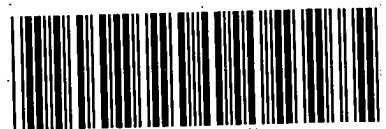


CHEMRING PRIME CONTRACTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2014

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COMPANIES HOUSE

CHEMRING PRIME CONTRACTS LIMITED

COMPANY INFORMATION

Directors	S J Bowers S L Ellard M J Flowers
Company Secretary	S L Ellard
Registered number	2983472
Registered office	Roke Manor Old Salisbury Lane Romsey Hampshire United Kingdom SO51 0ZN
Independent auditors	Deloitte LLP Chartered Accountants and Statutory Auditor Reading United Kingdom

CHEMRING PRIME CONTRACTS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Directors' responsibilities statement	3
Strategic report	4 - 5
Independent auditors' report	6 - 7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 - 14

CHEMRING PRIME CONTRACTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2014

The directors present their annual report and the audited financial statements for the year ended 31 October 2014.

PRINCIPAL ACTIVITY

The company's principal activity is the marketing and export sale of pyrotechnics and munitions. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming year.

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. The company has also obtained a letter of support from the parent company, Chemring Group PLC, confirming their continued financial support. Accordingly, the directors 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 consolidated financial statements of the parent company, Chemring Group PLC, which are publicly available.

RESULTS AND DIVIDENDS

The profit for the year, after tax, amounted to £678,000 (2013: £700,000).

The directors do not recommend the payment of a dividend (2013: £nil).

DIRECTORS

The directors who served during the year and up to the date of signing were:

S J Bowers
R A Dellar (resigned 19 September 2014)
S L Ellard (appointed 24 July 2014)
M J Flowers (appointed 24 July 2014)
M H Papworth (resigned 24 July 2014)

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who is a director at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be 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 section 418 of the Companies Act 2006.

CHEMRING PRIME CONTRACTS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2014**

AUDITORS

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the Board of Directors on 23 June 2015.

Signed on behalf of the Board.



**S.L. Ellard
Company Secretary**

CHEMRING PRIME CONTRACTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2014

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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; 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 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 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.

CHEMRING PRIME CONTRACTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2014

BUSINESS REVIEW

Revenue for the year reduced year-on-year, leading to a decrease in the operating profit of the company. Operating profit for the year was £678,000 (2013: £888,000). Profit for the year, after tax, amounted to £678,000 (2013: £700,000).

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 three 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.

Health and safety risks

Responsibility for the delivery of world class safety standards is an integral part of the operational management accountability. The company's management are therefore expected to operate with health and safety as a top priority and to ensure that the strength of the company's safety culture and the quality of its protective systems deliver operations where employees and visitors feel and are absolutely safe.

Possible defence budget cuts

Defence spending levels depend on a complex mix of political considerations, budgetary constraints and the requirement of the armed forces to address specific threats and perform certain missions. As such, defence spending may be subject to significant fluctuation from year to year. In recognition of the issues affecting NATO markets, business development activities are being focused on non-NATO markets, where defence expenditure is forecast to grow. The future prospects for the company are therefore good. The company continues to closely monitor the position in all the key markets in which it operates.

Timing and value of orders

The majority of the company's contracts are of a relatively short duration and, with the exception of framework contracts with key customers, do not usually cover multi-year requirements. This means that an unmitigated delay in the receipt of key orders could affect earnings. Maximising order intake is therefore a key objective for the company.

Political risks

The company is active in several countries that are suffering from political, social and economic instability. The company's business in these countries may be adversely affected in a way that is material to its financial position and the results of its operations. The company strives to maintain relationships at all levels within the political structure of certain key countries, in order to ensure that it is aware of and can react to proposed changes, if and when they occur.

Compliance and corruption risks

The company operates under the Group's Global Code of Business Principles, 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.

CHEMRING PRIME CONTRACTS LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 OCTOBER 2014**

Financial risks


The company's financing arrangements are included within Chemring Group PLC's overall facilities. Details of the financial risks to which the Group, and therefore the company, is potentially exposed are set out in the consolidated financial statements of Chemring Group PLC.

FINANCIAL KEY PERFORMANCE INDICATORS

The company uses one principal financial key performance indicator (KPI) to measure its performance. The principal KPI used is operating profit as given above.

This report was approved by the Board of Directors on 23 June 2015.

Signed on behalf of the Board.



S L Ellard
Company Secretary

CHEMRING PRIME CONTRACTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHEMRING PRIME CONTRACTS LIMITED

We have audited the financial statements of Chemring Prime Contracts Limited for the year ended 31 October 2014, which comprise of the profit and loss account, the balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CHEMRING PRIME CONTRACTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHEMRING PRIME CONTRACTS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.



Andrew Bond ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading
United Kingdom
Date: 23 June 2015

CHEMRING PRIME CONTRACTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2014

	Note	2014 £000	2013 £000
TURNOVER	1,2	4,753	5,620
Cost of sales		(3,728)	(4,197)
GROSS PROFIT		1,025	1,423
Other operating expenses		(347)	(535)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		678	888
Tax charge on profit on ordinary activities	6	-	(188)
PROFIT FOR THE FINANCIAL YEAR	11	678	700

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

The notes on pages 10 to 14 form part of these financial statements.

CHEMRING PRIME CONTRACTS LIMITED
REGISTERED NUMBER: 2983472

BALANCE SHEET
AS AT 31 OCTOBER 2014

	Note	£000	2014 £000	2013 £000
CURRENT ASSETS				
Debtors	7	35	656	
Cash at bank		2,194	992	
		<u>2,229</u>	<u>1,648</u>	
CREDITORS				
Amounts falling due within one year	8	(331)	(428)	
NET CURRENT ASSETS			<u>1,898</u>	<u>1,220</u>
NET ASSETS			<u>1,898</u>	<u>1,220</u>
CAPITAL AND RESERVES				
Called up share capital	10		1	1
Profit and loss account	11		1,897	1,219
SHAREHOLDERS' FUNDS	12		<u>1,898</u>	<u>1,220</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2015.

Signed on behalf of the Board.

S J Bowers

S J Bowers
Director

The notes on pages 10 to 14 form part of these financial statements.

CHEMRING PRIME CONTRACTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 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. The company has also obtained a letter of support from the parent company, Chemring Group PLC, confirming their continued financial support. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements. For further information see the directors' report on page 1.

1.4 Revenue recognition

Turnover comprises the net value of deliveries made, work completed or services rendered during the year. Turnover is recognised when title passes, or when the right to consideration, in exchange for performance, has been obtained. For bill and hold arrangements revenue is recognised when the risks and rewards are transferred to the customer, typically on formal acceptance. Long-term contracts continue to be accounted for in accordance with SSAP 9 (revised), whereby income is recognised based on the rights to consideration over the course of the contract.

1.5 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 is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset or on unremitted earnings where there is no binding obligation to remit those earnings. 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.

1.6 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.

CHEMRING PRIME CONTRACTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2014**

1. ACCOUNTING POLICIES (continued)**1.7 Foreign currency**

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 profit and loss account.

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 Related party transactions

The company has taken advantage of the exemption from reporting related party transactions with other Group undertakings in accordance with the provisions of FRS 8.

2. TURNOVER

All turnover arose from sales made to foreign countries. An analysis of this export turnover is not presented as, in the opinion of the directors, this information would be seriously prejudicial to the commercial interests of the company.

All turnover originates from one class of business, being the sale of munitions.

3. PROFIT

The profit is stated after (crediting)/charging:

	2014	2013
	£000	£000
(Gain)/loss on foreign exchange	(48)	191

4. AUDITORS' REMUNERATION

The auditors' remuneration for the audit of the company's annual financial statements of £1,000 (2013: £1,000) is borne by Chemring Group PLC, the ultimate parent company.

5. STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration from the company (2013: £nil).

CHEMRING PRIME CONTRACTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2014**

6. TAX

	2014	2013
	£000	£000
UK corporation tax charge on profit for the year	<u>-</u>	<u>188</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK of 21.8% (2013: 23.4%). The differences are explained below:

	2014	2013
	£000	£000
Profit on ordinary activities before tax	<u>678</u>	<u>888</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.8% (2013: 23.4%)	148	208
Effects of:		
Group relief received for nil consideration	(148)	-
Non-taxable income	<u>-</u>	<u>(20)</u>
Current tax charge for the year (see note above)	<u>-</u>	<u>188</u>

Finance Act 2013

The Finance Act 2013, which was substantively enacted on 2 July 2013, provided for a reduction in the main rate of UK corporation tax from 23% to 21% on 1 April 2014 and a further reduction to 20% from 1 April 2015. These changes have been factored in to the calculation of the tax charge for the year.

7. DEBTORS

	2014	2013
	£000	£000
Amounts owed by Group undertakings	27	24
Other debtors	7	17
Prepayments and accrued income	-	614
Deferred tax asset (see note 9)	1	1
	<u>35</u>	<u>656</u>

The amounts owed by Group undertakings are unsecured and no interest is charged on these amounts.

CHEMRING PRIME CONTRACTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2014**

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £000	2013 £000
Trade creditors	1	25
Amounts owed to Group undertakings	23	32
Amounts owed to Group companies for group relief claimed	189	189
Other creditors	118	182
	<u>331</u>	<u>428</u>

9. DEFERRED TAX

	2014 £000	2013 £000
At beginning and end of year	<u>1</u>	<u>1</u>

The deferred tax balance is made up as follows:

	2014 £000	2013 £000
Accelerated capital allowances	<u>1</u>	<u>1</u>

10. SHARE CAPITAL

	2014 £000	2013 £000
Authorised, allotted, called up and fully paid 1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

11. RESERVES

	Profit and loss account £000
At 1 November 2013	1,219
Profit for the financial year	678
At 31 October 2014	<u>1,897</u>

CHEMRING PRIME CONTRACTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2014**

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014	2013
	£000	£000
Opening shareholders' funds	1,220	520
Profit for the financial year	678	700
Closing shareholders' funds	1,898	1,220

13. 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.