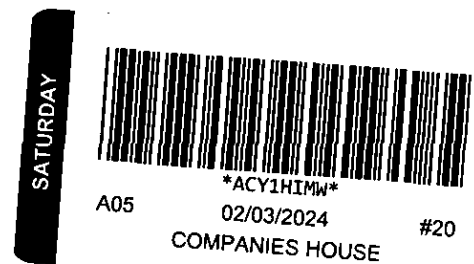

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

UNAUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023



CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | J Mortensen (appointed 1 January 2024) S L Ellard M Ord |
| Company Secretary | S L Ellard |
| Registered number | 2731691 |
| Registered office | Roke Manor Old Salisbury Lane Romsey Hampshire SO51 0ZN |

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

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| Notes to the financial statements | 4 - 13 |

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2023

| | Note | 2023 £000 | 2022 £000 |
|---|------|--------------|----------------|
| Administrative expenses | | (566) | (1,177) |
| Impairment of investments | | (58) | (16,449) |
| Other operating income | | - | 8,818 |
| Operating loss | 2 | (624) | (8,808) |
| Income from other fixed asset investments | 6 | 2,648 | 5,865 |
| Interest receivable and similar income | 7 | 4,805 | 4,020 |
| Profit before tax | | 6,829 | 1,077 |
| Tax on profit | 8 | 24 | - |
| Profit for the financial year | | 6,853 | 1,077 |

There were no recognised gains and losses for 2023 or 2022 other than those included in the income statement.

The notes on pages 4 to 13 form part of these financial statements.

All results for the year derive from continuing operations.

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)
REGISTERED NUMBER: 2731691

BALANCE SHEET
AS AT 31 OCTOBER 2023

| | Note | 2023 £000 | 2022 £000 |
|--|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Fixed asset investments | | 535,358 | 455,714 |
| Current assets | | | |
| Trade and other receivables | 11 | 57,697 | 60,809 |
| Cash and cash equivalents | | 97 | 244 |
| Trade and other payables | 12 | - | (2,771) |
| Net current assets | | <u>57,794</u> | <u>58,282</u> |
| Total assets less current liabilities | | <u>593,152</u> | <u>513,996</u> |
| Non-current liabilities | 13 | - | (59) |
| Net assets | | <u><u>593,152</u></u> | <u><u>513,937</u></u> |
| Capital and reserves | | | |
| Called up share capital | 14 | - | 341,681 |
| Share premium account | | - | 51,683 |
| Retained earnings | | 593,152 | 120,573 |
| | | <u><u>593,152</u></u> | <u><u>513,937</u></u> |

The members have not required the company to obtain an audit for the year in question in accordance with section 476 of the 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 company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

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

29 February 2024.


J Mortensen
Director

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2023**

| | Share capital £000 | Share premium account £000 | Retained earnings £000 | Total equity £000 |
|---|--------------------------|-------------------------------------|------------------------------|----------------------|
| At 1 November 2021 | 341,681 | - | 129,081 | 470,762 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 1,077 | 1,077 |
| Total comprehensive income for the year | - | - | 1,077 | 1,077 |
| Contributions by and distributions to owners | | | | |
| Dividends | - | - | (9,585) | (9,585) |
| Shares issued during the year | - | 51,683 | - | 51,683 |
| Total transactions with owners | - | 51,683 | (9,585) | 42,098 |
| At 1 November 2022 | 341,681 | 51,683 | 120,573 | 513,937 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 6,853 | 6,853 |
| Total comprehensive income for the year | - | - | 6,853 | 6,853 |
| Contributions by and distributions to owners | | | | |
| Dividends | - | - | (7,340) | (7,340) |
| Shares issued during the year | - | 79,702 | - | 79,702 |
| Share capital reduction | (341,681) | (131,385) | 473,066 | - |
| Total transactions with owners | (341,681) | (51,683) | 465,726 | 72,362 |
| At 31 October 2023 | - | - | 593,152 | 593,152 |

The notes on pages 4 to 13 form part of these financial statements.

See note 14 for details on share capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

1. Accounting policies

1.1 Basis of preparation of financial statements

Chemring Holdings 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.

On 29th August 2023, Chemring Holdings Limited changed its name from CHG Overseas Limited.

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

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

1. Accounting policies (continued)

1.3 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 2025 and five year forecast to October 2028, 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.

1.4 Investments

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

1. Accounting policies (continued)

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.

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 recoverable amount which is the higher of fair value less costs to sell or 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.

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies (continued)

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.com) 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 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

1.13 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.

2. Operating loss

The operating loss is stated after charging/(crediting):

| | 2023 | 2022 |
|----------------------|--------------|----------------|
| | £000 | £000 |
| Exchange loss/(gain) | 2,159 | (7,641) |

3. Auditor's remuneration

For the years ended 31 October 2023 and 31 October 2022 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 (2022: £nil).

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

5. Directors' remuneration

The emoluments of A G Lewis (a director until 31 December 2023), 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 Chemring Holdings Limited received dividends from the following investments in subsidiaries:

| | 2022 £000 | 2022 £000 |
|---------------------------------|----------------------|----------------------|
| Chemring Australia Pty Limited | 2,590 | 5,865 |
| Chemring Finance Europe Limited | 58 | - |
| | 2,648 | 5,865 |

7. Interest receivable and similar income

| | 2023 £000 | 2022 £000 |
|--|----------------------|----------------------|
| On amounts due from owned subsidiaries | 4,805 | 4,020 |
| | 4,805 | 4,020 |

8. Taxation

| | 2023 £000 | 2022 £000 |
|---|----------------------|----------------------|
| Deferred tax | | |
| Origination and reversal of timing differences | (24) | - |
| Taxation on (loss)/profit on ordinary activities | (24) | - |

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 : lower than) the standard rate of corporation tax in the UK of 22.5% (2022 : 19.0%). The differences are explained below:

| | 2023 | 2022 |
|--|----------------|-------------|
| | £000 | £000 |
| Profit on ordinary activities before tax | 6,829 | 1,077 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.5% (2022 : 19.0%) | 1,537 | 205 |
| Effects of: | | |
| Non-deductible impairment of investments | 58 | 16,449 |
| Non-taxable income | (2,648) | (5,865) |
| Group relief surrendered/(utilised) | 1,029 | (10,789) |
| Total tax charge for the year | (24) | - |

The UK Finance Bill 2021 was published on 11 March 2021 and substantively enacted on 24 May 2021. The Bill provided for an increase in the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

The closing UK deferred tax asset as at 31 October 2023 has been calculated at the rates which will be in force when the assets and liabilities are expected to reverse.

9. Dividends

| | 2023 | 2022 |
|-------------------|--------------|-------------|
| | £000 | £000 |
| Interim dividends | 7,340 | 9,585 |
| | 7,340 | 9,585 |

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

10. Investments in subsidiaries

| | Investments in subsidiary companies £000 |
|--------------------------|--|
| Cost or valuation | |
| At 1 November 2022 | 1,073,432 |
| Additions | 79,702 |
| | <hr/> |
| At 31 October 2023 | 1,153,134 |
| | <hr/> |
| Impairment | |
| At 1 November 2022 | 617,718 |
| Charge for the period | 58 |
| | <hr/> |
| At 31 October 2023 | 617,776 |
| | <hr/> |
| Net book value | |
| At 31 October 2023 | 535,358 |
| | <hr/> |
| At 31 October 2022 | 455,714 |
| | <hr/> |

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

10. Investments in subsidiaries (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

| Name | Class of shares | Holding |
|--|------------------------|----------------|
| Alloy Surfaces Company, Inc.* | Ordinary | 100% |
| ASC Realty LLC* | Ordinary | 100% |
| Chemring Australia Pty Ltd | Ordinary | 100% |
| Chemring Energetic Devices, Inc.* | Ordinary | 100% |
| Chemring Energetics UK Ltd | Ordinary | 100% |
| Chemring Nobel AS | Ordinary | 100% |
| Chemring North America Group, Inc. | Ordinary | 100% |
| Chemring North America Unlimited* | Ordinary | 100% |
| Chemring Sensors and Electronic Systems, Inc.* | Ordinary | 100% |
| CHG Flares, Inc.* | Ordinary | 100% |
| CHG Group, Inc.* | Ordinary | 100% |
| Kilgore Flares Company LLC | Ordinary | 100% |
| Roke Manor Research Limited | Ordinary | 100% |
| Roke USA, Inc.* | Ordinary | 100% |
| Tactical Systems & Ordnance, Inc.* | Ordinary | 100% |

*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 2022, an impairment charge of £16,449,000 was recognised against the company's investment in Chemring North America Group, Inc.

In the year ended 31 October 2021, an impairment charge of £57,323,000 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.

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

11. Trade and other receivables

| | 2023 £000 | 2022 £000 |
|-------------------------------------|----------------------------|----------------------------|
| Due after more than one year | | |
| Amounts owed by Group undertakings | - | 60,801 |
| | <u>-</u> | <u>60,801</u> |
| Due within one year | | |
| Amounts owed by Group undertakings | 57,689 | - |
| Other debtors | 8 | 8 |
| | <u>57,697</u> | <u>60,809</u> |

Amounts owed by Group undertakings are subject to interest at a rate of 8.50% and repayable on 31 October 2024.

12. Trade and other payables

| | 2023 £000 | 2022 £000 |
|-------------------------------------|----------------------------|----------------------------|
| Amounts owed to fellow subsidiaries | - | 1,594 |
| Financial instruments | - | 1,177 |
| | <u>-</u> | <u>2,771</u> |

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

13. Non-current liabilities

| | 2023 £000 | 2022 £000 |
|-------------------------------------|----------------------------|----------------------------|
| Amounts owed to fellow subsidiaries | - | 59 |
| | <u>-</u> | <u>59</u> |

CHEMRING HOLDINGS LIMITED (FORMERLY CHG OVERSEAS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

14. Share capital

| | 2023 | 2022 |
|--|-------------|-------------|
| | £000 | £000 |
| Allotted, called up and fully paid | | |
| 0 (2022 : 144,352,360) ordinary shares of £0.01 each | - | 1,444 |
| 100 (2022 : 340,237,223) ordinary shares of £1.00 each | - | 340,237 |
| | <hr/> | <hr/> |
| | - | 341,681 |
| | <hr/> | <hr/> |

During the year, the company underwent a capital reduction which involved cancelling and extinguishing 340,237,123 ordinary shares of £1.00 each and 144,352,360 ordinary shares of £0.01 each and the amount by which the share capital was reduced was credited to a distributable reserve. Further as part of the above capital reduction the share premium account of the company was reduced from £131,384,999 to £nil and the amount by which the share premium was reduced was credited to a distributable reserve.

15. 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.com) 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.