
CHG OVERSEAS LIMITED

UNAUDITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020

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CHG OVERSEAS LIMITED

COMPANY INFORMATION

Directors	S L Ellard A G Lewis M Ord
Company Secretary	S L Ellard
Registered number	2731691
Registered office	Roke Manor Old Salisbury Lane Romsey Hampshire SO51 0ZN

CHG OVERSEAS LIMITED

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CHG OVERSEAS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020

Business review

The profit for the year, after tax, amounted to £36,147,000 (2019: £26,603,000 loss).

Principal risks and uncertainties

The company is a wholly owned subsidiary of Chemring Group PLC. The Group Board is responsible for the Group's systems of internal control and its risk management systems. The Group Board has constituted a Risk Management Committee, which meets quarterly, to review the key risks associated with the achievement of the annual budget and the five year plan for each business, the most significant health and safety risks identified at each site, and the risk control procedures implemented. Brief details of the principal risks and uncertainties currently facing the company are set out below. Further details can be found in the consolidated financial statements of Chemring Group PLC.

Compliance and corruption risks

The company operates under the Group's Code of Conduct, which stipulates the standard of acceptable business conduct required by employees and third parties acting on the company's behalf. The company has also adopted the Group's Bribery Act Compliance Manual, incorporating anti-bribery policies and procedures.

Financial risks

The company uses financial instruments to manage financial risk wherever it is appropriate to do so. The main risk addressed by financial instruments is foreign exchange rate risk.

The company undertakes certain transactions denominated in foreign currencies, giving rise to exposures to exchange rate fluctuations.

The company's policy is to hedge transactional currency exposures through the use of forward foreign exchange contracts. The measurement and control of this risk is monitored on a Group-wide basis.

The company translates the results and net assets of overseas operations in accordance with the accounting policy set out in note 1. The translation risk on net assets is mitigated by the transfer of currencies between Group companies and the appropriate use of foreign currency borrowings.

Financial key performance indicators

The company uses a number of financial key performance indicators (KPIs) to measure its performance. The principal KPI used is profit/(loss) after tax as given above.

This report was approved by the Board of Directors on 5 March 2021.

Signed on behalf of the Board.



S L Ellard
Company Secretary

CHG OVERSEAS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2020

The directors present their report and the financial statements for the year ended 31 October 2020.

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

As part of a regular assessment of the company's financial performance and position, the directors have prepared a detailed bottom-up budget and cashflow forecast for the period through to October 2022 and five year forecast to October 2025, being at least 12 months after the date of approval of the financial statements. The directors, having considered these forecasts, the risks and the associated mitigating actions, believe the company is well placed to manage its risks and have assessed that there is a reasonable expectation that adequate financial resources will continue to be available for the foreseeable future. The company has also obtained a letter of support from the parent company, Chemring Group PLC, confirming their continued financial support. Details regarding the adoption of the going concern basis for Chemring Group PLC can be found in the consolidated financial statements, which are publicly available. Thus, the directors continue to support the going concern basis in preparing the financial statements.

Results and dividends

Interim dividends of £47,778,000 (2019: £nil) were paid during the year. The directors do not recommend the payment of a final dividend (2019: £nil).

Directors

The directors who served during the year, unless otherwise stated, were:

S L Ellard
A G Lewis
M Ord

Financial risks

The company uses financial instruments to manage financial risk wherever it is appropriate to do so. Further details can be found in the strategic report on page 1.

This report was approved by the board on 5 March 2021.

Signed on behalf of the Board.



S L Ellard
Company Secretary

CHG OVERSEAS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHG OVERSEAS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2020

	Note	2020 £000	2019 £000
Administrative expenses		(38)	(421)
Impairment of investments		(541,589)	(2,357)
Other operating expenses		306	(100)
Operating loss	2	(541,321)	(2,878)
Income from other fixed asset investments		600,726	2,834
Interest receivable and similar income	7	303	538
Interest payable and similar expenses	8	(23,812)	(25,470)
Profit/(loss) before tax		35,896	(24,976)
Tax on profit/(loss)	9	251	(1,627)
Profit/(loss) for the financial year		36,147	(26,603)

There were no recognised gains and losses for 2020 or 2019 other than those included in the income statement.

The notes on pages 7 to 17 form part of these financial statements.

All results for the year derive from continuing operations.

CHG OVERSEAS LIMITED
REGISTERED NUMBER: 2731691

BALANCE SHEET
AS AT 31 OCTOBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Fixed asset investments	11	426,834	968,423
Current assets			
Trade and other receivables	12	277,552	42,158
Trade and other payables	13	(73,701)	(35,539)
Net current assets		<u>203,851</u>	<u>6,619</u>
Total assets less current liabilities		<u>630,685</u>	<u>975,042</u>
Non-current liabilities	14	(503,571)	(836,297)
Net assets		<u><u>127,114</u></u>	<u><u>138,745</u></u>
Capital and reserves			
Called up share capital	16	1,444	1,444
Retained earnings		125,670	137,301
Shareholders' funds		<u><u>127,114</u></u>	<u><u>138,745</u></u>

The members have not required the company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006. The company was entitled to exemption from the requirement to have an audit under section 479A of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 5 March 2021.

Signed on behalf of the Board.



S L Ellard
Director

CHG OVERSEAS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2020

	Share capital £000	Retained earnings £000	Total equity £000
At 1 November 2018	1,444	163,904	165,348
Comprehensive income for the year			
Loss for the year	-	(26,603)	(26,603)
Total comprehensive income for the year	-	(26,603)	(26,603)
At 1 November 2019	1,444	137,301	138,745
Comprehensive income for the year			
Profit for the year	-	36,147	36,147
Total comprehensive income for the year	-	36,147	36,147
Dividends	-	(47,778)	(47,778)
At 31 October 2020	1,444	125,670	127,114

The notes on pages 7 to 17 form part of these financial statements.

See note 16 for details on share capital.

CHG OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2020

1. Accounting policies

1.1 Basis of preparation of financial statements

CHG Overseas Limited is a private company limited by shares incorporated and registered in England and Wales. Its registered office address is included on the company information page.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

1.3 Going concern

The directors continue to support the going concern basis in preparing the financial statements.

For further information see the directors' report on page 2.

1.4 Investments

Investments held as non-current assets are shown at cost less provision for any impairment.

CHG OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2020

1. Accounting policies (continued)

1.5 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.

1.6 Deferred tax

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

1.7 Foreign currencies

The financial statements are presented in the company's functional currency, pounds sterling, being the currency of the primary economic environment in which it operates.

Transactions denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Translation differences are dealt with in the income statement.

1.8 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.

1.9 Derivative financial instruments

The company's activities expose it to the financial risks of interest rate transactions, and it uses derivative financial instruments to hedge its exposure to these transactional risks. The company uses interest rate swap contracts to reduce these exposures and does not use derivative financial instruments for speculative purposes.

CHG OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2020

1. Accounting policies (continued)

1.10 Judgements in applying accounting policies and key sources of estimation uncertainty

When applying the company's accounting policies, management must make 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 assumptions and estimates are based upon factors including historical experience, the observance of trends in the industries in which the company operates, and information available from the company's customers and other external sources.

The key assumptions concerning the future and other 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 include:

Carrying value of investments in subsidiaries

The carrying value of investments in subsidiaries (see note 11) is assessed annually for impairment in line with the provisions of IAS 36 *Impairment of Assets*.

Determining whether the investments are impaired requires an estimation of the value-in-use of the cash-generating units to which the investments have 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.

In reviewing the carrying value of the company'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.

Details of the Group's impairment assessment are available in note 11 of Chemring Group PLC's financial statements which are available as set out in note 1.11.

1.11 Exemption from preparing consolidated accounts

The company has taken advantage of the exemption under IAS 27 (8) to prepare consolidated financial statements.

Copies of the Group financial statements of Chemring Group PLC are available at the Group website (www.chemring.co.uk) or by contacting the registered office, the address of which is listed on the company information page at the start of these financial statements.

1.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.13 Borrowing costs

All borrowing costs are recognised in the income statement in the year in which they are incurred.

CHG OVERSEAS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

2. Operating loss

The operating loss is stated after charging:

	2020	2019
	£000	£000
Exchange losses	(306)	100

3. Auditor's remuneration

For the years ended 31 October 2020 and 31 October 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006.

4. Staff costs

The company has no employees other than the directors, who did not receive any remuneration (2019: £nil).

5. Directors' remuneration

The emoluments of A G Lewis, S L Ellard and M Ord were borne by Chemring Group PLC. Their services as directors of the company were 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 financial statements of Chemring Group PLC.

6. Income from fixed asset investments

During the year CHG Overseas Limited received dividends from the following investments in subsidiaries:

	2020	2019
	£000	£000
Chemring Australia Pty Limited	11,607	2,834
Chemring Finance Europe Limited	550,556	-
Chemring North America Group, Inc.	29,380	-
Parkway No 10 Limited	9,183	-
	600,726	2,834

During the year the Group undertook a number of transactions to simplify and reduce the balance sheets of some of its UK subsidiaries. As part of this exercise, the company received income from interim dividends of £9,183,000 from Parkway No 10 Limited and £550,556,000 from Chemring Finance Europe Limited. Following receipt of the dividends the cost of investment in Chemring Finance Europe Limited was impaired down by £541,589,000.

Additionally, the company received income from dividends of £40,987,000 from its overseas subsidiaries.

CHG OVERSEAS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

7. Interest receivable and similar income

	2020	2019
	£000	£000
On amounts due from owned subsidiaries	303	538
	<u>303</u>	<u>538</u>

8. Interest payable and similar expenses

	2020	2019
	£000	£000
Other interest payable	-	1
On amounts due to owned subsidiaries	1,366	1,366
On amounts due to parent company	22,446	24,103
	<u>23,812</u>	<u>25,470</u>

9. Taxation

	2020	2019
	£000	£000
Corporation tax		
Adjustments in respect of previous periods	11	(149)
Total current tax credit	<u>11</u>	<u>(149)</u>
Adjustment in respect of prior periods	<u>(262)</u>	<u>1,776</u>
Taxation (credit)/charge on profit/(loss) on ordinary activities	<u>(251)</u>	<u>1,627</u>

CHG OVERSEAS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19.0% (2019 - 19.0%). The differences are explained below:

	2020 £000	2019 £000
Profit/(loss) on ordinary activities before tax	35,896	(24,976)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2019 - 19.0%)	6,820	(4,745)
Effects of:		
Non-deductible impairment of investments	102,902	449
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	78
Adjustments to tax charge in respect of prior periods	(251)	1,627
Non-taxable income	(114,138)	(538)
Group relief surrendered	4,416	4,756
Total tax (credit)/charge for the year	(251)	1,627

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

10. Dividends

	2020 £000	2019 £000
Interim dividends	47,778	-
	47,778	-

Interim dividends include £18,398,000 relating to the assignment of an intercompany loan receivable to the parent company, which has been treated as a dividend in specie.

CHG OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020

11. Investments in subsidiaries

	Investments in subsidiary companies £000
Cost or valuation	
At 1 November 2019	970,780
At 31 October 2020	970,780
Impairment	
At 1 November 2019	2,357
Charge for the period	541,589
At 31 October 2020	543,946
Net book value	
At 31 October 2020	426,834
At 31 October 2019	968,423

CHG OVERSEAS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

11. Investments in subsidiaries (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the company at the year end:

Name	Class of shares	Holding	Principal activity
Alloy Surfaces Company, Inc.*	Ordinary	100 %	Countermeasures
ASC Realty LLC*	Ordinary	100 %	Non-trading
Chemring Australia Pty Ltd	Ordinary	100 %	Countermeasures
Chemring Energetic Devices, Inc.*	Ordinary	100 %	Energetics
Chemring Finance Europe Limited	Ordinary	100 %	Non-trading
Chemring Investments Limited*	Ordinary	100 %	Non-trading
Chemring Nobel AS	Ordinary	100 %	Energetics
Chemring North America Group, Inc.	Ordinary	100 %	Non-trading
Chemring North America Unlimited*	Ordinary	100 %	Non-trading
Chemring Sensors and Electronic Systems, Inc*	Ordinary	100 %	Sensors
Chemring UAE Limited	Ordinary	100 %	Consultancy services
CHG Flares, Inc.*	Ordinary	100 %	Non-trading
CHG Group, Inc.*	Ordinary	100 %	Non-trading
Kilgore Flares Company LLC*	Ordinary	100 %	Countermeasures
Parkway No 10 Limited	Ordinary	100 %	Non-trading
Roke USA, Inc.*	Ordinary	100 %	Sensors
Tactical Systems & Ordnance, Inc.*	Ordinary	100 %	Non-trading

CHG OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020

11. Investments in subsidiaries (continued)

*Investments held by a subsidiary company

The company tests investment values for impairment at least annually. The recoverable amounts of the investments are determined from value-in-use calculations.

In the year ended 31 October 2020, an impairment charge of £541,589,000 was recognised against the company's investment in Chemring Finance Europe Limited.

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.

12. Trade and other receivables

	2020 £000	2019 £000
Due after more than one year		
Amounts owed by parent company	275,065	252
Amounts owed by fellow subsidiaries	-	7,131
Amounts owed by own subsidiaries	-	19,621
Deferred tax asset	2,487	2,225
	<u>277,552</u>	<u>29,229</u>
Due within one year		
Amounts owed by fellow subsidiaries	-	2,472
Amounts owed by own subsidiaries	-	10,346
Corporation tax recoverable	-	111
	<u>277,552</u>	<u>42,158</u>

Amounts owed by Group undertakings have no fixed rate of repayment and are not subject to interest.

CHG OVERSEAS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

13. Trade and other payables

	2020	2019
	£000	£000
Bank overdrafts	5,654	19,479
Amounts owed to parent company	63,721	13,094
Amounts owed to fellow subsidiaries	4,326	2,960
Financial instruments	-	6
	73,701	35,539

Amounts owed to Group undertakings have no fixed rate of repayment and are not subject to interest.

14. Non-current liabilities

	2020	2019
	£000	£000
Amounts owed to parent company	448,922	448,922
Amounts owed to fellow subsidiaries	54,649	387,375
	503,571	836,297

Amounts owed to Group undertakings are unsecured and repayable after more than one year. There are no applicable repayment terms. Interest rates on the loans are between 0.0% and 8.0%.

15. Deferred taxation

	2020	2019
	£000	£000
At beginning of year	2,225	4,001
Credited/(charged) to profit or loss	262	(1,776)
At end of year	2,487	2,225

CHG OVERSEAS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2020**

15. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Tax losses carried forward	2,487	2,225
	<u>2,487</u>	<u>2,225</u>

16. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
144,352,360 (2019: 144,352,360) ordinary shares of £0.01 each	1,444	1,444
	<u>1,444</u>	<u>1,444</u>

17. Ultimate parent undertaking and controlling party

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 at the Group website (www.chemring.co.uk) or by contacting the registered office, the address of which is listed on the company information page at the start of these financial statements. Chemring Group PLC is the largest and smallest group of which the company is a member and for which consolidated financial statements are prepared.