

Company Registration No. 2731691

CHG OVERSEAS LIMITED

Financial Statements 2008

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FINANCIAL STATEMENTS 2008

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FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Price
P A Rayner

SECRETARY

S L Ellard

REGISTERED OFFICE

Chemring House
1500 Parkway
Whiteley
Fareham
Hampshire
PO15 7AF

BANKERS

Bank of Scotland
London
United Kingdom

AUDITORS

Deloitte LLP
Chartered Accountants
Southampton
United Kingdom

SOLICITORS

Bond Pearce
Southampton
United Kingdom

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 October 2008.

PRINCIPAL ACTIVITY

The company's principal activity is to act as a holding company for overseas subsidiaries. CHG Overseas Limited is a wholly owned subsidiary undertaking of Chemring Group PLC.

GOING CONCERN

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

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

REVIEW OF THE YEAR AND FUTURE PROSPECTS

The company has acted and will continue to act as a holding company for overseas subsidiaries for the foreseeable future.

RESULTS AND DIVIDENDS

The results for the year are given on page 5. No dividend was paid in 2008 (2007: £22,000).

DIRECTORS

The present membership of the Board is set out on page 1. All directors served throughout the year and to date.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. A resolution to re-appoint Deloitte LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 17 August 2009.

Signed on behalf of the Board



S L Ellard
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHG OVERSEAS LIMITED

We have audited the financial statements of CHG Overseas Limited for the year ended 31 October 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

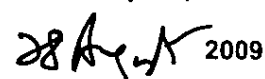
Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.


Deloitte LLP

**Chartered Accountants and Registered Auditors
Southampton, United Kingdom**

 28 Aug 2009

CHG OVERSEAS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 October 2008

	Note	Continuing operations 2008 £'000	Continuing operations 2007 £'000
Administrative expenses		(4,553)	(1,452)
OPERATING LOSS		(4,553)	(1,452)
Profit on disposal of business	3	502,502	-
Income from shares in Group undertakings		2,976	21,722
Interest receivable and similar income	4	6,892	1,215
Interest payable and similar charges	5	(492)	(1,491)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	3	507,325	19,994
Tax (charge)/credit on profit on ordinary activities	6	(1,003)	514
PROFIT FOR THE FINANCIAL YEAR	11,12	506,322	20,508

No statement of total recognised gains and losses has been included as there are no recognised gains and losses other than the profit for the current and the preceding financial years.

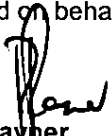
CHG OVERSEAS LIMITED

BALANCE SHEET
As at 31 October 2008

	Note	£'000	2008 £'000	£'000	2007 £'000
FIXED ASSETS					
Investments	8		424,113		13,537
CURRENT ASSETS					
Debtors due within one year	9	189,874		3,211	
Cash at bank and in hand		18,386		7,491	
			<u>208,260</u>		<u>10,702</u>
TOTAL ASSETS			<u>632,373</u>		<u>24,239</u>
CREDITORS					
Amounts falling due after more than one year	10		(122,236)		(22,824)
			<u>510,137</u>		<u>1,415</u>
CAPITAL AND RESERVES					
Called up share capital	11		2,401		1
Profit and loss account	13		507,736		1,414
TOTAL SHAREHOLDERS' FUNDS	12		<u>510,137</u>		<u>1,415</u>

These financial statements were approved by the Board of Directors on 17 August 2009.

Signed on behalf of the Board


P A Rayner
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2008

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted have been applied consistently throughout the current and previous year and are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Investments

Investments are stated at cost less provision for permanent impairment.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided for at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currency

Transactions of the company denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The translation differences are dealt with in the profit and loss account and included within administrative expenses.

Financial liabilities and equity instruments

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

2. DIRECTORS' EMOLUMENTS

None of the directors' received any emoluments from the company during the year (2007: £nil). Their services as directors of this company are considered insignificant in the context of their overall services to the Group and therefore no allocation of remuneration to this subsidiary is made. Details of their total remuneration are publicly available in the accounts of Chemring Group PLC.

The company had no employees during the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 October 2008****3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX**

The auditors' remuneration of £2,500 (2007: £2,500) is borne by Chemring Group PLC, the ultimate parent company.

During the year, the company disposed of its investment in CHG Group, Inc. (a company incorporated in the United States of America) to Chemring North America Group, Inc. for £502,502,000.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £'000	2007 £'000
Inter-company interest receivable	6,892	1,215
	<hr/>	<hr/>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Interest payable on amounts owed to Group undertakings	492	1,491
	<hr/>	<hr/>

6. TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
Corporation tax:		
Corporation tax charge for the year	2,118	9,654
Double tax relief	(1,190)	(9,654)
Group relief surrendered	-	(519)
	<hr/>	<hr/>
Current tax charge/(credit) for the year	928	(519)
Deferred tax:		
Timing differences – current year	890	5
Prior year adjustment	(815)	-
	<hr/>	<hr/>
Total deferred tax	75	(514)
	<hr/>	<hr/>
Tax charge/ (credit) on profit on ordinary activities	1,003	(514)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2008

6. TAX CHARGE/(CREDIT ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED))

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the United Kingdom of 28.83% (2007: 30%) for the reasons set out in the following reconciliation:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	511,878	19,991
	<u>511,878</u>	<u>19,991</u>
Tax on profit on ordinary activities at standard rate	147,576	5,997
Factors affecting charge:		
Income received not taxable	(144,874)	-
Double tax relief	(1,190)	(9,654)
Group relief surrendered	-	(519)
Gross up for underlying tax	332	3,657
Utilisation of tax losses	(890)	-
Rate differences	(26)	-
	<u>928</u>	<u>(519)</u>
Current tax credit for the year	928	(519)

7. DIVIDEND

	2008 £'000	2007 £'000
Dividend on ordinary shares of £1 each:		
No interim dividend paid (2007: £2,000 and £20,000)	-	22,000
	<u>-</u>	<u>22,000</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2008

8. INVESTMENTS

	Investments in subsidiaries £'000	Loans to subsidiaries £'000	Total undertakings £'000
Cost			
At 1 November 2007	10,153	3,384	13,537
Additions	412,232	-	412,232
Disposals	-	(1,656)	(1,656)
	<hr/>	<hr/>	<hr/>
At 31 October 2008	422,385	1,728	424,113
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During the year the company restructured the way it held its US investments. As a result two new subsidiaries, Chemring North America Group, Inc. and Chemring North America Unlimited were created to act as intermediary holding companies.

Principal subsidiary undertakings	Country of incorporation	Principal activity	Percentage of nominal value of issued ordinary shares
Chemring North America Unlimited *	England	Holding company	100
Chemring Investments Limited *	England	Investment company	100
Alloy Surfaces Company, Inc.*	USA	Countermeasures	100
CHG Flares, Inc.*	USA	Holding company	100
CHG Group, Inc. *	USA	Holding company	100
Chemring North America Group, Inc.	USA	Holding company	100
Kilgore Flares Company LLC*	USA	Countermeasures	100
Technical Ordnance, Inc.*	USA	Energetics	100
Titan Dynamic Systems, Inc.*	USA	Energetics	100
Scot, Inc.*	USA	Energetics	100
Martin Electronics, Inc.	USA	Energetics	100
Chemring Australia Pty Ltd	Australia	Countermeasures and energetics	100
Chemring Defence Germany GmbH	Germany	Energetics	100
Chemring defence Spain, S.L	Spain	Energetics	100
Chemring Nobel AS	Norway	Energetics	100

* Investment held by a subsidiary company

In the opinion of the directors, the value of the company's interests in its subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

Group accounts are not prepared since the company is a wholly owned subsidiary of Chemring Group PLC, a company incorporated in England and Wales. Consequently these accounts present information about the company as an entity rather than its group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2008

9. DEBTORS

	2008	2007
	£'000	£'000
Deferred tax asset	-	75
Group relief receivable	2,208	3,136
Amounts owed by Group undertakings	187,666	-
	<u>189,874</u>	<u>3,211</u>

Amounts owed by Group undertakings are due after more than one year.

Deferred tax:

	£'000
At 1 November 2007	75
Charge to the profit and loss account	(75)
	<u>-</u>

At 31 October 2008

The deferred tax asset is analysed as follows:

	2008	2007
	£'000	£'000
Tax losses	-	75
	<u>-</u>	<u>75</u>

10. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008	2007
	£'000	£'000
Convertible capital bonds	18,450	18,450
Amount owed to Group undertakings	103,786	4,374
	<u>122,236</u>	<u>22,824</u>

Amounts owed to Group undertakings are unsecured and repayable after more than one year. There are no applicable repayment terms. Interest is attracted at a rate of 8.25% per annum.

Convertible capital bonds with a par value of £18,450,000 have been issued to the company's ultimate parent undertaking. These bonds are convertible at the option of the holder, in whole or in part, into 18,450,000 ordinary shares of £1 each at any time until 6 February 2031. If the conversion option is not exercised the bonds will be redeemed on 6 February 2031 at par value. The bonds attract interest at a rate of 8.25% per annum.

All amounts are due after more than one year.

The company, and certain other Chemring Group PLC subsidiaries, has given a full guarantee and debenture to Bank of Scotland to secure the Group borrowing facility. Details of the Group borrowing facilities are available in the Group accounts which are publicly available. The security is over the assets of certain Group subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2008

11. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised, allotted and fully paid 2,401,000 (2007: 1,000) ordinary shares of £1 each	2,401	1

During the year, the company issued £2,400,000 ordinary shares at par value to Chemring Group PLC as part of the restructuring of its US investments.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit for the financial year	506,322	20,508
Dividends paid	-	(22,000)
	506,322	(1,492)
Ordinary shares issued	2,400	-
Opening shareholders' funds	1,415	2,907
	510,137	1,415

13. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 November 2007	1,414
Profit for the year	506,322
	507,736

14. CASH FLOW STATEMENT

The company is a wholly owned subsidiary undertaking and consequently no cash flow statement has been prepared.

15. ULTIMATE PARENT AND CONTROLLING COMPANY

In the opinion of the directors, the company's ultimate parent company and controlling party is Chemring Group PLC, a company incorporated in England and Wales. Copies of the Group financial statements of Chemring Group PLC are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. Chemring Group PLC is both the largest and the smallest group of which the company is a member and for which consolidated accounts are prepared.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2008

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred within FRS8 Paragraph 3c not to disclose transactions with other Group companies, as it is a wholly owned subsidiary of Chemring Group PLC, whose consolidated financial statements are publicly available.

17. SUBSEQUENT EVENTS

On 12 December 2008 the company indirectly acquired the entire stock capital of Non-Intrusive Inspection Technology, Inc., a US incorporated company. The initial consideration for the acquisition was £26.8 million