FOR IMMEDIATE RELEASE 23 JUNE 2015

CHEMRING GROUP PLC

INTERIM RESULTS FOR THE SIX MONTHS TO 30 APRIL 2015

Continuing operations	**2015**	2014
Revenue	**£161.7m**	£208.8m
Underlying operating profit[1]	**£5.5m**	£22.4m
Underlying (loss)/profit before tax[1]	**£(1.3)m**	£13.4m
Net debt at 30 April	**£148.5m**	£229.2m
Net debt at 31 October		£135.6m
Underlying (loss)/earnings per share[1]	**(0.5)p**	5.4p
Dividend per share[2]	**2.4p**	2.4p
Total operating (loss)/profit	**£(8.3)m**	£14.1m
(Loss)/profit before tax	**£(15.1)m**	£5.1m
Total (loss)/earnings per share	**(5.6)p**	2.4p

1 *Underlying measures referred to in this announcement are stated before costs relating to acquisitions and disposals, business restructuring and incident costs, profit/(loss) on disposal of businesses, items deemed to be of an exceptional nature, impairment of goodwill and acquired intangibles, impairment of assets held for sale, amortisation of acquired intangibles and gains/losses on the movement in the fair value of derivative financial instruments, as stated in the 2014 Annual Report and Accounts. Further details of underlying and total measures are shown in notes 3 and 6.*

2 *The interim dividend of 2.4p per ordinary share will be paid on 25 September 2015 to shareholders on the register at 4 September 2015. The ex-dividend date is 3 September 2015.*

Highlights

- Significant reduction in H1 profit, due to delays in order receipts and customer acceptance
- Full year expectations unchanged - more than 75% of required H2 revenue now in order book
- Order book £502.8 million at 30 April 2015 (2014: £401.8 million), £208.8 million for delivery in the current year
- Significant orders exceeding £50.0 million received since period end, with deliveries scheduled to start in H2, and further material orders expected to be secured in H2 in all three segments
- Key strategic wins on long-term US Sensors & Electronics development programmes
- Restructuring of operations to reflect long-term programmes and opportunities
- Interim dividend maintained at prior-year level

Michael Flowers, Group Chief Executive of Chemring, commented:

"Prolonged negotiations and delays in the receipt of significant Middle East orders mean that we expect a heavy weighting of this year's performance towards the second half. The receipt of orders exceeding £50.0 million since the period end, coupled with further significant orders expected to be won and the resolution of certain operational issues, is expected to result in a strong second half performance. We are taking the necessary steps to enable delivery of these orders to commence in the current financial year. Having carefully scrutinised the status of the order pipeline and subject to receipt of key orders in the coming months, our expectations for the full year remain unchanged.

The first half of 2015 has seen ongoing implementation of Chemring's strategy, with significant success on long-term counter-IED, chemical and biological detection programmes for the US Department of Defense. Overall, we are making good strategic and operational progress, and look forward with increasing optimism to the longer-term potential of the Group being delivered."

For further information:

Michael Flowers	Group Chief Executive, Chemring Group PLC	01794 833901
Steve Bowers	Group Finance Director, Chemring Group PLC	01794 833901
Rupert Pittman	Group Director of Communications and Investor Relations, Chemring Group PLC	01794 833901
John Olsen James White	MHP Communications	0203 128 8100

Cautionary statement

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Chemring's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are; increased competition, the loss of or damage to one or more key customer relationships, changes to customer ordering patterns, delays in obtaining customer approvals for engineering or price level changes, the failure of one or more key suppliers, the outcome of business or industry restructuring, the outcome of any litigation, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in raw material or energy market prices, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, or the key timing and success of future acquisition opportunities or major investment projects. Chemring undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Notes to editors

- Chemring is a global business that specialises in the manufacture of high technology products and the provision of services to the aerospace, defence and security markets

- Employing approximately 3,000 people worldwide, and with production facilities in four countries, Chemring meets the needs of customers in more than fifty countries
- Chemring is organised under three strategic product segments: Countermeasures, Sensors & Electronics, and Energetic Systems
- Chemring has a diverse portfolio of products that deliver high reliability solutions to protect people, platforms, missions and information against constantly changing threats
- Operating in niche markets and with strong investment in research and development, Chemring has the agility to rapidly react to urgent customer needs

www.chemring.co.uk

Presentation
The presentation slides and a live audio webcast of the presentation to analysts will be available at the Chemring Group results centre www.chemring.co.uk/resultscentre at 09.30 (UK time) on Tuesday 23 June 2015. The presentation can also be listened to at that time by dialling +44 (0) 20 3059 8125 and using the participant password 'Chemring'. A recording of the audio webcast will be available later that day.

Photography
Original high resolution photography is available to the media by contacting Jennifer Iveson, MHP Communications: jennifer.iveson@mhpc.com / tel: 0203 128 8100.

Trading update
Chemring will issue a trading update in September 2015.

INTERIM MANAGEMENT REPORT

Group overview

Revenue from continuing operations reduced by 22.6% to £161.7 million (2014: £208.8 million) and underlying operating profit was £5.5 million (2014: £22.4 million). There was an underlying loss per share from continuing operations of 0.5p (2014: 5.4p earnings per share). The results were, as anticipated, impacted by lower activity levels. On a constant currency basis, revenue from continuing operations was £156.9 million and underlying operating profit was £6.1 million.

The Group's order book at 30 April 2015 was £502.8 million (31 October 2014: £486.8 million), of which £208.8 million is scheduled for delivery during the current financial year. The order book was weighted towards Countermeasures and Energetic Systems.

Order intake, production improvements and outlook

The significant reduction in first-half profitability is disappointing and reflects ongoing contract delays, primarily in relation to Middle East customers. However, in light of key contracts secured since the period end, a number of material opportunities expected to be finalised in the coming months and with the resolution of certain operational issues, Chemring's full year performance will be very heavily weighted towards the second half. Having carefully scrutinised the status of the order pipeline and subject to receipt of key orders in the coming months, the Group's expectations for the full year remain unchanged.

Since the period end orders exceeding £50.0 million have been received, primarily for supply to customers in the Middle East. Included within this order intake is a significant award for the provision of non-standard ammunition under a US Government contract which is expected to be wholly fulfilled in the current financial year.

In addition, following prolonged negotiations in the Middle East, orders are expected to be received for the supply of 3d-Radar detection equipment and 40mm ammunition rounds. Further progress is also expected on the Middle East Husky Mounted Detection System ("HMDS") ground penetrating radar order received in 2014. Initial procurement and production to fulfil these requirements has commenced, enabling these key orders and contracts to be significantly progressed in the coming months, with revenues in the current financial year. These revenues underpin the Group's full-year expectations and are expected to deliver a profit contribution of approximately £12 million.

Alongside this expected order intake, the Group expects to see the benefit of increases in production volumes and improved efficiency levels at Alloy Surfaces, as well as further production gains at Kilgore, Chemring Defence and Chemring Energetic Devices.

During the period, a lack of available shipping capacity prevented certain deliveries of product to Middle East customers. These issues have now been resolved and this backlog will be delivered in the second half.

Notwithstanding the short-term delays in order intake, the Group has made important strategic progress during the period, refocusing its operations towards longer-term opportunities, including the F-35 Joint Strike Fighter, counter-IED, and chemical and biological detection programmes for the US Department of Defense ("US DoD"). Significant progress has been made in addressing the Group's structure, with greater focus on Chemring's core capability areas, a clearer emphasis on collaboration within segments, and a research and development investment programme that is better aligned to customer requirements.

While end markets remain challenging and customer behaviour difficult to predict, the Group continues to pursue growth opportunities, particularly in non-NATO and commercial markets, and to drive operational efficiencies.

As a result, the Group remains well placed to achieve longer-term growth, capitalising on its leading technologies and market positions in Countermeasures, Sensors & Electronics, and Energetic Systems.

Markets

The declines in defence spending that have occurred in recent years appear to have stabilised and the global defence market is expected to be broadly flat through 2015, before slowly recovering.

The US remains the dominant player in defence spending. Recent declines in US DoD budgets have reflected austerity measures and the ongoing drawdown of operations in Afghanistan, though these reductions appear to be partially reversing. Early indications are that the US DoD's FY16 spending is likely to see an unchanged base budget but a significant rise in the operational budget. This expenditure is likely to be concentrated on areas of preferential spending such as cyber security, and chemical and biological threat detection.

Elsewhere in NATO, defence spending remains constrained. Ambiguity surrounds the future level of UK defence expenditure, with reports that it will be maintained at 2% of GDP with a 1% real increase per year being conflicted by reports of budget cuts. Given reduced exposure to UK Ministry of Defence ("UK MoD") expenditure, any short-term cuts are not expected to materially impact Chemring.

The Middle East defence market remains robust, with growth in spending continuing to be fuelled by regional tensions and the threat from Islamic State. While there are increased opportunities in this market, the timing of order placement remains difficult to predict.

Countermeasures review

The Countermeasures segment had a mixed first half, with revenue increasing by 13.8% to £49.5 million (2014: £43.5 million) and underlying operating profit increasing to £4.7 million (2014: £1.5 million). The underlying operating margin rose to 9.5% (2014: 3.4%). Activity in the comparative period was impacted by the February 2014 incident at Kilgore.

Sales and profits were slightly below expectations. This was largely the result of short-term production issues on particular product lines which have either been mitigated or resolved since the period end. It is expected that the resultant shortfall in performance will be recovered in the second half.

Chemring Australia had a strong first half with order intake and revenue above expectations. Qualification of Chemring Australia as the second source manufacturer of countermeasures for the F-35, alongside Kilgore, continues to progress well with further design reviews successfully completed in the period.

Alloy Surfaces continues to experience a significant downturn in demand from the US DoD. Although improved second-half performance is partially dependent upon the receipt of orders from the US DoD and Middle East customers, the current order book gives coverage of over 75% of second half revenues. Options for reducing the cost base at Alloy Surfaces are currently under review, including the potential consolidation of manufacturing operations into one plant.

Kilgore's operational performance continues to improve, albeit gradually. Specific production problems on two product lines persisted into the first half but have now been resolved, and gross margin levels are rising as production consistency increases. All of Kilgore's anticipated revenues for the second half are covered by orders in hand.

Chemring Countermeasures UK's performance was impacted by production challenges on infra-red flares, the specification for which is particularly demanding. These issues have, however, now been largely resolved. Order intake for the period was above expectations and, in view of continued order book growth, a night shift has been introduced to increase manufacturing capacity. The new automated, flare-mixing facility is now operational and will provide greater flexibility in managing production workload.

Following the successful resolution of certain technical problems associated with the development of a new and advanced countermeasure, highlighted in the 2014 Annual Report and Accounts, work has continued on the qualification of this product and the results of the final customer acceptance test are expected by July 2015.

Countermeasures' order book of £199.3 million increased by 3.1% during the period (October 2014: £193.3 million, April 2014: £161.8 million).

Sensors & Electronics review

Revenue for Sensors & Electronics decreased by 56.3% to £41.4 million (2014: £94.7 million). Contract delays and sales mix caused the revenue decline to result in underlying operating profit falling to £0.9 million (2014: £23.3 million). The underlying operating margin consequently decreased to 2.2% (2014: 24.6%). This performance was principally due to delays in progressing production contracts with Middle East customers, which were anticipated to offset the current pause in manufacturing for the US DoD.

This Middle East demand includes a requirement for 3d-Radar detection equipment, for which an order is expected to be received in the second half. Further progress is expected on the HMDS ground penetrating radar production order received in 2014. Initial procurement and production to fulfil these requirements has commenced and revenue from these contracts is now anticipated for the second half.

Chemring has continued to focus its efforts on long-term US DoD Programs of Record. The first half of 2015 has seen success on the development phases of the Programs of Record for counter-IED, chemical and biological detection. In April 2015, Chemring received a $14.9 million award as the sole contractor for the US DoD's Joint Biological Tactical Detection System ("JBTDS") development programme. Production activity on the JBTDS programme is expected to have lifetime revenues in excess of $300 million. This award, combined with wins on the Next Generation Chemical Detector and the HMDS ground penetrating radar development programmes, sees the Group making good strategic progress in the US.

Expansion into the commercial market is gaining pace, with the 3d-Radar ground penetrating radar being applied to support anomaly detection in the infrastructure and construction sectors. Technologies developed as part of the Group's chemical and biological detection capabilities are being adapted to meet emerging requirements, particularly in the police and first responder markets.

As a result of the reduced production workload in the US and the near-term focus on US research and development activity, further production consolidation is taking place at Charlottesville, Virginia, with one of the two production sites being closed.

In the UK, a major restructuring of Chemring Technology Solutions is being implemented to deliver greater focus on customer service within Roke, the contract research and development business. Roke will now operate separately from the products-based business, which will continue to develop its positions in electronic warfare and communications.

Chemring Technology Solutions has continued to make progress in its core business areas. Sales of the Resolve electronic warfare system have continued to gain traction, with contracts received from customers in the Asia-Pacific and Middle East regions. Positive dialogue continues with other NATO and Middle East customers as the Group works on establishing Resolve as the man-portable electronic warfare system of choice.

The order book for Sensors & Electronics at 30 April 2015 was £88.8 million (October 2014: £77.5 million, April 2014: £50.1 million). Further funded development awards and production orders are anticipated in the second half of the current financial year.

Energetic Systems review

Revenue for Energetic Systems was broadly unchanged at £70.8 million (2014: £70.6 million), while underlying operating profit rose by 38.5% to £3.6 million (2014: £2.6 million). The underlying operating margin was 5.1% (2014: 3.7%), reflecting the benefit of improved operational performance and a favourable sales mix. Margins are expected to increase in the second half in line with normal seasonal variations.

In the UK, the reorganisation of Chemring Energetics is delivering positive results, with greater focus on operational effectiveness, collaboration and customer engagement. This was demonstrated by the first deliveries of plastic explosive block for the UK MoD from the newly-commissioned manufacturing facility, strengthening Chemring Energetics UK's position as a leader in the supply of demolition products.

Chemring Defence had a strong first half. Demand from customers in the Middle East remains robust and further orders are expected over the next twelve months. Demand from the UK MoD remains subdued, with demand not expected to re-start until 2017.

In the US, significant progress has been made at Chemring Energetic Devices in relieving capacity constraints. The common enterprise resource planning system, implemented in 2014, is resulting in operational efficiencies and improving delivery performance. Customer confidence is growing as a result and the order book has continued to increase.

Chemring Ordnance performed strongly, with production of Anti-Personnel Obstacle Breaching Systems ("APOBS") in line with expectations and additional product lines progressively increasing manufacturing throughput. In May 2015, Chemring Ordnance was awarded a US DoD $62.7 million contract for non-standard ammunition, which is expected to be fulfilled in the second half. Further significant contracts for the supply of 40mm ammunition to the Middle East are expected to be received in the second half, with deliveries spanning the current and future financial years.

The order book for Energetic Systems at 30 April 2015 was £214.7 million (October 2014: £216.0 million, April 2014: £189.9 million).

Analysis of non-underlying items

The use of underlying measures, in addition to total measures, is considered by the Board to improve comparability of business performance between periods and, consistent with past practice, certain items are classed as non-underlying, as set out below.

	2015	2014
	£m	£m
Acquisition and disposal related (credit)/costs	**(2.7)**	9.1
Business restructuring and incident costs	**1.8**	3.0
Claim-related costs	**4.7**	-
Profit on disposal of business	**-**	(0.5)
Impairment of goodwill	**-**	45.9
Impairment of acquired intangibles	**-**	10.7
Impairment of assets held for sale	**-**	13.6
Intangible amortisation arising from business combinations	**7.1**	9.2
Gain on fair value movement of derivative financial instruments	**(0.1)**	(1.0)
Total non-underlying items	**10.8**	90.0
Analysed as:		
Continuing operations	**13.8**	8.3
Discontinued operations	**(3.0)**	81.7
	10.8	90.0

Acquisition and disposal related items included a credit of £3.0 million in respect of discontinued operations, which results from the release of certain provisions established on the disposal of businesses in prior years, which are no longer required, and the retranslation of remaining provisions. Business restructuring and incident costs of £1.8 million include £1.4 million relating to the restructuring of Chemring Technology Solutions' site in Romsey and £0.2 million relating to headcount reductions elsewhere within the Group. Further costs will be incurred in the second half of the current financial year in respect of the restructuring at Romsey and US site rationalisation.

Claim-related costs of £4.7 million are associated with proceedings by the US Department of Justice relating to historic supplies of product by Kilgore. A settlement with the Department of Justice is expected to be reached in the second half and the estimated value of this settlement has been reflected as a non-underlying item due to its scale and unusual nature.

Intangible amortisation arising from business combinations was £7.1 million (2014: £9.2 million), with the decrease principally reflecting the disposal of the European munitions businesses.

The effective tax rate on the underlying profit before tax from continuing operations was 20.3% (2014: 22.0%).

Including non-underlying items, the operating loss from continuing operations was £8.3 million (2014: £14.1 million profit), reflecting the reduction in underlying operating profit and a higher level of non-underlying items. Including non-underlying items, the loss before tax from continuing operations was £15.1 million (2014: £5.1 million profit). The effective tax rate on the result before tax from continuing operations was 28.5% (2014: 7.8%), with the increase being due to the result before tax in the period comprising a greater proportion of non-underlying costs, which are subject to tax at a higher average rate.

Dividend

The Board has declared an unchanged interim dividend of 2.4p per ordinary share (2014: 2.4p). The Board's policy of declaring a dividend covered three times by underlying earnings per share is expected to be maintained for the current financial year. The interim dividend will be paid on 25 September 2015 to shareholders on the register at 4 September 2015.

Working capital

A summary of working capital in respect of continuing operations is set out below:

	2015	2014
	£m	£m
Inventories	**96.3**	83.4
Trade receivables	**49.4**	47.3
Contract receivables	**22.7**	31.0
Trade payables	**(43.6)**	(36.6)
Advance payments	**(11.6)**	(6.1)
Other items	**(37.7)**	(53.6)
	75.5	65.4

Working capital was £75.5 million (April 2014: £65.4 million, October 2014: £70.0 million), with £1.5 million of the increase in the period resulting from foreign exchange rate changes. Inventory levels rose at all three operating segments. Within Countermeasures and Energetic Systems, the increases reflect timing of shipments and production scheduling. For Sensors & Electronics, inventory has risen in anticipation of production contracts to be awarded in the second half of the financial year. Trade receivables were broadly consistent year-on-year, but were lower than the level at October 2014 due to the phasing of sales. Trade payables and advance payments have risen as a result of continuing efforts to optimise the Group's cash position. Other items reduced due to lower levels of accruals and provisions, and the reclassification of provisions relating to discontinued operations.

Contract-accounted revenues represented 3% (2014: 29%) of revenue from continuing operations, with the reduction reflecting the decline in US-based production activity within Sensors & Electronics.

Balance sheet

The Group's net debt increased by £12.9 million during the period to £148.5 million (October 2014: £135.6 million, April 2014: £229.2 million). Of the increase since 31 October 2014, £6.0 million was attributable to exchange rate changes resulting in a higher translated value of US dollar-denominated debt.

Capital expenditure, including capitalised development costs, was £7.6 million (2014: £10.8 million), principally comprising spend on Sensors & Electronics product development and investment in production infrastructure.

Debt facilities

The expected weighting of profit towards the second half, combined with the weighting of earnings towards the first half of the prior financial year, has led to a significant reduction in the level of trailing earnings. In May 2015, Chemring therefore agreed revisions to financial covenants with the syndicate of banks providing its revolving credit facility and with the holders of its loan notes, in order to provide appropriate levels of near-term headroom.

Following these revisions, the permitted ratios for the loan note adjusted debt leverage test and the revolving credit facility leverage test have been increased, to 3.75x for the April 2015 test date and to 3.50x for the July 2015 test date. Thereafter, these permitted leverage ratios revert to their previous level of 3.00x. Leverage is calculated as the ratio of debt, as defined in the respective agreements, to earnings before interest, tax, depreciation and amortisation ("underlying EBITDA"). In addition, the minimum allowed ratio of underlying EBITDA to finance costs has been reduced to 3.00x at the April 2015 and July 2015 test dates. Thereafter, the permitted ratios of underlying EBITDA to finance costs revert to the previously agreed levels of 3.50x under the loan notes and 4.00x under the revolving credit facility.

The Group complied with its financial covenants throughout the period and this compliance is expected by the directors to continue for the foreseeable future.

The directors have acknowledged the latest guidance on going concern. Management have considered the latest forecasts available to them and additional sensitivity analysis has been prepared on the covenant forecasts to consider the impact on covenants of any reduction in anticipated levels of EBITDA. This sensitised scenario includes identified mitigating actions that can be taken if needed and, based on the application of these, shows headroom on all covenant test dates. After consideration of the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the half-yearly condensed financial statements. Further details are set out in note 1.

The table below details the results of the covenant tests at 30 April 2015 and at 31 October 2014:

	2015	2014
Covenant ratios – revolving credit facility		
Maximum allowed ratio of net debt to underlying EBITDA	**3.75x**	3.00x
Actual ratio of net debt to underlying EBITDA	**3.07x**	1.93x
Minimum allowed ratio of underlying EBITDA to finance costs	**3.00x**	4.00x
Actual ratio of underlying EBITDA to finance costs	**3.41x**	4.28x
Covenant ratios – loan note agreements		
Maximum allowed ratio of adjusted debt to underlying EBITDA	**3.75x**	3.00x
Actual ratio of adjusted debt to underlying EBITDA	**3.13x**	2.25x
Maximum allowed ratio of total debt to underlying EBITDA	**3.75x**	3.75x
Actual ratio of total debt to underlying EBITDA	**3.21x**	2.31x
Minimum allowed ratio of underlying EBITDA to finance costs	**3.00x**	3.50x
Actual ratio of underlying EBITDA to finance costs	**3.68x**	4.39x

The table below details net debt at 30 April 2015 and at 30 April 2014:

	2015	2014
	£m	£m
Loan notes, net of facility fees	**(160.8)**	(247.0)
Revolving credit facility	**-**	-
Other loans and finance leases	**(1.1)**	(2.8)
Gross debt	**(161.9)**	(249.8)
Cash	**13.4**	20.6
Net debt	**(148.5)**	(229.2)

Board of directors

At the Group's Annual General Meeting on 19 March 2015, Vanda Murray stepped down as a non-executive director and from the Board of Chemring with effect from that date.

Health and safety

The safety and wellbeing of employees and operations remains the Group's first priority. The emphasis on communicating safety at every level continues, with culture and behaviour programmes embedding safety at the core of all our operations. There is now greater collaboration on safety programmes across the Group and in the sharing of lessons learnt.

The Group continues to focus on the reduction of risk in high-hazard activities, and on continuous improvement of safety cases and process safety management programmes. During the period, the automated manufacturing facility at Chemring Countermeasures UK and the new block explosive manufacturing facility at Chemring Energetics were commissioned. These facilities are now fully operational, further reducing employees' exposure to the hazards of energetic materials.

Complacency is now Chemring's greatest risk to a continued strong performance in respect of health and safety. While lost-time injuries have maintained an improving trend, the Group remains vigilant, and is focused on further reductions in exposure to potential hazards and improvement in safety culture.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Group’s performance and could cause actual results to differ materially from expected and historical results have not changed significantly from those set out in the Group's 2014 Annual Report and Accounts. A detailed description of the Group’s principal risks and uncertainties and the ways they are mitigated can be found at Annex 1. These risks can be summarised as:

- health and safety risks;
- possible defence budget cuts;
- timing and value of orders;
- political risks;
- operational risks;
- introduction of new products;
- product liability and other customer claims;
- management resource;
- compliance and corruption risks;
- environmental laws and regulations; and
- financial risks.

Management have detailed mitigation plans and assurance processes to manage and monitor these risks.

Cautionary statement

This Interim Management Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Interim Management Report should not be relied on by any other party or for any purpose.

The Interim Management Report contains certain forward-looking statements. These statements are made by the directors in good faith based on information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the maintenance and integrity of the Company website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

a) the Condensed Set of Financial Statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*;

b) the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the Interim Management Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Michael Flowers
Group Chief Executive
23 June 2015

Steve Bowers
Group Finance Director
23 June 2015

CONDENSED CONSOLIDATED INCOME STATEMENT
for the half year to 30 April 2015

	Note	**Underlying performance* £m**	**Non-underlying items* £m**	**Total £m**	Underlying performance* £m	Non-underlying items* £m	Total £m
				Unaudited Half year to 30 April 2015			Unaudited Half year to 30 April 2014
Continuing operations							
Revenue		**161.7**	**-**	**161.7**	208.8	-	208.8
Operating profit/(loss)		**5.5**	**(13.8)**	**(8.3)**	22.4	(8.3)	14.1
Finance income		**-**	**-**	**-**	0.2	-	0.2
Finance expense		**(6.8)**	**-**	**(6.8)**	(9.2)	-	(9.2)
(Loss)/profit before tax		**(1.3)**	**(13.8)**	**(15.1)**	13.4	(8.3)	5.1
Tax credit/(charge) on (loss)/profit	5	**0.3**	**4.0**	**4.3**	(2.9)	2.5	(0.4)
(Loss)/profit after tax		**(1.0)**	**(9.8)**	**(10.8)**	10.5	(5.8)	4.7
Discontinued operations							
Profit/(loss) after tax from discontinued operations	11	**-**	**3.0**	**3.0**	3.6	(80.8)	(77.2)
(Loss)/profit after tax	3	**(1.0)**	**(6.8)**	**(7.8)**	14.1	(86.6)	(72.5)

	Note	**Underlying performance***	**Non-underlying items***	**Total**	Underlying performance*	Non-underlying items*	Total
				Unaudited Half year to 30 April 2015			Unaudited Half year to 30 April 2014
(Loss)/earnings per ordinary share	6						
Continuing operations							
Basic		**(0.5)p**	**(5.1)p**	**(5.6)p**	5.4p	(3.0)p	2.4p
Diluted		**(0.5)p**	**(5.1)p**	**(5.6)p**	5.3p	(2.9)p	2.4p
Continuing operations and discontinued operations							
Basic		**(0.5)p**	**(3.5)p**	**(4.0)p**	7.3p	(44.8)p	(37.5)p
Diluted		**(0.5)p**	**(3.5)p**	**(4.0)p**	7.1p	(44.6)p	(37.5)p

* Further information about non-underlying items is set out in note 3.

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)
for the half year to 30 April 2015

	Note	Audited Year to 31 Oct 2014 Underlying performance* £m	Non-underlying items* £m	Total £m
Continuing operations				
Revenue		403.1	-	403.1
Operating profit/(loss)		46.7	(21.3)	25.4
Finance income		0.1	-	0.1
Finance expense		(18.7)	(12.0)	(30.7)
Profit/(loss) before tax		28.1	(33.3)	(5.2)
Tax (charge)/credit on profit/(loss)	5	(5.7)	9.5	3.8
Profit/(loss) after tax		22.4	(23.8)	(1.4)
Discontinued operations				
Profit/(loss) after tax from discontinued operations	11	1.5	(55.0)	(53.5)
Profit/(loss) after tax	3	23.9	(78.8)	(54.9)
Earnings/(loss) per ordinary share	6			
Continuing operations				
Basic		11.6p	(12.3)p	(0.7)p
Diluted		11.3p	(12.0)p	(0.7)p
Continuing operations and discontinued operations				
Basic		12.4p	(40.8)p	(28.4)p
Diluted		12.1p	(40.5)p	(28.4)p

* Further information about non-underlying items is set out in note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the half year to 30 April 2015

	Unaudited Half year to 30 April 2015 £m	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
Loss after tax attributable to equity holders of the parent	**(7.8)**	(72.5)	(54.9)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	**1.0**	(2.4)	(4.8)
Movement on deferred tax relating to pension schemes	**(0.6)**	(0.4)	1.1
	0.4	(2.8)	(3.7)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**2.0**	(7.5)	(14.6)
Income tax on items taken directly to equity	**-**	-	0.5
	2.0	(7.5)	(14.1)
Total comprehensive expense attributable to equity holders of the parent	**(5.4)**	(82.8)	(72.7)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year to 30 April 2015

	Share capital £m	Share premium account £m	Special capital reserve £m	Revaluation reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 November 2014	2.0	230.7	12.9	1.2	(32.6)	95.7	(9.6)	300.3
Loss after tax	-	-	-	-	-	(7.8)	-	(7.8)
Other comprehensive expense	-	-	-	-	2.0	0.4	-	2.4
Total comprehensive income/(expense)	-	-	-	-	2.0	(7.4)	-	(5.4)
Share-based payments (net of settlement)	-	-	-	-	-	0.6	-	0.6
At 30 April 2015	**2.0**	**230.7**	**12.9**	**1.2**	**(30.6)**	**88.9**	**(9.6)**	**295.5**

	Share capital £m	Share premium account £m	Special capital reserve £m	Revaluation reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 November 2013	2.0	230.7	12.9	1.3	(26.0)	172.5	(9.6)	383.8
Loss after tax	-	-	-	-	-	(72.5)	-	(72.5)
Other comprehensive expense	-	-	-	-	(7.5)	(2.8)	-	(10.3)
Total comprehensive expense	-	-	-	-	(7.5)	(75.3)	-	(82.8)
Share-based payments (net of settlement)	-	-	-	-	-	0.6	-	0.6
At 30 April 2014	2.0	230.7	12.9	1.3	(33.5)	97.8	(9.6)	301.6

	Share capital £m	Share premium account £m	Special capital reserve £m	Revaluation reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 November 2013	2.0	230.7	12.9	1.3	(26.0)	172.5	(9.6)	383.8
Loss after tax	-	-	-	-	-	(54.9)	-	(54.9)
Other comprehensive expense	-	-	-	-	(6.6)	(11.2)	-	(17.8)
Total comprehensive expense	-	-	-	-	(6.6)	(66.1)	-	(72.7)
Dividends paid	-	-	-	-	-	(12.0)	-	(12.0)
Share-based payments (net of settlement)	-	-	-	-	-	1.2	-	1.2
Transfers between reserves	-	-	-	(0.1)	-	0.1	-	-
At 31 October 2014	2.0	230.7	12.9	1.2	(32.6)	95.7	(9.6)	300.3

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 April 2015

	Note	**Unaudited As at 30 April 2015**	Unaudited As at 30 April 2014	Audited As at 31 Oct 2014
Non-current assets		**£m**	£m	£m
Goodwill		**121.4**	117.5	119.7
Development costs		**35.2**	29.7	33.2
Other intangible assets		**81.5**	87.4	85.9
Property, plant and equipment		**174.1**	175.5	177.1
Interest in associate		**-**	1.5	-
Deferred tax		**33.5**	11.9	31.9
	3	**445.7**	423.5	447.8
Current assets				
Inventories		**96.3**	83.4	78.1
Trade and other receivables		**87.5**	89.5	90.7
Cash and cash equivalents	8	**13.4**	14.9	21.8
Derivative financial instruments		**1.4**	1.7	0.7
Assets held for sale	12	**-**	195.0	-
		198.6	384.5	191.3
Total assets		**644.3**	808.0	639.1
Current liabilities				
Borrowings		**(0.1)**	(0.4)	(0.3)
Obligations under finance leases		**(0.5)**	(1.6)	(1.0)
Trade and other payables		**(95.1)**	(94.6)	(86.0)
Provisions		**(6.7)**	(3.2)	(2.9)
Current tax		**(2.9)**	(8.8)	(6.7)
Derivative financial instruments		**(3.0)**	(2.1)	(1.7)
Liabilities held for sale	12	**-**	(94.7)	-
		(108.3)	(205.4)	(98.6)
Non-current liabilities				
Borrowings		**(160.8)**	(247.2)	(155.6)
Obligations under finance leases		**(0.4)**	(0.5)	(0.4)
Trade and other payables		**(1.3)**	(2.0)	(2.0)
Provisions		**(20.4)**	(7.7)	(24.1)
Deferred tax		**(38.0)**	(22.4)	(35.5)
Preference shares		**(0.1)**	(0.1)	(0.1)
Retirement benefit obligations	13	**(18.6)**	(20.8)	(21.8)
Derivative financial instruments		**(0.9)**	(0.3)	(0.7)
		(240.5)	(301.0)	(240.2)
Total liabilities		**(348.8)**	(506.4)	(338.8)
Net assets		**295.5**	301.6	300.3
Equity				
Share capital		**2.0**	2.0	2.0
Share premium account		**230.7**	230.7	230.7
Special capital reserve		**12.9**	12.9	12.9
Revaluation reserve		**1.2**	1.3	1.2
Translation reserve		**(30.6)**	(33.5)	(32.6)
Retained earnings		**88.9**	97.8	95.7
		305.1	311.2	309.9
Own shares		**(9.6)**	(9.6)	(9.6)
Equity attributable to equity holders of the parent		**295.5**	301.6	300.3
Total equity		**295.5**	301.6	300.3

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the half year to 30 April 2015

	Note	**Unaudited Half year to 30 April 2015 £m**	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
Cash flows from operating activities				
Cash generated from continuing underlying operations		**12.9**	11.7	45.9
Cash generated from discontinued underlying operations		**-**	15.5	17.6
Cash generated from underlying operations	15	**12.9**	27.2	63.5
Acquisition and disposal related costs		**(0.2)**	(2.3)	(7.5)
Business restructuring and incident costs		**(3.6)**	(1.6)	(6.4)
		9.1	23.3	49.6
Tax paid		**(2.8)**	(0.5)	(3.4)
Net cash inflow from operating activities		**6.3**	22.8	46.2
Cash flows from investing activities				
Purchases of intangible assets		**(4.5)**	(5.5)	(12.1)
Purchases of property, plant and equipment		**(3.1)**	(5.3)	(10.9)
Receipt of finance income		**-**	0.2	0.2
Receipts from sales of businesses, net of cash transferred		**-**	6.2	137.1
Acquisition of subsidiary undertaking, net of cash acquired		**-**	-	(1.4)
Proceeds on disposal of property, plant and equipment		**-**	-	0.4
Net cash (outflow)/inflow from investing activities		**(7.6)**	(4.4)	113.3
Cash flows from financing activities				
Dividends paid		**-**	-	(12.0)
Finance expense paid		**(6.2)**	(9.7)	(32.8)
Capitalised facility fees paid		**(0.6)**	(0.8)	(2.8)
Repayments of borrowings		**(0.2)**	(0.3)	(102.1)
Repayments of finance leases		**(0.5)**	(0.8)	(1.6)
Net cash outflow from financing activities		**(7.5)**	(11.6)	(151.3)
(Decrease)/increase in cash and cash equivalents		**(8.8)**	6.8	8.2
Cash and cash equivalents at beginning of period/year		**21.8**	14.2	14.2
Effect of foreign exchange rate changes		**0.4**	(0.4)	(0.6)
Cash and cash equivalents at end of period/year		**13.4**	20.6	21.8

INDEPENDENT REVIEW REPORT TO CHEMRING GROUP PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2015, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, *"Interim Financial Reporting",* as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
23 June 2015

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation
The condensed consolidated income statement for each of the six month periods and the condensed consolidated balance sheet as at 30 April 2015 do not constitute statutory accounts as defined by section 435 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The half-yearly financial report was approved by the Board of Directors on 23 June 2015. The information for the year ended 31 October 2014 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. Full accounts for the year ended 31 October 2014, which include an unqualified audit report, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

These half-yearly financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union. The condensed set of financial statements included in the half-yearly financial report has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern
The directors believe the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

As part of their regular assessment of Chemring's working capital and financing position, the directors have prepared a detailed trading and cash flow forecast for a period which covers at least twelve months after the date of approval of the financial statements. In assessing the forecast, the directors have considered:

- trading risks presented by the current economic conditions in the defence market, particularly in relation to government budgets and spending;
- the impact of macroeconomic factors, particularly interest rates and foreign exchange rates;
- the status of the Group's financial arrangements and associated covenant requirements;
- progress made in developing and implementing cost reduction programmes and operational improvements;
- mitigating actions available should business activities fall behind current expectations, including the deferral of discretionary overheads and restricting cash outflows; and
- the long-term nature of the Group's business which, taken together with the Group's order book, provides a satisfactory level of confidence to the Board in respect of trading.

The directors have acknowledged the latest guidance on going concern. Management have considered the latest forecasts available to them and additional sensitivity analysis has been prepared on the covenant forecasts to consider the impact on covenants of any reduction in anticipated levels of EBITDA. This sensitised scenario includes identified mitigating actions that can be taken if needed and, based on the application of these, shows headroom on all covenant test dates. After consideration of the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the half-yearly condensed financial statements.

Accounting policies
The accounting policies applied by the Group in this half-yearly financial report are the same as those applied by the Group in its consolidated financial statements for the year ended 31 October 2014.

2. REVENUE BY DESTINATION

	Unaudited Half year to 30 April 2015 £m	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
Continuing operations			
UK	**31.9**	43.0	80.5
USA	**75.4**	127.1	230.2
Europe	**14.1**	16.7	41.4
Asia Pacific	**20.6**	13.0	30.2
Middle East	**19.0**	7.7	17.5
Rest of the world	**0.7**	1.3	3.3
	161.7	208.8	403.1
Discontinued operations			
UK	**-**	1.8	1.8
USA	**-**	1.6	3.1
Europe	**-**	7.8	8.8
Asia Pacific	**-**	3.9	3.9
Middle East	**-**	53.5	54.2
	-	68.6	71.8
Total	**161.7**	277.4	474.9

The directors consider the only countries that are significant in accordance with IFRS 8 *Operating Segments* are the UK and USA, as disclosed above, and the Kingdom of Saudi Arabia, which is included within the Middle East category. Sales to the Kingdom of Saudi Arabia from continuing operations generated revenue of £6.9 million (H1 2014: £4.8 million, 2014: £9.2 million). Including discontinued operations, sales to the Kingdom of Saudi Arabia generated revenue of £6.9 million (H1 2014: £41.2 million, 2014: £47.8 million).

3. SEGMENTAL ANALYSIS

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive and the Board to allocate resources to the segments and to assess their performance. The Group's operating and reporting structure was revised during the year to 31 October 2014 to better cluster similar businesses together within the following three operating segments - Countermeasures, Sensors & Electronics, and Energetic Systems. These segments are the basis on which the Group reports its segmental information.

Segmental analyses of revenue and underlying operating profit are set out below:

	Unaudited Half year to 30 April 2015			Unaudited Half year to 30 April 2014		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Revenue						
Countermeasures	**49.5**	**-**	**49.5**	43.5	-	43.5
Sensors & Electronics	**41.4**	**-**	**41.4**	94.7	-	94.7
Energetic Systems	**70.8**	**-**	**70.8**	70.6	-	70.6
Discontinued operations	**-**	**-**	**-**	-	68.6	68.6
	161.7	**-**	**161.7**	208.8	68.6	277.4

	Audited Year to 31 Oct 2014		
	Continuing £m	Discontinued £m	Total £m
Revenue			
Countermeasures	96.1	-	96.1
Sensors & Electronics	154.4	-	154.4
Energetic Systems	152.6	-	152.6
Discontinued operations	-	71.8	71.8
	403.1	71.8	474.9

	Unaudited Half year to 30 April 2015			Unaudited Half year to 30 April 2014		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
	£m	**£m**	**£m**	£m	£m	£m
Underlying operating profit						
Countermeasures	**4.7**	**-**	**4.7**	1.5	-	1.5
Sensors & Electronics	**0.9**	**-**	**0.9**	23.3	-	23.3
Energetic Systems	**3.6**	**-**	**3.6**	2.6	-	2.6
Discontinued operations	**-**	**-**	**-**	-	4.6	4.6
Unallocated corporate costs	**(3.7)**	**-**	**(3.7)**	(5.0)	-	(5.0)
	5.5	**-**	**5.5**	22.4	4.6	27.0

	Audited Year to 31 Oct 2014		
	Continuing	Discontinued	Total
	£m	£m	£m
Underlying operating profit			
Countermeasures	9.7	-	9.7
Sensors & Electronics	31.9	-	31.9
Energetic Systems	15.0	-	15.0
Discontinued operations	-	2.3	2.3
Unallocated corporate costs	(9.9)	-	(9.9)
	46.7	2.3	49.0

Analyses of operating profit to (loss)/profit before tax are set out below, with separate reconciliations provided for continuing and discontinued operations, and for the underlying and total measures of profit:

	Unaudited Half year to 30 April 2015					
	Continuing Underlying £m	**Continuing Total £m**	**Discontinued Underlying £m**	**Discontinued Total £m**	**Total Underlying £m**	**Total £m**
Underlying operating profit	**5.5**	**5.5**	**-**	**-**	**5.5**	**5.5**
Acquisition and disposal related (costs)/credit	**-**	**(0.3)**	**-**	**3.0**	**-**	**2.7**
Business restructuring an incident costs	**-**	**(1.8)**	**-**	**-**	**-**	**(1.8)**
Claim-related costs	**-**	**(4.7)**	**-**	**-**	**-**	**(4.7)**
Intangible amortisation arising from business combinations	**-**	**(7.1)**	**-**	**-**	**-**	**(7.1)**
Gain on fair value movement of derivative financial instruments	**-**	**0.1**	**-**	**-**	**-**	**0.1**
Non-underlying items	**-**	**(13.8)**	**-**	**3.0**	**-**	**(10.8)**
Operating profit/(loss)	**5.5**	**(8.3)**	**-**	**3.0**	**5.5**	**(5.3)**
Finance income	**-**	**-**	**-**	**-**	**-**	**-**
Finance expense	**(6.8)**	**(6.8)**	**-**	**-**	**(6.8)**	**(6.8)**
(Loss)/profit before tax for the period	**(1.3)**	**(15.1)**	**-**	**3.0**	**(1.3)**	**(12.1)**
Tax credit on loss	**0.3**	**4.3**	**-**	**-**	**0.3**	**4.3**
(Loss)/profit after tax for the period	**(1.0)**	**(10.8)**	**-**	**3.0**	**(1.0)**	**(7.8)**

	Continuing Underlying £m	Continuing Total £m	Discontinued Underlying £m	Discontinued Total £m	Total Underlying £m	Total £m
						Unaudited
					Half year to 30 April 2014	
Underlying operating profit	22.4	22.4	4.6	4.6	27.0	27.0
Acquisition and disposal related costs	-	(0.4)	-	(8.7)	-	(9.1)
Business restructuring and incident costs	-	(3.0)	-	-	-	(3.0)
Profit on disposal of business	-	0.5	-	-	-	0.5
Impairment of goodwill	-	-	-	(45.9)	-	(45.9)
Impairment of acquired intangibles	-	-	-	(10.7)	-	(10.7)
Impairment of assets held for sale	-	-	-	(13.6)	-	(13.6)
Intangible amortisation arising from business combinations	-	(6.6)	-	(2.6)	-	(9.2)
Gain/(loss) on fair value movement of derivative financial instruments	-	1.2	-	(0.2)	-	1.0
Non-underlying items	-	(8.3)	-	(81.7)	-	(90.0)
Operating profit/(loss)	22.4	14.1	4.6	(77.1)	27.0	(63.0)
Finance income	0.2	0.2	-	-	0.2	0.2
Finance expense	(9.2)	(9.2)	-	-	(9.2)	(9.2)
Profit/(loss) before tax for the period	13.4	5.1	4.6	(77.1)	18.0	(72.0)
Tax charge on profit/(loss)	(2.9)	(0.4)	(1.0)	(0.1)	(3.9)	(0.5)
Profit/(loss) after tax for the period	10.5	4.7	3.6	(77.2)	14.1	(72.5)

	Continuing Underlying £m	Continuing Total £m	Discontinued Underlying £m	Discontinued Total £m	Total Underlying £m	Total £m
						Audited
					Year to 31 October 2014	
Underlying operating profit	46.7	46.7	2.3	2.3	49.0	49.0
Acquisition and disposal related costs	-	(0.6)	-	(8.0)	-	(8.6)
Business restructuring and incident costs	-	(7.2)	-	-	-	(7.2)
Loss on disposal of associate	-	-	-	(0.9)	-	(0.9)
Profit on disposal of business	-	0.5	-	26.0	-	26.5
Impairment of goodwill	-	-	-	(45.9)	-	(45.9)
Impairment of acquired intangibles	-	-	-	(10.7)	-	(10.7)
Impairment of assets held for sale	-	-	-	(13.6)	-	(13.6)
Intangible amortisation arising from business combinations	-	(13.5)	-	(2.6)	-	(16.1)
Loss on fair value movement of derivative financial instruments	-	(0.5)	-	(0.2)	-	(0.7)
Non-underlying items	-	(21.3)	-	(55.9)	-	(77.2)
Operating profit/(loss)	46.7	25.4	2.3	(53.6)	49.0	(28.2)
Finance income	0.1	0.1	0.1	0.1	0.2	0.2
Finance expense	(18.7)	(18.7)	(0.2)	(0.2)	(18.9)	(18.9)
Non-underlying accelerated interest costs	-	(12.0)	-	-	-	(12.0)
Profit/(loss) before tax for the year	28.1	(5.2)	2.2	(53.7)	30.3	(58.9)
Tax (charge)/credit on profit/(loss)	(5.7)	3.8	(0.7)	0.2	(6.4)	4.0
Profit/(loss) after tax for the year	22.4	(1.4)	1.5	(53.5)	23.9	(54.9)

There are no material intra-group transactions included within the revenue and profit values disclosed in this note.

Underlying profit before tax has been defined as earnings before costs relating to acquisitions and disposals, business restructuring and incident costs, profit/(loss) on disposal of businesses, items deemed to be of an exceptional nature, impairment of goodwill and acquired intangibles, impairment of assets held for sale, amortisation of acquired intangibles and gains/losses on the movement in the fair value of derivative financial instruments. The directors consider this measure of profit allows a more meaningful comparison of earnings trends.

Segmental analyses of depreciation and amortisation are set out below. All depreciation is reflected in both underlying and total measures of operating profit. The analysis of amortisation is shown for both the underlying and total operating profit measures.

	Unaudited Half year to 30 April 2015 £m	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
Depreciation			
Countermeasures	**3.6**	3.5	7.0
Sensors & Electronics	**1.3**	1.3	2.7
Energetic Systems	**2.4**	2.4	4.8
Discontinued operations	**-**	1.7	1.8
Unallocated corporate items	**0.2**	0.4	0.7
	7.5	9.3	17.0

	Within underlying operating profit			**Within total operating profit**		
	Unaudited Half year to 30 April 2015 £m	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m	**Unaudited Half year to 30 April 2015 £m**	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
Amortisation						
Countermeasures	**0.7**	0.3	1.1	**0.7**	0.3	1.1
Sensors & Electronics	**1.8**	1.4	3.3	**5.5**	4.8	10.3
Energetic Systems	**0.4**	0.6	1.2	**3.8**	3.7	7.7
Discontinued operations	**-**	0.8	0.9	**-**	3.5	3.5
Unallocated corporate items	**0.2**	0.1	0.2	**0.2**	0.1	0.2
	3.1	3.2	6.7	**10.2**	12.4	22.8

An analysis of non-underlying items by segment is provided below:

	Unaudited Half year to 30 April 2015 £m	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
Non-underlying items by segment			
Countermeasures	**4.8**	1.5	2.0
Sensors & Electronics	**5.2**	3.7	7.8
Energetic Systems	**3.4**	3.1	7.1
Discontinued operations	**(3.0)**	81.7	55.9
Unallocated	**0.4**	-	16.4
	10.8	90.0	89.2

Unallocated items in the year to 31 October 2014 include £12.0 million (H1 2015: £nil, H1 2014: £nil) of accelerated interest due on early repayment of loan notes.

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In the period to 30 April 2015, there was an acquisition and disposal related credit of £2.7 million (H1 2014: £9.1 million charge, 2014: £8.6 million charge), which includes a £3.0 million credit from the release of certain provisions established on the disposal of businesses in prior years, which are no longer required, and the retranslation of remaining provisions. This £3.0 million credit has been included with discontinued operations. The remaining £0.3 million charge relates to acquisition related costs. Acquisition and disposal related costs in the comparative period and in the year to 31 October 2014 principally related to the disposal of the European munitions businesses and Chemring Defence Germany, as well as ongoing merger and acquisition activity.

In the period to 30 April 2015, restructuring and incident costs were £1.8 million (H1 2014: £3.0 million, 2014: £7.2 million) and included £1.4 million in respect of the restructuring of Chemring Technology Solutions in the UK. In the period to 30 April 2014, restructuring and incident costs were associated with the ongoing reorganisation of the Group’s US-based businesses, relocation of the UK head office, and the non-recurring incentive scheme designed to ensure continued service of key personnel, together with £0.9 million of costs incurred in relation to the Kilgore incident that occurred in February 2014. In the year to 31 October 2014, restructuring costs included £1.1 million relating to senior executives leaving and £4.1 million relating to simplification and integration activities at business units. In addition, £0.9 million related to excess property costs and £1.1 million related to the incident at the Kilgore site.

Claim-related costs of £4.7 million (H1 2014: £nil, 2014: £nil) are associated with proceedings by the US Department of Justice relating to historic supplies of product by Kilgore. A settlement with the Department of Justice is expected to be reached in the second half and the estimated value of this settlement has been reflected as a non-underlying item due to its scale and unusual nature.

The impairment of goodwill, the impairment of acquired intangibles and the impairment of assets held for sale relate to the transfer of the European munitions businesses and Chemring Defence Germany to assets and liabilities held for sale in the period to 30 April 2014, and their subsequent disposal in the year to 31 October 2014. See notes 11 and 12 for further details.

An update of the annual impairment assessment performed for the preparation of the Group's financial statements for the year to 31 October 2014 has been undertaken, with indicators of potential impairment having been considered. Indicators were identified for Chemring Energetics. A 10% fall in forecast cash flows at Chemring Energetics would require an impairment charge of up to £1.1 million. A 1% increase in the discount rate, along with setting the long-term growth rate beyond the four year forecast period to zero, would not result in impairment at any of the remaining cash generating units.

Non-current assets by location

The Group does not disclose assets or liabilities by segment in the monthly management accounts provided to the Executive Committee or the Board. The Improvements to IFRSs amendment document issued in April 2009 only requires to be disclosed that information that is provided to the chief operating decision maker as a key decision-making tool. The Group has adopted this amendment in order to clarify that the chief operating decision maker does not use this information as a key decision tool. IFRS 8 *Operating Segments* requires a geographic analysis of non-current assets, and a disclosure of non-current assets by location is therefore shown below:

	Unaudited As at 30 April 2015 £m	Unaudited As at 30 April 2014 £m	Audited As at 31 Oct 2014 £m
Non-current assets by location			
UK	**233.3**	212.8	233.3
USA	**184.2**	179.8	184.5
Europe	**4.8**	5.7	5.1
Australia and Far East	**23.4**	25.2	24.9
	445.7	423.5	447.8

4. SEASONALITY OF REVENUE

Revenue for all three of the business segments is more weighted towards the second half of the financial year, in line with defence spending and the timing of expected contract activity.

5. TAX

Including discontinued operations, the effective tax rate on underlying profit before tax for the period is 20.3% (H1 2014: 22.0%, 2014: 21.1%) and is based on the estimated effective tax rate on underlying profit before tax for the full year. The tax credit on non-underlying items for the period, including discontinued operations, results in an effective tax rate of 37.0% (H1 2014: 3.8%, 2014: 11.7%). The tax rate on total profit before tax, including discontinued operations, is therefore 35.5% (H1 2014: 0.7%, 2014: 6.8%). The full year effective tax rate on total profit before tax, including discontinued operations, is currently forecast to be 8.6% (H1 2014: 0.7%, 2014: 6.8%).

6. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share are based on the average number of shares in issue, excluding own shares held, of 193,297,111 (H1 2014: 193,296,213, 2014: 193,296,666) and the loss on continuing operations after tax of £10.8 million (H1 2014: £4.7 million profit, 2014: £1.4 million loss). Diluted earnings per share has been calculated using a diluted average number of shares in issue, excluding own shares held, of 193,297,111 (H1 2014: 197,457,734, 2014: 193,266,666) and the loss on continuing operations after tax of £10.8 million (H1 2014: £4.7 million profit, 2014: £1.4 million loss). No dilution has been recognised for the purposes of basic earnings per share from continuing operations due to there being a loss per share for the period to 30 April 2015, and for the year to 31 October 2014. In addition, no dilution has been recognised for the purposes of underlying earnings per share for the period to 30 April 2015, due to there being a loss per share for that period. Dilution has, however, been recognised in the calculation of underlying earnings per share for the period to 30 April 2014 and the year to 31 October 2014, using a diluted average number of shares in issue, excluding own shares held, of 197,457,734 and 197,285,824 respectively.

The earnings and number of shares used in the calculations are as follows:

	Unaudited Half year to 30 April 2015 Number 000s	Unaudited Half year to 30 April 2014 Number 000s	Audited Year to 31 Oct 2014 Number 000s
Weighted average number of shares used to calculate basic and diluted loss per share	**193,297**	193,296	193,297
Additional shares issuable other than at fair value in respect of options outstanding	-	4,162	3,989
Weighted average number of shares used to calculate diluted underlying (loss)/earnings per share	**193,297**	197,458	197,286

Continuing operations

	Unaudited Half year to 30 April 2015		Unaudited Half year to 30 April 2014		Audited Year to 31 Oct 2014	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m	Basic £m	Diluted £m
Underlying (loss)/profit after tax	**(1.0)**	**(1.0)**	10.5	10.5	22.4	22.4
Non-underlying items	**(9.8)**	**(9.8)**	(5.8)	(5.8)	(23.8)	(23.8)
Total (loss)/profit after tax	**(10.8)**	**(10.8)**	4.7	4.7	(1.4)	(1.4)
	Basic Pence	**Diluted Pence**	Basic Pence	Diluted Pence	Basic Pence	Diluted Pence
(Loss)/earnings per share	**(5.6)**	**(5.6)**	2.4	2.4	(0.7)	(0.7)
Underlying (loss)/earnings per share	**(0.5)**	**(0.5)**	5.4	5.3	11.6	11.3

Continuing and discontinued operations

	Unaudited Half year to 30 April 2015		Unaudited Half year to 30 April 2014		Audited Year to 31 Oct 2014	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m	Basic £m	Diluted £m
Underlying (loss)/profit after tax	**(1.0)**	**(1.0)**	14.1	14.1	23.9	23.9
Non-underlying items	**(6.8)**	**(6.8)**	(86.6)	(86.6)	(78.8)	(78.8)
Total (loss)/profit after tax	**(7.8)**	**(7.8)**	(72.5)	(72.5)	(54.9)	(54.9)
	Basic Pence	**Diluted Pence**	Basic Pence	Diluted Pence	Basic Pence	Diluted Pence
Loss per share	**(4.0)**	**(4.0)**	(37.5)	(37.5)	(28.4)	(28.4)
Underlying (loss)/earnings per share	**(0.5)**	**(0.5)**	7.3	7.1	12.4	12.1

7. DIVIDENDS

	Unaudited Half year to 30 April 2015 £m	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
Dividends on ordinary shares of 1p each			
Final dividend for the year to 31 October 2013: 3.8p	-	7.3	7.3
Interim dividend for the year to 31 October 2014: 2.4p	-	-	4.7
Total dividends	-	7.3	12.0

The proposed interim dividend in respect of the half year to 30 April 2015 of 2.4p per share will, if approved, absorb approximately £4.6 million of shareholders' funds. No liability for the proposed interim dividend has been included in these half-yearly financial statements.

8. CASH AND CASH EQUIVALENTS

Included within cash is £0.4 million of restricted cash (H1 2014: £0.6 million, 2014: £0.6 million).

9. FINANCIAL INSTRUMENTS

As at 30 April 2015, there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow using readily available market data and represents a Level 2 measurement in the fair value hierarchy under IFRS 7 *Financial Instruments: Disclosures*. As at 30 April 2015, the total fair value of forward foreign exchange contracts recognised in the condensed consolidated balance sheet were an asset of £1.0 million (H1 2014: £1.7 million, 2014: £0.7 million) and a liability of £3.9 million (H1 2014: £0.5 million, 2014: £1.6 million). The fair value of interest rate swap contracts recognised in the condensed consolidated balance sheet were an asset of £0.4 million (H1 2014: £nil, 2014: £nil) and a liability of £nil (H1 2014: £1.9 million, 2014: £0.8 million)

10. ACQUISITION

On 9 May 2014, the Group acquired the entire issued share capital of 3d-Radar AS, a company based in Trondheim, Norway, for a cash consideration of £1.8 million ($3.0 million). The company is a leading developer of commercial three-dimensional ground penetrating radar technology.

	Provisional fair value £m
#	
Property, plant and equipment	0.1
Cash acquired	0.4
Working capital	0.1
Net assets acquired	0.6
Acquired intangibles	1.2
Total	1.8
Total cash consideration	1.8
Less cash acquired with subsidiary	(0.4)
Cash outflow from investing activities	1.4

11. DISCONTINUED OPERATIONS AND DISPOSALS

The Group disposed of its European munitions businesses, comprising Mecar and Simmel, to Nexter Systems SA for gross cash proceeds of £134.5 million (€165.3 million), being £126.5 million for the share purchase and an additional £8.0 million settlement of outstanding inter-company balances. The net loss arising on disposal was £37.9 million. The disposal of Mecar was completed on 19 May 2014 and, following regulatory approval from the Italian Government, the disposal of Simmel was completed on 27 May 2014.

On 27 May 2014, the Group also completed the disposal of its German subsidiary, Chemring Defence Germany GmbH, for cash proceeds of £2.2 million (€2.8 million) to Drew Marine Germany GmbH.

On 24 January 2014, the Group completed the sale of Chemring Energetic Devices' business located in Clear Lake, South Dakota ("Clear Lake") to Amtec Corporation, USA. The initial cash proceeds were £5.9 million ($10.0 million) and a further £0.3 million ($0.5 million) was received in the year to 31 October 2014 following finalisation of completion accounts. The profit arising on the disposal of Clear Lake was £0.5 million.

On 29 October 2014, the Group sold its 49% shareholding in its associate CIRRA S.A. for a cash consideration of £0.5 million (€0.6 million).

These disposals reshaped Chemring for future growth by enabling the Group to refocus on its core competencies. The disposals have strengthened the balance sheet and thereby provided greater financial flexibility.

As at 30 April 2014, the European munitions businesses and Chemring Defence Germany were treated as discontinued operations and the assets and liabilities associated with these businesses were classified as held for sale.

In the period to 30 April 2015 there was a non-underlying credit of £3.0 million resulting from the release of certain provisions established on the disposal of businesses in prior years, which were no longer required, and the retranslation of remaining provisions.

The results of the discontinued operations, excluding Clear Lake, to their dates of disposal, which have been included in the consolidated income statement and the consolidated statement of cash flows for the period to 30 April 2014 and the year to 31 October 2014, were as follows:

	Underlying			Non-underlying			Unaudited Period to 30 April 2014
	European munitions businesses £m	Chemring Defence Germany £m	Total £m	European munitions businesses £m	Chemring Defence Germany £m	Total £m	Total £m
Revenue	65.4	3.2	68.6	-	-	-	68.6
Operating profit	4.8	(0.2)	4.6	(75.3)	(6.4)	(81.7)	(77.1)
Net finance expense	-	-	-	-	-	-	-
Tax	(1.1)	0.1	(1.0)	0.9	-	0.9	(0.1)
Profit/(loss) after tax	3.7	(0.1)	3.6	(74.4)	(6.4)	(80.8)	(77.2)

	European munitions businesses £m	Chemring Defence Germany £m	Total £m
Net cash inflow from operating activities	13.3	0.6	13.9
Net cash outflow from financing activities	-	-	-
Net cash flow from discontinued operations	13.3	0.6	13.9

	Underlying			Non-underlying				Audited Year to 31 October 2014
	European munitions businesses £m	Chemring Defence Germany £m	Total £m	European munitions businesses £m	Chemring Defence Germany £m	CIRRA £m	Total £m	Total £m
Revenue	67.9	3.9	71.8	-	-	-	-	71.8
Operating profit	2.7	(0.4)	2.3	(47.1)	(7.9)	(0.9)	(55.9)	(53.6)
Net finance expense	(0.1)	-	(0.1)	-	-	-	-	(0.1)
Tax	(0.7)	-	(0.7)	0.9	-	-	0.9	0.2
Profit/(loss) after tax	1.9	(0.4)	1.5	(46.2)	(7.9)	(0.9)	(55.0)	(53.5)

	European munitions businesses £m	Chemring Defence Germany £m	Total £m
Net cash inflow from operating activities	16.7	0.9	17.6
Net cash outflow from financing activities	(0.1)	-	(0.1)
Net cash flow from discontinued operations	16.6	0.9	17.5

12. HELD FOR SALE

As at 30 April 2015 and 31 October 2014 there were no assets or liabilities classified as held for sale.

On 24 April 2014, the Group agreed to sell its European munitions businesses, subject to regulatory and shareholder approval, and, on 10 April 2014, the Group agreed to sell Chemring Defence Germany GmbH. As set out in note 11, these disposals completed during May 2014. As at 30 April 2014, the net assets of these businesses were classified as held for sale and presented separately on the balance sheet. The operations of these businesses were classified as discontinued operations, as detailed in notes 3 and 11. The net assets held for sale at 30 April 2014 were held at net realisable value, resulting in an impairment charge in the period to 30 April 2014 of £63.9 million in respect of the European munitions businesses and £6.3 million in respect of Chemring Defence Germany GmbH. The major classes of assets and liabilities comprising the operations classified as held for sale at 30 April 2014 were as follows:

	European munitions businesses £m	Chemring Defence Germany £m	Total £m
Goodwill and acquired intangibles	24.4	-	24.4
Other intangible assets	4.3	-	4.3
Property, plant and equipment	33.9	-	33.9
Inventories	28.7	3.6	32.3
Trade and other receivables	93.6	0.8	94.4
Cash and cash equivalents	5.5	0.2	5.7
Total assets classified as held for sale	190.4	4.6	195.0
Trade and other payables	(64.1)	(1.0)	(65.1)
Tax liabilities	(17.8)	(0.4)	(18.2)
Provisions	(9.0)	(0.9)	(9.9)
Retirement benefit obligation	-	(1.5)	(1.5)
Total liabilities classified as held for sale	(90.9)	(3.8)	(94.7)
Net assets classified as held for sale	99.5	0.8	100.3

13. PENSIONS

The defined benefit obligations are calculated using an actuarial valuation as at 30 April 2015. In the period to 30 April 2015, retirement benefit obligations decreased to £18.6 million (H1 2014: £20.8 million, 2014: £21.8 million), principally as a result of employer contributions paid in accordance with the funding plan agreed with the trustees of the Chemring Group Staff Pension Scheme in 2013.

The difference between the expected return on assets and the actual return on assets has been recognised as an actuarial gain/(loss) on defined benefit pension schemes in the condensed consolidated statement of comprehensive income in accordance with the Group's accounting policy.

14. RELATED PARTY TRANSACTIONS

The Group had no related party transactions during the period requiring disclosure.

15. CASH GENERATED FROM UNDERLYING OPERATIONS

	Unaudited Half year to 30 April 2015 £m	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
Operating (loss)/profit from continuing operations	**(8.3)**	14.1	25.4
Operating profit/(loss) from discontinued operations	**3.0**	(77.1)	(53.6)
	(5.3)	(63.0)	(28.2)
Impairment of acquired goodwill	**-**	45.9	45.9
Impairment of acquired intangibles	**-**	10.7	10.7
Impairment of assets held for sale	**-**	13.6	13.6
Amortisation of development costs	**3.0**	3.1	6.5
Amortisation of intangible assets arising from business combinations	**7.1**	9.2	16.1
Amortisation of patents and licenses	**0.1**	0.1	0.2
Loss on disposal of non-current assets	**-**	0.1	(0.2)
Depreciation of property, plant and equipment	**7.5**	9.3	17.0
(Gain)/loss on the movement in the fair value of derivative financial instruments	**(0.1)**	(1.0)	0.7
Share-based payment expense	**0.6**	0.7	1.2
Employer contributions to retirement pension obligations	**(2.5)**	(4.0)	(8.2)
Operating cash flows before movements in working capital	**10.4**	24.7	75.3
(Increase)/decrease in inventories	**(16.8)**	(2.0)	2.3
Decrease/(increase) in trade and other receivables	**6.0**	27.2	24.0
Decrease in trade and other payables	**9.6**	(42.6)	(26.8)
Decrease/(increase) in provisions	**(0.1)**	8.3	(1.5)
	9.1	15.6	73.3
Add back non-underlying items:			
Acquisition and disposal related (credit)/costs	**(2.7)**	9.1	8.6
Business restructuring and incident costs	**1.8**	3.0	7.2
Claim related costs	**4.7**	-	-
Profit on disposal of businesses	**-**	(0.5)	(26.5)
Loss on disposal of associate	**-**	-	0.9
Cash generated from underlying operations	**12.9**	27.2	63.5
Analysed as:			
Continuing operations	**12.9**	11.7	45.9
Discontinued operations	**-**	15.5	17.6
	12.9	27.2	63.5

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Unaudited Half year to 30 April 2015 £m	Unaudited Half year to 30 April 2014 £m	Audited Year to 31 Oct 2014 £m
(Decrease)/increase in cash and cash equivalents	**(8.8)**	6.8	8.2
Decrease in debt and lease financing due to cash flows	**1.3**	1.9	106.5
(Increase)/decrease in net debt resulting from cash flows	**(7.5)**	8.7	114.7
Effect of foreign exchange rate changes	**(6.0)**	11.8	1.3
Accrued debt finance costs	**1.5**	-	-
Amortisation of debt finance costs	**(0.9)**	(1.0)	(2.9)
Movement in net debt	**(12.9)**	19.5	113.1
Net debt at beginning of the period/year	**(135.6)**	(248.7)	(248.7)
Net debt at end of the period/year	**(148.5)**	(229.2)	(135.6)

17. ANALYSIS OF NET DEBT

	As at 1 Nov 2014 £m	Cash flows £m	Non-cash changes £m	Exchange rate effects £m	**As at 30 April 2015 £m**
Cash at bank and in hand	21.8	(8.8)	-	0.4	**13.4**
Debt due within one year	(0.3)	0.2	-	-	**(0.1)**
Debt due after one year	(155.6)	0.6	0.6	(6.4)	**(160.8)**
Finance leases	(1.4)	0.5	-	-	**(0.9)**
Preference shares	(0.1)	-	-	-	**(0.1)**
	(135.6)	(7.5)	0.6	(6.0)	**(148.5)**

18. CONTINGENT LIABILITIES
The Group is, from time to time, party to legal proceedings and claims, and is involved in correspondence relating to potential claims, which arise in the ordinary course of business.

The Group is currently engaged in pre-action correspondence in relation to the manufacture of certain components for the Next Generation Light Anti-Tank Weapon combat weapon by Chemring Energetics UK. The Group is also engaged in pre-action correspondence with the Defense Contract Audit Agency of the US Department of Defense in relation to disputed pricing calculations on certain contracts fulfilled by Alloy Surfaces.

In light of the current status of these matters, the directors do not consider the outcome of all the proceedings, actions and claims in which it is currently involved, either individually or in aggregate, will have a material adverse effect upon the Group's financial position. A provision of £8.6 million (H1 2014: £4.9 million, 2014: £4.5 million) exists to cover estimated legal costs for the Group with regards to pending and probable legal actions.

19. ADOPTION OF FRS101 *REDUCED DISCLOSURE FRAMEWORK*
The Group intends to apply FRS101 *Reduced Disclosure Framework* in its separate financial statements for the year to 31 October 2015. Any objections should be notified to the Company by 31 August 2015.

20. CORPORATE WEBSITE
Further information on the Group and its activities can be found on the corporate website at www.chemring.co.uk.

Annex 1

PRINCIPAL RISKS AND UNCERTAINTIES

The 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. The Committee reports bi-annually to the Audit Committee and the Board, and through this process, the Board has identified the following principal risks currently facing the Group. The mitigating actions taken by the Group management to address these risks are also set out below. The Group's key performance indicators also give insight into how these risks and uncertainties are being managed. The Group mitigates certain elements of its risk exposure through an insurance programme that covers property and liability risks, where it is appropriate and cost effective to do so.

- **Health and safety risks** – The Group's operations which utilise energetic materials are subject to inherent health and safety risks. From time to time, incidents may occur which could result in harm to employees, the temporary shutdown of facilities or other disruption to manufacturing processes, causing production delays and resulting in financial loss and potential liability for workplace injuries and fatalities.

  The Board believes that responsibility for the delivery of world-class safety standards is an integral part of operational management accountability. The Board is committed to ensuring that the Group's leadership operates with health and safety as the top priority, and that the strength of the Group's safety culture and the quality of its protective systems deliver operations where all employees and visitors feel and are absolutely safe.

  Chemring's Safety Leadership Programme was attended by the senior management teams of every Group business during 2014. All employees have received a booklet setting out the Group's statements of intent in relation to delivery of its health and safety strategy and the behaviours required of them as individuals. All employees are encouraged to report potential hazards, and to raise any health and safety concerns through the appropriate channels.

  The Group continues to invest in state-of-the-art process safety systems and equipment. The Group's safety and loss prevention programmes require detailed pre-construction reviews of process changes and new operations, and safety audits of operations are undertaken on a regular basis. All businesses are expected to pro-actively manage their own risks but, in addition, the most significant site risks at each business and their associated mitigation programmes are reviewed quarterly by the Risk Management Committee.

  Health and safety is included on the agenda at every Board meeting and is discussed at the monthly Group Executive Committee meeting.

- **Possible defence budget cuts** – Defence spending levels depend on a complex mix of political considerations, budgetary constraints and the requirements of the armed forces to address specific threats and perform certain missions. As such, defence spending may be subject to significant fluctuations from year to year. Given the large budget deficits and the prevailing economic conditions in many NATO countries, the Group expects there to be continued downward pressure on budgets and consequently defence expenditure could be severely impacted.

  In recognition of the issues affecting the Group's traditional NATO markets, business development activities are being focused on non-NATO markets, where defence expenditure is forecast to grow strongly over the next five to ten years. The Group continues to make progress on developing its routes to market in the Middle East, India and Brazil.

  The Group also continually assesses whether its planned organic growth strategies and product developments align with government priorities for future funding. Most product development programmes take between six and twelve months to complete, and this gives the Group the ability to quickly redeploy engineering staff to product areas where funding is more secure.

  The Group continues to closely monitor the position in all the key markets in which it operates.

- **Timing and value of orders** – The Group's profits and cash flows are dependent, to a significant extent, on the timing of award of defence contracts. In general, the majority of the Group's contracts are of a relatively short duration and, with the exception of framework contracts with key customers, do not cover multi-year requirements. This means that an unmitigated delay in the receipt of orders could affect the Group's earnings and achievement of its budget in any given financial year.

  The Group anticipates that delays in the placement of orders by NATO customers, as a result of budgetary constraints, are likely to continue in the short to medium term. If the Group's businesses are unable to continue trading profitably during periods of lower order intake, financial performance will deteriorate and assets may be impaired.

  To mitigate the order placement dynamics within NATO markets, the Group is focusing on the expansion of its business in non-NATO markets, where defence expenditure is forecast to increase.

Maximising order intake remains a key objective for the businesses, and they continue to address this through the strengthening of their sales and marketing resources. The businesses also continue to pursue long-term, multi-year contracts with their major customers wherever possible.

The Group has undertaken various restructuring projects over the last year, aimed at restoring the profitability of those Group businesses which have suffered most from order delays.

Site optimisation plans continue to be refined to ensure that the Group utilises its manufacturing facilities as efficiently as possible, within the constraints imposed by export control legislation and customer requirements.

- **Political risks** – The Group is active in several countries that are suffering from political, social and economic instability. The Group's business in these countries may be adversely affected in a way that is material to the Group's financial position and the results of its operations.

  In addition, political unrest and changes in the political structure in certain non-NATO countries to which the Group currently sells could impact on their future defence expenditure strategy and the Group's ability to export products to these countries.

  During periods of unrest, delays in obtaining export licences can result in delayed revenue.

  The Group's businesses strive to maintain relationships at all levels within the political structure of certain key countries, in order to ensure that they are aware of and can react to changes, if and when they occur.

  The businesses implement financing arrangements for contracts with high risk customers, which are intended to mitigate the impact of a deterioration in the customer's financial position, and in certain circumstances they may also procure political risks insurance.

  The Group is exploring opportunities for collaboration on the establishment of local manufacturing operations in certain countries, which may remove some of the uncertainty regarding export of products.

- **Operational risks** – The Group's manufacturing activities may be exposed to business continuity risks, arising from plant failures, supplier interruptions or quality issues. These could result in financial loss, reputational damage and loss of future business.

  All of the Group's businesses are required to prepare business continuity plans.

  The Group has introduced new requirements in relation to the reporting of operational key performance indicators, in order to provide better visibility on operational performance and to facilitate the identification of potential production and quality issues at an early stage.

  The Group insures certain business interruption risks where appropriate.

- **Introduction of new products** – The Group's approach to innovation and continued emphasis on research and development activity means that it is continually adding new products to the range. There is a need to ensure that this new product development is completed in a timely manner, and to a standard which allows volume manufacturing to be undertaken and the production of products against high reliability and safety criteria to meet customers' requirements. Failure to achieve this may have both financial and reputational impacts.

  The Group also needs to ensure that it continues to upgrade its existing product range to compete with emerging technologies, and to avoid the risk of obsolescence or loss of business.

  The Group has introduced a more focused product development and technology investment approach, in order to ensure that resources are applied appropriately across the Group in support of the three year plan. A Technology Board has been established to review all proposed research and development projects, to ensure that key initiatives are being prioritised and to prevent possible duplication of effort in different parts of the Group. Working groups have been established to drive and co-ordinate technology investment in certain key areas, such as cyber-security.

- **Product liability and other customer claims** – The Group may be subject to product liability and other claims from customers or third parties, in connection with the non-compliance of these products or services with the customer's requirements, due to faults in design or production; the delay or failed supply of the products or the services indicated in the contract; or possible malfunction or misuse of products. As many of the Group's products are single-use devices, it is often impossible to conduct functional testing without destroying the product, and this increases the risk of possible product failure, either in use or during customers' own sample-based functional tests.

  Substantial claims could harm the Group's business and its financial position. In addition, any accident, failure, incident or liability, even if fully insured, could negatively affect the Group's reputation among customers and the public, thereby making it more difficult for the Group to compete effectively.

Material breaches in the performance of contractual obligations may also lead to contract termination and the calling of performance bonds.

The businesses maintain rigorous control of their production processes, monitoring critical parameters on a batch or unit basis. State-of-the-art techniques, including statistical process control or Six Sigma, are applied and, where appropriate, processes are automated to reduce the scope for human error. Detailed assessments of incoming components and materials are conducted to ensure compliance with specifications.

Product liability claims from third parties for damage to property or persons are generally covered by the Group's insurance policies, subject to applicable insurance conditions.

- **Management resource** – The Group requires competent management to lead it through the next stage of its development. In challenging markets and difficult times, there is a need to retain and incentivise senior managers and key employees, in order to ensure that the operations of the Group do not suffer from loss of management expertise and knowledge. As the shape of the Group's business also changes, with an increased focus on electronics, there is a need to ensure that the businesses build an appropriate skill base to enable them to compete successfully in new markets and product areas.

  Incentivisation arrangements have been streamlined and improved, to ensure that employees are suitably incentivised to deliver key strategic objectives.

- **Compliance and corruption risks** – The Group operates in over fifty countries worldwide, in a highly regulated environment, and is subject to applicable laws and regulations in each of these jurisdictions. The Group must ensure that all of its businesses, its employees and third parties providing services on its behalf comply with all relevant legal obligations, as non-compliance could result in administrative, civil or criminal liabilities, and could expose the Group to fines, penalties, suspension or debarment, and reputational damage.

  The nature of the Group's operations could also expose it to government investigations relating to import-export controls, money laundering, false accounting, and corruption or bribery.

  The Group has a central legal and compliance function which assists and monitors all Group businesses, supported by dedicated internal legal resource in the US. The Group's internal audit activities also incorporate a review of legal risks.

  The Group operates under a Global Code of Business Principles, which stipulates the standard of acceptable business conduct required from all employees and third parties acting on the Group's behalf. The Group has also adopted a Bribery Act Compliance Manual, incorporating all of its anti-bribery policies and procedures.

  A significant proportion of the Group's management have received training in relation to ethics and anti-corruption.

- **Environmental laws and regulations** – The Group's operations and ownership or use of real property is subject to a number of federal, state and local environmental laws and regulations, including those relating to discharge of hazardous materials, remediation of contaminated sites, and restoration of damage to the environment. At certain sites that the Group owns or operates, or formerly owned or operated, there is known or potential contamination for which there is a requirement to remediate or provide resource restoration. The Group could incur substantial costs, including remediation costs, resource restoration costs, fines and penalties, or be exposed to third party property damage or personal injury claims, as a result of liabilities associated with past practices or violations of environmental laws or non-compliance with environmental permits.

  All of the Group's businesses are certified to the environmental management system ISO14001, which requires the setting of environmental goals and objectives focused on local aspects and impacts.

  The Group has managed monitoring and remediation programmes at certain sites, for which appropriate financial provision has been made. In certain circumstances, the Group procures environmental liability insurance, subject to insurance conditions.

- **Financial risks** – Details of the financial risks to which the Group is potentially exposed and details of mitigating factors are set out in the financial review and note 24 of the Group financial statements within the 2014 Annual Report and Accounts.