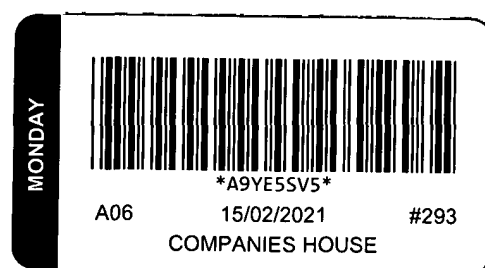


Registered number: 2983472

CHEMRING PRIME CONTRACTS LIMITED

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



CHEMRING PRIME CONTRACTS LIMITED

COMPANY INFORMATION

Directors	A P Davies S L Ellard A G Lewis M Ord
Company Secretary	S L Ellard
Registered number	2983472
Registered office	Roke Manor Old Salisbury Lane Romsey Hampshire United Kingdom SO51 0ZN
Independent auditor	KPMG LLP Statutory Auditor Gateway House Tollgate Eastleigh United Kingdom SO53 3TG

CHEMRING PRIME CONTRACTS LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Directors' responsibilities statement	4
Independent auditor's report to the members of Chemring Prime Contracts Limited	5 - 6
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 16

CHEMRING PRIME CONTRACTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2020

Business review

Revenue for the year decreased year-on-year from £1,619,000 to £nil. The company's business has now been wound down and no further sales orders are being sought. Operating loss for the year was £4,000 (2019: £161,000 profit), which represented overheads incurred on the wind down of the business.

Principal risks and uncertainties

The company is a wholly owned subsidiary of Chemring Group PLC ("the Group"). 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 business, including 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.

Future developments

The company has now ceased operations and the directors are not seeking any further sales orders.

Financial risks

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

The company undertook certain transactions denominated in foreign currencies, which gave rise to exposures to exchange rate fluctuations.

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

This report was approved by the Board of Directors on 29 January 2021.



S. L. Ellard
Company Secretary

CHEMRING PRIME CONTRACTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2020

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

Principal activity

The company's principal activity was the marketing and export sale of pyrotechnics and munitions. The company has now ceased operations and the directors are not seeking any further sales orders.

Results and dividends

The loss for the year, after taxation, amounted to £20,000 (2019 : profit £177,000).

The directors do not recommend the payment of a dividend (2019: £6,000,000 dividend paid).

Going concern

The company has now ceased operations and the directors are not seeking any further sales orders. The directors have reviewed the company's wind-down projections by modelling the anticipated financial outcome covering the settlement of the remaining liabilities and forecast costs of wind up through the utilisation of its controlled assets. These show that the company has sufficient assets to meet its liabilities as they fall due in an orderly fashion. As the directors no longer intend to pursue the company's activity, these financial statements have been prepared on a non-going concern basis. No adjustments to asset or liability carrying values arose from this decision.

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

A P Davies
S L Ellard
A G Lewis
M Ord

Financial risks

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

CHEMRING PRIME CONTRACTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2020**

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 29 January 2021 and signed on its behalf.



**S L Ellard
Company Secretary**

CHEMRING PRIME CONTRACTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in Note 1.3, the directors do not believe that it is appropriate to prepare these statements on a going concern basis).

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHEMRING PRIME CONTRACTS LIMITED

Opinion

We have audited the financial statements of Chemring Prime Contracts Limited ("the company") for the year ended 31 October 2020 which comprise the income statement, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1.3 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHEMRING PRIME CONTRACTS LIMITED

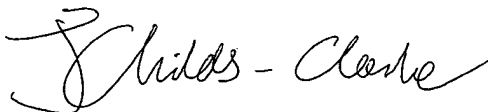
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



James Childs-Clarke (Senior statutory auditor)

for and on behalf of KPMG LLP

Statutory Auditor
Chartered Accountants

Gateway House
Tollgate
Eastleigh
United Kingdom

SO53 3TG

Date: 29 January 2021

CHEMRING PRIME CONTRACTS LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2020**

	Note	2020 £000	2019 £000
Turnover	2	-	1,619
Cost of sales		-	(1,444)
Gross profit		-	175
Administrative expenses		(4)	(14)
Operating (loss)/profit	3	(4)	161
Tax on (loss)/profit		(16)	16
(Loss)/profit for the financial year		(20)	177

All results for the year derive from discontinued operations.

There were no recognised gains and losses other than those included in the income statement, therefore no statement of other comprehensive income has been presented.

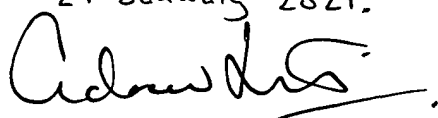
CHEMRING PRIME CONTRACTS LIMITED
REGISTERED NUMBER:2983472

BALANCE SHEET
AS AT 31 OCTOBER 2020

	Note	2020 £000	2019 £000
Current assets			
Debtors: amounts falling due after more than one year	6	-	16
Cash at bank and in hand		460	2,220
		<u>460</u>	<u>2,236</u>
Creditors: amounts falling due within one year	7	(193)	(1,949)
Net current assets		<u>267</u>	<u>287</u>
Total assets less current liabilities		<u>267</u>	<u>287</u>
Net assets		<u>267</u>	<u>287</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account		266	286
		<u>267</u>	<u>287</u>

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 January 2021.


A G Lewis
Director

The notes on pages 10 to 16 form part of these financial statements.

CHEMRING PRIME CONTRACTS LIMITED

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

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 November 2018	1	6,109	6,110
Profit for the year	-	177	177
Dividends	-	(6,000)	(6,000)
At 1 November 2019	1	286	287
Loss for the year	-	(20)	(20)
At 31 October 2020	1	266	267

The notes on pages 10 to 16 form part of these financial statements.

See note 10 for details on share capital movements.

CHEMRING PRIME CONTRACTS LIMITED

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

1. Accounting policies

1.1 Basis of preparation of financial statements

Chemring Prime Contracts 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 IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- 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 company has now ceased operations and the directors are not seeking any further sales orders. The directors have reviewed the company's wind-down projections by modelling the anticipated financial outcome covering the settlement of the remaining liabilities and forecast costs of wind up through the utilisation of its controlled assets. These show that the company has sufficient assets to meet its liabilities as they fall due in an orderly fashion. As the directors no longer intend to pursue the company's activity, these financial statements have been prepared on a non-going concern basis. No adjustments to asset or liability carrying values arose from this decision.

CHEMRING PRIME CONTRACTS LIMITED

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

1. Accounting policies (continued)

1.4 Revenue recognition

Revenue is measured at the fair value of the consideration which is expected to be received in exchange for the goods and services provided, net of applicable taxes. Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has identified a sales contract with a customer;
- the performance obligations within this contract have been identified;
- the transaction price has been determined;
- this transaction price has been allocated to the performance obligations in the contract; and
- revenue is recognised as or when each performance obligation is satisfied.

Performance obligations are satisfied when the customer gains control of promised goods or services from the contract.

1.5 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.

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.

1.6 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.

1.7 Foreign currency

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 instruments

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

CHEMRING PRIME CONTRACTS LIMITED

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

1. Accounting policies (continued)

1.9 Financial assets

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Loan receivables

Interest bearing intercompany loans are recorded at the nominal amount. Finance revenue is accounted for on an accruals basis in the income statement using the effective interest method and is added to the carrying amount of the instrument to the extent that it is not settled in the period in which it arises.

1.10 Financial liabilities

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into.

Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value.

Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accruals basis in the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The company enters into a variety of derivative financial instruments with its parent company to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts and cross currency swaps. Further details of derivative financial instruments are disclosed in note 9.

Derivatives are recognised at fair value on the date the derivative contract is entered into and are revalued to fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately.

CHEMRING PRIME CONTRACTS LIMITED

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

1. Accounting policies (continued)

1.11 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 year. 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.

Accounting judgements

The majority of the company's revenue arises from the manufacture and shipment of goods. Sales contracts are reviewed for performance obligations but the principal driver for timing of revenue recognition is delivery obligations, typically based on Incoterms. Once the relevant delivery obligation has been met revenue can be recognised. This also applies to sales where there are no goods shipped but a deliverable is completed at a certain point in time, such as the issue of a report.

A number of sales contracts allow for bill and hold arrangements, where the customer has bought the goods but has not yet taken physical possession. This usually arises when the customer has limited storage space or there have been delays in their own production schedule. For such revenue to be recognised the bill and hold arrangement must be substantive and the relevant goods must be clearly identified as belonging to the customer and ready for immediate shipment at the customer's request.

Sale of goods:

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has identified a sales contract with a customer;
- the performance obligations within this contract have been identified;
- the transaction price has been determined;
- this transaction price has been allocated to the performance obligations in the contract; and
- revenue is recognised as or when each performance obligation is satisfied.

Performance obligations are satisfied when the customer gains control of promised goods or services from the contract.

There are no other critical estimates and assumptions that are likely to affect the current or future financial years.

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.

2. Revenue

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

All revenue originates from one class of business, being the sale of pyrotechnics and munitions.

CHEMRING PRIME CONTRACTS LIMITED

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

3. Operating (loss)/profit

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

	2020	2019
	£000	£000
Exchange differences	2	(19)

During the year, no director received any emoluments (2019: £nil).

4. Auditor's remuneration

	2020	2019
	£000	£000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	4	3

The auditor did not provide any non-audit services during the year.

5. Staff costs

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

The emoluments of A G Lewis, S L Ellard, A P Davies and M Ord were borne by Chemring Group PLC. Their services as directors of this company were considered insignificant in the context of their overall services to the Group and therefore no allocation of remuneration to this subsidiary was made. Details of their total remuneration are publicly available in the financial statements of Chemring Group PLC.

6. Deferred tax and trade and other receivables

Due after more than one year

Deferred tax asset (see note 8)	-	16
	-	16

CHEMRING PRIME CONTRACTS LIMITED

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

7. Trade and other payables

	2020	2019
	£000	£000
Other creditors	-	1,694
Accruals and deferred income	193	250
Financial instruments	-	5
	<u>193</u>	<u>1,949</u>

8. Deferred taxation

	2020	2019
	£000	£000
At beginning of year	16	-
(Charged)/credited to the income statement	(16)	16
At end of year	<u>-</u>	<u>16</u>

The deferred tax asset is made up as follows:

	2020	2019
	£000	£000
Short term timing difference	-	16
	<u>-</u>	<u>16</u>

CHEMRING PRIME CONTRACTS LIMITED

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

9. Financial instruments

Forward foreign exchange contracts

The company has forward foreign exchange contracts with fair values of £nil liability (2019: £5,000 liability) and £nil asset (2019: £nil asset). The net value of these derivative financial instruments is a liability of £nil (2019: £5,000 liability).

The following table details the fair value of derivative financial instrument liabilities recognised in the balance sheet:

	2020 £000	2019 £000
Included in current assets	-	-
Included in current liabilities	-	(5)
Forward foreign exchange contracts	-	(5)

The gain on the movement in fair value of the derivative financial instruments recognised in the income statement is £5,000 (2019: £18,000).

10. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
1,000 (2019 :1,000) ordinary shares of £1.00 each	1	1

11. 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.