statements, which shows a carrying value of £786.0m at 31 October 2023.

CLIMATE CHANGE

In preparing the financial statements, we have considered the impact of both physical and transitional climate change risks, which have helped develop the Group's internal transitional plan to ensure we achieve our climate-related targets, through the monitoring and assessment of our environmental metrics, (discussed earlier in the annual report). The key element to achieving our climate-related target in our transitional plan is the electrification, energy efficiency and renewable energy sourcing for our operations; this approach requires upgrading and improvement of current facilities and equipment to be more efficient is dependent on future capital expenditure. Therefore, the main areas affected from a financial perspective have been our impairment and going concern and viability assessments where we have ensured that these potential risks have been appropriately considered in forecast cash flows used.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHEMRING GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Chemring Group PLC (the "Company") for the year ended 31 October 2023 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement, parent company balance sheet, parent company statement of comprehensive income, parent company statement of changes in equity, and the related notes, including the accounting policies in notes 3 and 4.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the directors on 23 March 2018. The period of total uninterrupted engagement is for the six financial years ended 31 October 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£3.3m (2022: £3.0m) 4.9% (2022: 4.8%) of normalised profit before tax, normalised to exclude this year's non-underlying items
Coverage	86% (2022: 85%) of total profits and losses that made up Group profit before tax including continuing operations only

Key audit matters		vs 2022
Recurring risks	Recoverability of parent company's investments in subsidiaries	◄►
New	Recoverability of goodwill	◄►

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters unchanged from 2022, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

RECOVERABILITY OF GOODWILL

(Goodwill: £100.5m; 2022: £118.1m)

Refer to page 94 (Audit Committee report), page 166 (accounting policy) and pages 140 and 141 (financial disclosures).

THE RISK

Forecast-based assessment

A history of business combinations results in significant Group goodwill. We determined that the forecast future cash flows used in calculating the value in use of each CGU involves a degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The estimated recoverable amount of the Group is subjective due to inherent uncertainty involved in forecasting and discounting future cash flows for CGUs.

Our response

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included:

- Historical comparisons: We challenged the cash flow forecasts by comparing historical projections to actual results to assess the Group's ability to accurately forecast;
- Our sector experience: We evaluated assumptions used, in particular those relating to operating cash flow forecasts when compared with our business understanding;
- Benchmarking assumptions: We benchmarked discount rates (including the underlying assumptions used) against market data, including publicly available analysts' reports and peer comparison using input from our own valuation specialists;
- Sensitivity analysis: We performed sensitivity analysis by reviewing the impact of reasonable downward changes to the assumptions noted above;
- Comparing valuations: We compared the sum of the discounted cash flows to the aggregate of the Group's market capitalisation and the fair value of the net debt to assess the reasonableness of those cash flows; and
- Assessing transparency: We assessed whether the Group's disclosures about the estimation uncertainty related to the impairment assessment reflect the risks inherent in the valuation of goodwill.

Our results

We found the goodwill balance, and the related impairment charge, to be acceptable (2022 result: acceptable).

RECOVERABILITY OF PARENT COMPANY'S INVESTMENTS IN SUBSIDIARIES

(Investments in subsidiaries: £786.0m; 2022: £766.6m)

Refer to page 94 (Audit Committee report), page 166 (accounting policy) and page 162 (financial disclosures).

THE RISK

Forecast-based assessment

The carrying amount of the parent company's investments in subsidiaries are significant and at risk of irrecoverability due to changes in product demand and forecast cash flows. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. Note 2 to the parent company financial statements discloses the sensitivity estimated by the parent company.

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT continued

Our response

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included:

- Historical comparisons: We challenged the cash flow forecasts by comparing historical projections to actual results to assess the Group's ability to accurately forecast;
- Our sector experience: We evaluated assumptions used, in particular those relating to operating cash flow forecasts when compared with our business understanding;
- Benchmarking assumptions: We benchmarked discount rates (including the underlying assumptions used) against market data, including publicly available analysts' reports and peer comparison using input from our own valuation specialists;
- Sensitivity analysis: We performed sensitivity analysis by reviewing the impact of reasonable downward changes to the assumptions noted above;
- Comparing valuations: We compared the carrying amount of the investments with the expected value of the business based on the Group's market capitalisation and the fair value of the net debt; and
- Assessing transparency: We assessed whether the parent company's disclosures about the estimation uncertainty related to the impairment assessment reflect the risks inherent in the recoverability of the parent company's investments in subsidiaries.

Our results

We found the parent company's conclusion that there is no impairment of investment in subsidiaries to be acceptable (2022 result: impairment charge was found to be balanced).

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £3.3m (2022: £3.0m), determined with reference to a benchmark of Group profit before tax, normalised to exclude non-underlying items as disclosed in note 3 to the Group financial statements, of which it represents 4.9% (2022: 4.8%). We adjusted for these items because they do not represent the normal, continuing operations of the group.

Materiality for the parent company financial statements as a whole was set at £3m (2022: £1.5m) determined with reference to a benchmark of parent company total assets, of which it represents 0.4% (2022: 0.2%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £2.47m (2022: £2.25m) for the Group and £2.25m (2022: £1.13m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £165k (2022: £150k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 13 reporting components, we subjected six (2022: seven) to full scope audits for Group purposes, and two (2022: one) to specified risk-focused audit procedures over revenue, inventory and management override of controls. The components for which we performed work other than audits for Group reporting purposes were not individually significant but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results. We conducted analytical procedures over the financial information at a further two (2022: three) non-significant components in order to provide further coverage over the Group's results.

The components within the scope of our work accounted for the percentages illustrated below.

NORMALISED PROFIT BEFORE TAX
£67.8m (2022: £62.5m)

GROUP MATERIALITY
£3.3m (2022: £3.0m)

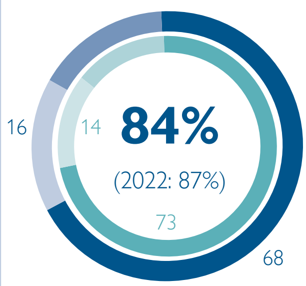
£3.3m
Whole financial statements materiality (2022: £3.0m)

£2.47m
Whole financial statements performance materiality (2022: £2.25m)

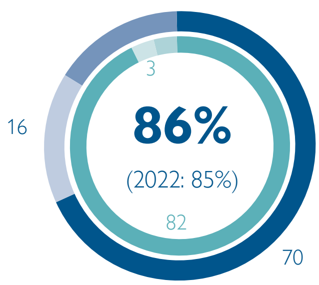
£2.4m
Range of materiality at ten components (£1.2m–£2.4m) (2022: £0.9m–£1.8m)

£165k
Misstatements reported to the Audit Committee (2022: £150k)

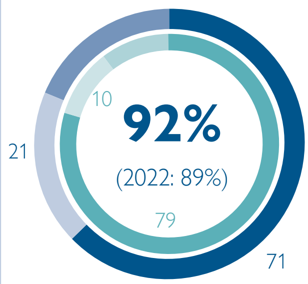
GROUP REVENUE



TOTAL PROFITS AND LOSSES THAT MADE UP GROUP PROFIT BEFORE TAX



GROUP TOTAL ASSETS



- Full scope for Group audit purposes 2023
- Specified risk-focused audit procedures 2023
- Residual components 2023
- Full scope for Group audit purposes 2022
- Specified risk-focused audit procedures 2022
- Residual components 2022

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT continued

The remaining 16% (2022: 13%) of total Group revenue and 14% (2022: 15%) of total profits and losses that made up Group profit before tax is represented by three components. None of these three components individually represented more than 7% (2022: 8%) of any of total Group revenue or total profits and losses that made up Group profit before tax. The remaining 8% (2022: 11%) of total Group assets is represented by four (2022: three) components none of which individually represented more than 4% (2022: 7%) of total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities which ranged from £1.2m to £2.4m (2022: £0.9m to £1.8m), having regard to the mix of size and risk profile of the Group across the components. The work on 6 of the 13 (2022: 7 of the 14) components was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised profit before tax.

The Group team visited four (2022: four) component locations in the UK and US (2022: UK and US), to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. The Group team also inspected the component audit team's key work papers.

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

4. THE IMPACT OF CLIMATE CHANGE ON OUR AUDIT

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements, based on our knowledge of the Group's operations and their stated strategy with respect to climate change.

THE CONTEXT OF CLIMATE CHANGE FOR THE GROUP

Climate change impacts the Group in a variety of ways including the impact of climate risk on manufacturing and procurement, potential reputational risk associated with the Group's delivery of its climate-related initiatives, and greater emphasis on climate-related narrative and disclosure in the annual report.

The Group's exposure to climate change is primarily through environmental factors impacting the safety of the sites across the Group, including wildfires in Australia and hurricanes in the US. As part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this.

The Group emits greenhouse gases directly from energy used in its production operations. As explained on page 44 of the Group's annual report, the Group is working toward targets to reduce scope 1 and 2 carbon emissions to become net zero (scope 1 and scope 2 market-based) by 2030 and then working towards being a scope 3 net zero organisation by 2050.

THE GROUP'S ASSESSMENT OF ACCOUNTING CONSEQUENCES

IFRS requires the Group's financial reporting to be based, amongst other things, on the Group's best estimate of assumptions that are reasonable and supportable as at the date of reporting. Those assumptions may not align with the ways in which the global economy, society and government policies will need to change to meet the relevant targets.

The Group has set carbon emissions targets and estimated the incremental capital and operational expenditure required to deliver those targets. The Group has considered the potential for asset obsolescence or shorter economic lives of its existing property, plant and equipment, and this does not result in any material changes to accounting estimates as a result.

The Group has provided more detail on how it has considered climate change in its financial reporting on page 172 of the Group's financial statements.

OUR AUDIT RESPONSE

Risk assessment procedures

As part of our risk assessment procedures, we made enquiries, with the assistance of our climate change professionals, of key members of management. Our enquiries focused on understanding the Group's climate-related strategy and identifying those areas where climate change could have a potential material impact on the financial statements. We did not identify the impact of climate risk as a separate Key Audit Matter in our audit given the nature of the Group's operations and knowledge gained of its impact on significant accounting estimates and judgements during our risk assessment procedures and testing.

Audit procedures in relation to Key Audit Matters

We did not consider the impact of climate change to be significant to our audit response for the Key Audit Matters relating to recoverability of goodwill and the parent company's investments in subsidiaries. On the basis of our risk assessment, we determined that while climate change poses a risk to the determination of future cash flows, the risk to this year's financial statements from climate change alone is not significant taking into account the extent of headroom available on the cash-generating units. As such, there was no impact on our key audit matters.

Other audit procedures

During the course of our audit, we carried out the following additional audit procedures:

- we considered the Group's processes around climate change-related disclosures in the annual report and read the disclosures in the strategic report and directors' report and considered its consistency with the financial statements and our audit knowledge; and
- we assessed the appropriateness of climate-related financial disclosures, including TCFD recommended disclosures.

The audit procedures were performed by the Group engagement team with the support of our climate change professionals.

5. GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

5. GOING CONCERN continued

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and parent company's available financial resources, EBITDA and net debt covenants over this period were:

- delays to significant revenue contracts;
- manufacturing facility safety incidents causing business interruption; and
- the potential outcome of the provisions and contingent liabilities related to regulatory investigations.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively.

We also assessed completeness of the going concern disclosure.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in page 77 to be acceptable; and
- the related statement under the Listing Rules set out on page 125 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- reading Board, Audit Committee, Executive Committee, Remuneration Committee and Risk Committee meeting minutes;
- considering remuneration incentive schemes and performance targets for management and directors including the EPS target for management remuneration; and
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to in-scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of control, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements including recoverability of goodwill and recoverability of parent Company investments in subsidiaries as detailed in section 2 of this report. On this audit, we do not believe there is a fraud risk related to revenue recognition because there are no complexities or significant areas of estimation within the revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test for all in-scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts; and
- assessing whether the judgements made in making significant accounting estimates are indicative of potential bias.

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards) and from inspection of the Group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental protection legislation, and anti-bribery and corruption, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

6. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT continued

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO NON-COMPLIANCE WITH LAWS AND REGULATIONS continued

For the Health and Safety Executive matter discussed in note 33, we assessed disclosures against our understanding from legal correspondence, including discussions held with the lawyers as well as inspection of relevant documentation.

CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

STRATEGIC REPORT AND DIRECTORS' REPORT

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

DIRECTORS' REMUNERATION REPORT

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

DISCLOSURES OF EMERGING AND PRINCIPAL RISKS AND LONGER-TERM VIABILITY

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation, on page 68, that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency, and liquidity;
- the principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 77 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

CORPORATE GOVERNANCE DISCLOSURES

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the corporate governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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.

We have nothing to report in these respects.

9. RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 125, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

James Childs-Clarke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
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12 December 2023

FIVE-YEAR RECORD

For the year ended 31 October 2023

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	**472.6**	401.0	351.6	351.4	297.5
Underlying EBITDA	**88.5**	77.3	67.7	62.7	51.5
Underlying operating profit	**69.2**	59.4	49.2	43.2	34.7
Non-underlying items	**(23.8)**	(10.0)	(7.1)	(8.4)	(12.7)
Operating profit	**45.4**	49.4	42.1	34.8	22.0
Finance expense	**(1.3)**	(1.5)	(1.6)	(3.0)	(4.6)
Profit before taxation	**44.1**	47.9	40.5	31.8	17.4
Taxation	**(6.4)**	(3.5)	(5.3)	(5.8)	(1.3)
Profit for the year from continuing operations	**37.7**	44.4	35.2	26.0	16.1
(Loss)/profit after tax from discontinued operations	**(32.3)**	3.0	6.3	8.7	5.8
Profit attributable to equity shareholders	**5.4**	47.4	41.5	34.7	21.9
Cash generated from continuing underlying operations	**80.0**	85.1	71.3	70.5	54.2
Intangible assets and property, plant and equipment	**369.9**	395.4	351.5	348.9	329.9
Working capital	**82.3**	93.9	84.4	85.1	90.5
Provisions	**(17.6)**	(18.4)	(17.5)	(19.0)	(17.2)
Retirement benefit surplus	**5.9**	11.2	13.7	7.6	9.6
Net current and deferred tax liabilities	**(15.1)**	(20.8)	(24.5)	(16.3)	(8.5)
Net debt	**(14.4)**	(7.2)	(26.6)	(48.2)	(75.7)
Other	**(32.5)**	(36.0)	(28.2)	(28.5)	(22.8)
Net assets employed	**378.5**	418.1	352.8	329.6	305.8
Financed by:					
Ordinary share capital	**2.8**	2.8	2.8	2.8	2.8
Reserves attributable to equity shareholders	**375.7**	415.3	350.0	326.8	303.0
Total equity	**378.5**	418.1	352.8	329.6	305.8
Basic underlying earnings per ordinary share (continuing operations)	**20.5p**	19.0p	14.7p	12.1p	8.7p
Diluted underlying earnings per ordinary share (continuing operations)	**20.0p**	18.5p	14.4p	11.8p	8.6p
Basic earnings per ordinary share (continuing operations)	**13.4p**	15.8p	12.5p	9.2p	5.7p
Diluted earnings per ordinary share (continuing operations)	**13.1p**	15.4p	12.2p	9.0p	5.6p
Dividend per share	**6.9p**	5.7p	4.8p	3.9p	3.6p

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FIND OUT MORE ONLINE

For more information about Chemring Group PLC, please visit www.chemring.com, where the latest shareholder information can be accessed, including:

- Current share price
- Key financial information
- Financial calendar
- Shareholder services and notices
- Corporate governance
- Results and presentations
- Analysts' forecasts
- Regulatory news

Chemring Group PLC's 2023 annual report and accounts and the notice of the Annual General Meeting can also be viewed and downloaded at www.chemring.com/investors.

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