Chemring Group PLC

Interim Report 2012

Identifying growth in new markets

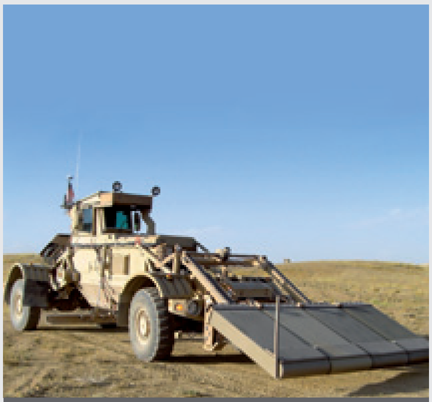
Chemring Group

A world-leading defence company

Chemring is a global group that specialises in the manufacture of energetic material products and advanced expendable countermeasures. We provide solutions for highly demanding customer requirements in defence, security and safety markets. We are a world-leading defence company involved in advanced development programmes in the UK, USA, Europe and Australia.

Chemring Detection Systems contract awards

Chemring Detection Systems was awarded two contracts, totalling $78 million: The Joint Services Lightweight Standoff Chemical Agent Detector ("JSLSCAD") contract was worth $29 million and the second contract, to supply both the US Navy and the US Army with the Joint Biological Point Detection Systems ("JBPDS"), was worth $49 million.



NIITEK awarded multi-year HMDS contract

NIITEK was awarded a sole source US Army Indefinite-Delivery/Indefinite-Quantity ("IDIQ") contract for the Ground Penetrating Radar ("GPR") Husky Mounted Detection System ("HMDS"). The IDIQ has a ceiling of $579 million, with an initial order of $161 million. This contract provides the US Army with the ability to procure spares and replacement systems to replenish theatre sustainment stock.

Chemring Countermeasures awarded contract worth £21 million

Chemring Countermeasures was awarded a five year long term partnering agreement worth £21 million, with options for a further £38 million over the contract period. The contract is for a range of different infra-red ("IR") and radio frequency ("RF") types of airborne expendable decoy flares for the UK MoD, that are used by the Royal Air Force, Royal Navy and British Army to protect a number of fixed and rotary wing aircraft from the threat of IR and RF guided missiles.

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Results for the half year to 30 April 2012

	2012 £m	2011 £m
Revenue from continuing operations[1]	**333.3**	**319.3**
Underlying operating profit from continuing operations[1,2]	**48.5**	**57.6**
Underlying profit before tax from continuing operations[1,2]	**39.2**	**49.9**
Profit before tax from continuing operations[1]	**19.7**	**39.1**
Underlying earnings per share from continuing operations[1,2]	**16.0p**	**20.9p**
Basic earnings per share from continuing operations[1]	**8.3p**	**16.4p**
Dividend per ordinary share[3]	**5.3p**	**4.0p**

1 Excludes the results of the Marine business (sale announced on 6 June 2012)

2 Excludes acquisition related costs, restructuring and incident costs, intangible amortisation arising from business combinations and (loss)/gain on fair value movements on derivatives totalling £19.5 million (2011: £10.8 million)

3 The interim dividend of 5.3p per ordinary share will be paid on 3 August 2012 to shareholders on the register at 13 July 2012. The ex-dividend date will be 11 July 2012

4 All comparisons are for the half year to 30 April 2011

The Board is confident that the Group will deliver a strong second half trading performance that will meet its full year expectations. As expected, during the first six months of the year, revenue from continuing operations[1,2] was up 4% to £333.3 million (2011: £319.3 million), underlying profit before tax[1,2] was down 21% to £39.2 million (2011: £49.9 million) and underlying earnings per share[1,2] were down 23% to 16.0p (2011: 20.9p). Revenues and profits from our US operations were affected by delays in US defence orders, particularly the multi-year support contract award to NIITEK for the Husky Mounted Detection System ("HMDS").

Significantly, the order book grew by 14% over the period to a new record of £1 billion[1] (October 2011: £876 million[1]). It is 7% higher than at 30 April 2011, and remains the best leading indicator of future growth. In particular, the order book within our US businesses increased by 69% to £396.5 million (2011: £235.2 million), and provides the solid foundation for a much stronger second half trading performance. The Group order book provides 94% cover for full year revenue.

The three month delay in approval by the US Government of the FY2012 US defence budget and the preceding "Continuing Resolution" funding conditions delayed the majority of our US order intake into the second and third quarters, significantly increasing the Group's second half weighting. Although cost reduction programmes were implemented across the Group during the period, the production capacity and overhead needed to deliver a substantial increase in revenue in the second half of this year had an impact on the operational efficiency of the Group, which resulted in a 3% reduction in operating margin. Margins are expected to recover in the second half.

In a period when the global defence market has become more volatile because of NATO government austerity programmes, our revenues to non-NATO customers grew by 31% to 30% of the total Group revenue, considerably higher than the 24% level achieved in the first half of last year. Expansion of our non-NATO market continues to grow in line with the Board's strategic objectives, and good progress is being made on the formation of joint ventures in our key markets of India, Saudi Arabia and Brazil. We have recently signed an agreement to establish a marketing services joint venture in India with the Hinduja Group, as a precursor to a manufacturing joint venture once Indian Government approvals are obtained.

Counter-IED

Revenue from the Counter-IED business was down by 27% to £69.9 million (2011: £95.7 million) and operating profit down by 44% to £11.2 million (2011: £20.0 million). This does not reflect any deterioration in our Counter-IED market but the impact of the timing of the multi-year support contract from the US Army for the HMDS. Reduced production volumes, reduced operational gearing and a change in the cash generation profile have been the consequence.

The delay in approval of the FY2012 US defence budget was compounded by the six month delay in negotiating the follow-on, multi-year support contract for the HMDS ground penetrating radar systems, currently deployed on route clearance operations by coalition forces in Afghanistan. Since the contract was signed on the last day of the period, it has created a revenue profile at our NIITEK operation that is almost the exact mirror of the 2011 profile, when the US Army wanted early first half delivery of spares to maintain system operability. The contract, which has a maximum value of $579 million, is for the supply of new systems and spares to replenish theatre sustainment stock, and will also be used for future system procurements for the US Army, the US Marine Corps, and potential Foreign Military Sales.

As a result of the delay in the award of this follow-on contract, NIITEK revenues fell by 45% to £42.0 million (2011: £76.2 million) during the period, despite the £13 million of revenues carried over from the previous financial year. The reduced production volumes had a significant impact on the operational efficiency of the business. A headcount reduction at NIITEK of 44 staff was implemented in January 2012, along with a consolidation of several production sites to reduce costs. This was, however, a limited cutback to ensure production could rapidly increase to meet the demands of the new contract.

Our 2011 acquisition, Chemring Detection Systems ("CDS"), performed well during the period, generating £20.2 million of revenue, and should deliver its expected profit levels over the full financial year. Integration into the Group, including the transfer of all its information systems, is also progressing well.

CDS was awarded a contract, worth $29 million, to supply the US Army with the Joint Services Lightweight Standoff Chemical Agent Detector ("JSLSCAD"). The systems will be installed on the

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continued

Stryker Nuclear Biological Chemical Reconnaissance Vehicle ("NBCRV"), providing long range detection for US soldiers. A second contract, worth $49 million, was also awarded to supply both the US Navy and the US Army with the Joint Biological Point Detection Systems ("JBPDS"). These will be installed on Navy ships, such as USS Ross (DDG 71), and in the Stryker NBCRV, providing automatic detection and identification of airborne biological agents at very low levels of concentration.

The order book for Counter-IED is now £248.7 million, 343% higher than last year (2011: £56.2 million). This figure excludes further expected orders under the NIITEK IDIQ contract. The strength of this order book underpins the growth in revenues expected during the second half of the year and the opportunity for growth in 2013.

Countermeasures

The Countermeasures business performed satisfactorily, with revenue up 4% to £93.6 million (2011: £89.6 million) and operating profit up 1% to £21.0 million (2011: £20.8 million). The operating margin reduced slightly to 22% (2011: 23%), mainly due to the reduced margins at Chemring Countermeasures ("CCM"). The expected fall in demand for helicopter and transport aircraft decoys was more than offset by increased demand for combat aircraft flares and the expansion of our land/electronic warfare activities at Roke.

CCM had lower margins than expected in the first half because of supply chain issues that prevented delivery of spectral flares to a number of customers and naval rounds to the UK Ministry of Defence. Production of both products restarted in the second quarter, and increased volumes will be delivered during the remainder of the year. CCM was awarded a multi-year contract worth £21 million by the UK Ministry of Defence, with options worth a further £38 million, for airborne expendable decoys, which also underpins the higher revenues expected in the second half.

The reduction in production volumes of helicopter and transport aircraft decoys has affected both our Alloy Surfaces and CCM businesses. Restructuring in both businesses has continued during the period but this has been complicated by the increased production volumes for spectral flares and naval rounds required in the second half of the year. A reduction of 129 staff has been implemented across the two businesses and is expected to generate a £1.8 million improvement in profit during the second half. This gives us confidence that full year margins for the segment should be in line with our expectations.

Kilgore achieved strong levels of production on decoys for both the B-52 and F-22 aircraft. A fifth low rate initial production contract for the decoys to be used on the F-35 Joint Strike Fighter was also awarded during the period.

The order book for the Countermeasures business at the period end was down by 6% to £227.8 million (2011: £242.5 million), reflecting the flattening of demand in 2013. The order book for decoys used on helicopters and transport aircraft, however, increased by 20% to £78.7 million (2011: £65.5 million), indicating that the reduction in demand may now have bottomed-out, as previously guided.

Munitions

The Munitions business had an excellent start to the year, increasing revenue by 51% to £129.1 million (2011: £85.4 million) and operating profit up 27% to £17.1 million (2011: £13.5 million). The operating margin at 13% (2011: 16%) was diluted by the significantly higher contribution from production at Mecar, which has a lower margin than the rest of the division. Mecar delivered sharply increased revenue of £62.2 million (2011: £11.6 million) as a result of continuous production across the whole period.

Revenues from medium and large calibre land ammunition increased by 72% compared to last year, with deliveries of 25mm ammunition, 120mm mortar rounds and 90mm/105mm tank ammunition to a variety of European, Middle East and Far East customers. Revenues of naval ammunition also increased by 48%, with deliveries of 76mm naval ammunition to Turkey and a variety of South American customers. Revenues from components and sub-systems were 14% above the previous year, principally due to 65% growth in the deliveries of fuze sub-systems to India.

The order book for the Munitions business reduced by 30% to £341.2 million (2011: £488.2 million) at the period end but remains still significantly in excess of the expected full year revenue for this segment. This indicates that the segment expansion is decelerating to a more steady rate of growth after the very high growth rates seen over the last few years. Orders and revenues are more discrete and "lumpy" in nature, particularly on contracts for Middle East and Far Eastern customers.

Pyrotechnics

The Pyrotechnics business had a slow start to the financial year, with revenue[1] down 16% to £40.7 million (2011: £48.6 million) and operating profit[1] down 42% to £5.1 million (2011: £8.8 million). The operating margin[1] decreased to 13% (2011: 18%), reflecting supplier-related production delays at Simmel and the disruption to production at Chemring Defence during the final separation of the marine business.

In January, Simmel was awarded a contract to the value of €38 million for the delivery of 81mm pyrotechnic illumination mortar rounds. This award amends and extends existing contracts that were awarded in 2010 with a value of €24.5 million, and raises the total replacement contracts to €62.5 million.

The order book for the Pyrotechnics business increased by 23% to £182.9 million (2011: £148.6 million) at the period end, with demand for smoke and illumination products up by 24% and space products up by 238%. The strength of the order book is expected to generate strong second half revenues, whilst the resolution of the sub-system supply problem at Simmel and the improved production efficiency at Chemring Defence are expected to improve operating margins.

Dividend

The Board is today declaring an interim dividend of 5.3p per ordinary share (2011: 4.0p). This represents an increase of 33% over last year's interim dividend, and is three times covered, in line with the policy set out in our last annual report. The interim dividend will be paid on 3 August 2012 to shareholders on the register at 13 July 2012.

Financial position

The Group's net debt rose £48.8 million to £311.5 million from £262.7 million at the year end, representing a ratio of net debt to EBITDA of 2.0 times (October 2011: 1.6 times).

Operating cash flow was £18 million, after a cash outflow of £15 million at NIITEK.

The Group's working capital also grew by £38 million to £188 million from £150 million at the year end. £28 million of this increase related to receipts due from two Middle East customers and a customer for naval products. These receipts are expected to be collected in the third quarter. Inventories, however, have reduced significantly since the year end, and trade creditors also reduced over the period.

A strong focus on cash management and planned reductions in working capital in the second half, together with the receipt of proceeds from the sale of the Marine business, will improve our full year cash flow and the Board anticipates a significant reduction in net debt by the year end.

Disposal

On 6 June 2012, the Group announced the sale of its marine interests to Drew Marine for £32 million, payable in cash. Completion, which is conditional upon regulatory approvals and subject to a small working capital adjustment, is expected by the end of July. The proceeds after costs will be used by the Group to reduce net debt, initiate a share buy-back, and fund existing pension liabilities.

Health and safety

The Group continues to invest substantial funds and effort to improve the safety record of its operations and to protect its employees who work, at times, with highly volatile and energetic materials. Significant amounts of capital have been expended on robotics and other automated processes to isolate operators from the most sensitive processes. This is a continuing process where, no matter how diligent one is in assessing risk, incidents can still happen. Risk assessments are carried out by internal health and safety teams supported, where advantageous, by outside experts. Complacency, however, is the enemy of safe operations, and the training of staff in safety procedures continues to be a focus throughout the Group.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results are those set out in the "Principal Risks and Uncertainties" section of the Group's 2011 Annual Report and Accounts. These can be summarised as:

- Health and safety risks
- Risks associated with possible cuts in worldwide defence budgets
- Risks associated with the timing of receipt of orders
- Political and economic risks
- Risks associated with the introduction of new manufacturing facilities
- Risks associated with the introduction of new products
- Competitive risks
- Risks related to the strength and breadth of management resource
- Compliance and corruption risks
- Financial risks

The Board does not anticipate any significant change in the likely impact of these risks overall.

Outlook

The Board remains confident that the Group will meet its full year expectations in view of the following:

- The multi-year support contract for HMDS awarded to NIITEK on 30 April provides firm order cover for second half revenues in excess of those achieved in the first half of 2011. Increased operational gearing and £0.8 million of cost savings from the first half reduction in staff should generate a higher full year operating margin than that achieved in 2011.
- Production of spectral flares has restarted at Chemring Countermeasures and naval round production will restart shortly. The increased revenues and the £1 million of cost savings from the first half reduction in staff should also generate a substantially higher operating margin for this business in the second half.
- At Simmel, replacement batches of fuze sub-systems will be delivered shortly and production of pyrotechnic rounds is expected to restart this month. Furthermore, the 18% growth in the order book for naval ammunition will increase production of 76mm rounds and substantially increase second half revenues.
- The Group's order book now stands at £1 billion, providing 94% coverage for full year revenue.
- Trading in May was over 50% higher than last year.

The global defence market continues to be uncertain, with budget cuts in all NATO countries, including the UK. The delay in approval of the US defence budget for a second successive year and continued delays in the approvals of export licences for Middle East countries have made it difficult to deliver revenue growth over the period. However, the 31% growth in revenues to non-NATO customers is in line with the Board's strategic objectives. Coupled with this, the record order book of £1 billion, 14% higher than at October 2011, is very encouraging for future prospects.

D J Price
Chief Executive
19 June 2012

> **Cautionary statement**
> This Interim Management Report (IMR) 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 IMR should not be relied on by any other party or for any purpose.
>
> The IMR 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

D J Price
Chief Executive
19 June 2012

P A Rayner
Finance Director
19 June 2012

Condensed Consolidated Income Statement

for the half year to 30 April 2012

		Unaudited Half year to 30 April 2012			Unaudited Half year to 30 April 2011 As restated#			Audited Year to 31 Oct 2011		
	Note	Underlying business performance £m	Non-underlying items* £m	Total £m	Underlying business performance £m	Non-underlying items* £m	Total £m	Underlying business performance £m	Non-underlying items* £m	Total £m
Revenue										
Total revenue		**344.1**	**-**	**344.1**	329.8	-	329.8	745.3	-	745.3
Discontinued operations	11	**(10.8)**	**-**	**(10.8)**	(10.5)	-	(10.5)	(21.2)	-	(21.2)
Revenue from continuing operations		**333.3**	**-**	**333.3**	319.3	-	319.3	724.1	-	724.1
Operating profit										
Total operating profit		**51.1**	**(19.5)**	**31.6**	60.5	(10.8)	49.7	141.8	(34.8)	107.0
Discontinued operations	11	**(2.6)**	**-**	**(2.6)**	(2.9)	-	(2.9)	(6.0)	-	(6.0)
Operating profit from continuing operations	2	**48.5**	**(19.5)**	**29.0**	57.6	(10.8)	46.8	135.8	(34.8)	101.0
Share of post-tax results of associate		**-**	**-**	**-**	-	-	-	0.1	-	0.1
Finance income		**0.1**	**-**	**0.1**	0.2	-	0.2	0.1	-	0.1
Finance expense		**(9.4)**	**-**	**(9.4)**	(7.9)	-	(7.9)	(15.8)	-	(15.8)
Profit before tax from continuing operations		**39.2**	**(19.5)**	**19.7**	49.9	(10.8)	39.1	120.2	(34.8)	85.4
Tax	4	**(8.4)**	**4.7**	**(3.7)**	(13.0)	2.9	(10.1)	(27.3)	11.9	(15.4)
Profit after tax from continuing operations		**30.8**	**(14.8)**	**16.0**	36.9	(7.9)	29.0	92.9	(22.9)	70.0
Discontinued operations										
Profit after tax from discontinued operations	11	**1.6**	**-**	**1.6**	1.9	-	1.9	3.9	-	3.9
Profit after tax for the period/year	2	**32.4**	**(14.8)**	**17.6**	38.8	(7.9)	30.9	96.8	(22.9)	73.9
Earnings per ordinary share	5									
From continuing operations										
Basic		**16.0**		**8.3**	20.9		16.4	50.0		37.7
Diluted				**8.2**			16.3			37.3
From continuing and discontinued operations										
Basic		**16.8**		**9.1**	22.0		17.5	52.1		39.8
Diluted				**9.0**			17.4			39.4

The restatement above relates to the reclassification of restructuring and incident costs from within underlying operating profit to non-underlying items in order to be consistent with the current period treatment of the equivalent costs. See Note 2 for further details.

* Further information about non-underlying items can be found in Note 2.

Condensed Consolidated Statement of Comprehensive Income

for the half year to 30 April 2012

	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Profit after tax for the period/year attributable to equity holders of the parent	**17.6**	30.9	73.9
Other comprehensive income			
Losses on cash flow hedges	**-**	(0.4)	(0.1)
Exchange differences on translation of foreign operations	**(9.3)**	(0.6)	(7.4)
Actuarial (losses)/gains on defined benefit pension schemes	**(4.4)**	0.7	(1.8)
Movement on deferred tax relating to cash flow hedges	**-**	0.1	-
Movement on deferred tax relating to pension schemes	**0.7**	(0.2)	0.4
Deferred tax on items taken directly to equity	**-**	-	0.3
Total comprehensive income for the period/year attributable to equity holders of the parent	**4.6**	30.5	65.3

Condensed Consolidated Statement of Changes in Equity

for the half year to 30 April 2012

	Share capital £m	Share premium account £m	Special capital reserve £m	Hedging reserve £m	Revaluation reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 November 2011	2.0	230.6	12.9	-	1.4	(19.5)	254.6	(6.6)	475.4
Profit after tax for the period	-	-	-	-	-	-	17.6	-	17.6
Other comprehensive income for the period	-	-	-	-	-	(9.3)	(3.7)	-	(13.0)
Total comprehensive income for the period	-	-	-	-	-	(9.3)	13.9	-	4.6
Ordinary shares issued	-	0.1	-	-	-	-	-	-	0.1
Dividends paid	-	-	-	-	-	-	(20.8)	-	(20.8)
Share-based payments (net of settlement)	-	-	-	-	-	-	0.4	-	0.4
Transactions in own shares	-	-	-	-	-	-	-	(4.5)	(4.5)
Transfers between reserves	-	-	-	-	(0.1)	-	0.1	-	-
At 30 April 2012	**2.0**	**230.7**	**12.9**	**-**	**1.3**	**(28.8)**	**248.2**	**(11.1)**	**455.2**

	Share capital £m	Share premium account £m	Special capital reserve £m	Hedging reserve £m	Revaluation reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 November 2010	1.8	120.4	12.9	(2.7)	1.4	(12.4)	209.0	(7.2)	323.2
Profit after tax for the period	-	-	-	-	-	-	30.9	-	30.9
Other comprehensive income for the period	-	-	-	(0.3)	-	(0.6)	0.5	-	(0.4)
Total comprehensive income for the period	-	-	-	(0.3)	-	(0.6)	31.4	-	30.5
Ordinary shares issued	0.2	109.3	-	-	-	-	-	-	109.5
Dividends paid	-	-	-	-	-	-	(14.9)	-	(14.9)
Share-based payments (net of settlement)	-	-	-	-	-	-	(1.3)	-	(1.3)
Transactions in own shares	-	-	-	-	-	-	-	2.2	2.2
At 30 April 2011	2.0	229.7	12.9	(3.0)	1.4	(13.0)	224.2	(5.0)	449.2

	Share capital £m	Share premium account £m	Special capital reserve £m	Hedging reserve £m	Revaluation reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 November 2010	1.8	120.4	12.9	(2.7)	1.4	(12.4)	209.0	(7.2)	323.2
Profit after tax for the year	-	-	-	-	-	-	73.9	-	73.9
Other comprehensive income for the year	-	-	-	(0.1)	-	(7.1)	(1.4)	-	(8.6)
Total comprehensive income for the year	-	-	-	(0.1)	-	(7.1)	72.5	-	65.3
Ordinary shares issued	0.2	110.2	-	-	-	-	-	-	110.4
Dividends paid	-	-	-	-	-	-	(22.7)	-	(22.7)
Share-based payments (net of settlement)	-	-	-	-	-	-	(2.1)	-	(2.1)
Current tax relating to share-based payments	-	-	-	-	-	-	0.7	-	0.7
Transactions in own shares	-	-	-	-	-	-	-	0.6	0.6
Transfers between reserves	-	-	-	2.8	-	-	(2.8)	-	-
At 31 October 2011	2.0	230.6	12.9	-	1.4	(19.5)	254.6	(6.6)	475.4

Condensed Consolidated Balance Sheet

as at 30 April 2012

	Note	Unaudited As at 30 April 2012 £m	Unaudited As at 30 April 2011 £m	Audited As at 31 Oct 2011 £m
Non-current assets				
Goodwill		**236.9**	227.1	243.4
Development costs		**27.6**	16.4	23.3
Other intangible assets		**178.6**	167.2	191.8
Property, plant and equipment		**235.2**	208.2	231.1
Interest in associate		**1.5**	1.1	1.5
Deferred tax		**21.5**	15.5	21.7
	2	**701.3**	635.5	712.8
Current assets				
Inventories		**113.4**	153.5	146.8
Trade and other receivables		**219.4**	170.1	190.8
Cash and cash equivalents	7	**36.3**	180.2	91.9
Derivative financial instruments		**1.9**	5.8	1.9
		371.0	509.6	431.4
Assets held for sale	11	**19.9**	-	-
Total assets		**1,092.2**	1,145.1	1,144.2
Current liabilities				
Borrowings		**(85.5)**	(9.4)	(86.0)
Obligations under finance leases		**(1.1)**	(2.1)	(2.0)
Trade and other payables		**(176.4)**	(216.1)	(212.4)
Short term provisions		**(1.4)**	(2.2)	(2.5)
Current tax liabilities		**(9.9)**	(15.9)	(5.6)
Derivative financial instruments		**(3.0)**	(1.3)	(1.5)
Liabilities held for sale	11	**(2.6)**	-	-
		(279.9)	(247.0)	(310.0)
Non-current liabilities				
Borrowings		**(259.9)**	(364.0)	(262.1)
Obligations under finance leases		**(4.5)**	(2.7)	(4.4)
Trade and other payables		**(3.5)**	(1.2)	(1.2)
Long term provisions		**(2.8)**	(2.9)	(2.4)
Deferred tax		**(54.5)**	(49.3)	(59.0)
Preference shares		**(0.1)**	(0.1)	(0.1)
Retirement benefit obligations		**(27.2)**	(22.4)	(25.2)
Derivative financial instruments		**(4.6)**	(6.3)	(4.4)
		(357.1)	(448.9)	(358.8)
Total liabilities		**(637.0)**	(695.9)	(668.8)
Net assets		**455.2**	449.2	475.4
Equity				
Share capital		**2.0**	2.0	2.0
Share premium account		**230.7**	229.7	230.6
Special capital reserve		**12.9**	12.9	12.9
Hedging reserve		**-**	(3.0)	-
Revaluation reserve		**1.3**	1.4	1.4
Translation reserve		**(28.8)**	(13.0)	(19.5)
Retained earnings		**248.2**	224.2	254.6
		466.3	454.2	482.0
Own shares		**(11.1)**	(5.0)	(6.6)
Equity attributable to equity holders of the parent		**455.2**	449.2	475.4
Total equity		**455.2**	449.2	475.4

Condensed Consolidated Cash Flow Statement

for the half year to 30 April 2012

	Note	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Cash flows from operating activities				
Underlying cash generated from operations	A	**18.0**	49.6	124.6
Acquisition related costs		**(2.7)**	(2.5)	(6.6)
Restructuring and incident costs		**(4.8)**	(2.9)	(6.7)
Cash generated from operations		**10.5**	44.2	111.3
Tax paid		**(4.0)**	(4.5)	(17.2)
Net cash inflow from operating activities		**6.5**	39.7	94.1
Cash flows from investing activities				
Dividends received from associate		**-**	0.1	0.1
Purchases of intangible assets		**(5.1)**	(4.7)	(12.9)
Purchases of property, plant and equipment		**(16.7)**	(19.7)	(48.8)
Proceeds on disposal of property, plant and equipment		**-**	-	0.4
Acquisition of subsidiaries (net of cash acquired)		**-**	-	(58.0)
Net cash outflow from investing activities		**(21.8)**	(24.3)	(119.2)
Cash flows from financing activities				
Dividends paid		**(20.8)**	(14.9)	(22.7)
Interest paid		**(9.0)**	(9.1)	(17.8)
Proceeds on issue of shares		**0.1**	109.5	110.4
New borrowings		**2.5**	101.2	107.2
Capitalised facility fees		**-**	(4.3)	(4.8)
Repayments of borrowings		**(3.2)**	(74.4)	(112.6)
Proceeds from new finance leases		**-**	-	3.4
Capital payments on finance leases		**(0.8)**	(0.7)	(2.6)
Purchase of own shares		**(4.5)**	-	(1.5)
Net cash (outflow)/inflow from financing activities		**(35.7)**	107.3	59.0
(Decrease)/increase in cash and cash equivalents during the year		**(51.0)**	122.7	33.9
Cash and cash equivalents at start of the period/year		**91.9**	58.4	58.4
Effect of foreign exchange rate changes		**(1.3)**	(0.9)	(0.4)
Cash and cash equivalents at end of the period/year		**39.6**	180.2	91.9

Analysis of continuing and discontinued cash and cash equivalents

	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Cash and cash equivalents at the end of the period/year			
– Continuing operations	**36.3**	180.2	91.9
– Discontinued operations	**3.3**	-	-
Cash and cash equivalents at the end of the period/year	**39.6**	180.2	91.9

Notes to the Condensed Consolidated Cash Flow Statement

for the half year to 30 April 2012

A. Cash generated from operations

	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Operating profit from continuing operations	**29.0**	46.8	101.0
Operating profit from discontinued operations	**2.6**	2.9	6.0
Adjustment for:			
Amortisation of development costs	**1.9**	1.2	2.4
Amortisation of intangible assets arising from business combinations	**10.2**	11.5	24.3
Amortisation of other intangibles	**0.2**	0.2	0.2
Loss on disposal of property, plant and equipment	**-**	-	0.5
Depreciation of property, plant and equipment	**9.5**	8.2	17.2
Loss/(gain) on fair value movements on derivatives	**1.7**	(5.2)	(2.4)
Share-based payment expense	**0.9**	1.0	0.2
Difference between pension contributions paid and amount recognised in Income Statement	**1.9**	0.3	(0.4)
(Decrease)/increase in provisions	**(0.7)**	0.1	(0.1)
Operating cash flows before movements in working capital	**57.2**	67.0	148.9
Decrease/(increase) in inventories	**27.9**	(12.1)	(1.2)
Increase in trade and other receivables	**(34.8)**	(4.6)	(22.5)
Decrease in trade and other payables	**(39.8)**	(6.1)	(13.5)
Cash generated from operations	**10.5**	44.2	111.7
Acquisition related costs	**2.7**	2.5	5.7
Restructuring and incident costs	**4.8**	2.9	7.2
Underlying cash generated from operations	**18.0**	49.6	124.6
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash and cash equivalents during the period/year	**(51.0)**	122.7	33.9
Decrease/(increase) in debt and lease financing due to cash flows	**0.8**	(21.0)	9.4
Change in net debt resulting from cash flows	**(50.2)**	101.7	43.3
Foreign exchange gains	**2.2**	8.3	3.0
Amortisation of debt finance costs	**(0.8)**	(0.6)	(1.5)
Movement in net debt in the period/year	**(48.8)**	109.4	44.8
Net debt at start of the period/year	**(262.7)**	(307.5)	(307.5)
Net debt at end of the period/year	**(311.5)**	(198.1)	(262.7)

Analysis of net debt

	As at 1 Nov 2011 £m	Cash flow £m	Non-cash changes £m	Exchange movement £m	As at 30 April 2012 £m
Cash at bank and in hand	91.9	(51.0)	-	(1.3)	**39.6**
Debt due within one year	(86.0)	-	(1.0)	1.5	**(85.5)**
Debt due after one year	(262.1)	-	0.2	2.0	**(259.9)**
Finance leases	(6.4)	0.8	-	-	**(5.6)**
Preference shares	(0.1)	-	-	-	**(0.1)**
Net debt	(262.7)	(50.2)	(0.8)	2.2	**(311.5)**

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 2012 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 13. 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 2012 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
19 June 2012

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 2012 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 19 June 2012. The information for the year ended 31 October 2011 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. Full accounts for the year ended 31 October 2011, 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 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.

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 2011.

Restatement of prior period figures

The restructuring and incident costs that were included within underlying operating profit for the half year to 30 April 2011 have been reclassified to non-underlying items in order to be consistent with the current period and 2011 full year treatment of the equivalent costs. See Note 2 for further detail.

2. Segmental analysis

A segmental analysis of revenue and results is set out below:

	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Revenue			
Counter-IED	**69.9**	95.7	167.6
Countermeasures	**93.6**	89.6	200.8
Pyrotechnics	**40.7**	48.6	118.7
Munitions	**129.1**	85.4	237.0
Revenue from continuing operations	**333.3**	319.3	724.1
Revenue from discontinued operations			
Pyrotechnics	**10.8**	10.5	21.2
Total revenue	**344.1**	329.8	745.3

2. Segmental analysis continued

	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Underlying operating profit			
Counter-IED	**11.2**	20.0	31.9
Countermeasures	**21.0**	20.8	46.7
Pyrotechnics	**5.1**	8.8	26.4
Munitions	**17.1**	13.5	40.8
Unallocated corporate costs	**(5.9)**	(5.5)	(10.0)
Underlying operating profit from continuing operations	**48.5**	57.6	135.8
Underlying operating profit from discontinued operations			
Pyrotechnics	**2.6**	2.9	6.0
Total underlying operating profit	**51.1**	60.5	141.8
Acquisition related costs	**(2.7)**	(1.6)	(5.7)
Restructuring and incident costs	**(4.9)**	(2.9)	(7.2)
Intangible amortisation arising from business combinations	**(10.2)**	(11.5)	(24.3)
(Loss)/gain on fair value movements on derivatives	**(1.7)**	5.2	2.4
Non-underlying items	**(19.5)**	(10.8)	(34.8)
Operating profit from continuing operations	**29.0**	46.8	101.0
Share of post-tax results of associate	**-**	-	0.1
Finance income	**0.1**	0.2	0.1
Finance expense	**(9.4)**	(7.9)	(15.8)
Profit before tax for the period/year from continuing operations	**19.7**	39.1	85.4
Tax	**(3.7)**	(10.1)	(15.4)
Profit after tax for the period/year from continuing operations	**16.0**	29.0	70.0
Profit after tax for the period/year from discontinued operations	**1.6**	1.9	3.9
Profit after tax for the period/year	**17.6**	30.9	73.9

There were no inter-segment sales in any of the periods.

In 2012 there were acquisition related costs of £2.7 million (H1 2011: £1.6 million, 2011: £5.7 million). The costs in the period related to acquisitions made in previous periods as well as ongoing mergers and acquisitions activity. See Note 8 for further details.

In 2012 the restructuring costs relate to the restructuring at Alloy Surfaces and NIITEK in the US and Chemring Energetics in the UK (2012: £4.9 million, H1 2011: £1.1 million, 2011: £1.1 million). In 2011 there were also some incident costs associated with the start-up of production at Mecar following the incident that occurred in September 2010 (H1 2011: £1.8 million, 2011: £2.3 million). Furthermore, at the end of October 2011, the Board decided to exit some loss-making munitions product lines in the US and in addition to minor losses, a provision was made for excess inventory and fixed assets (H1 2011: £nil, 2011: £3.8 million). There were no associated costs for these matters in the current period.

Notes to the Condensed Set of Financial Statements
continued

2. Segmental analysis continued

	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Revenue by destination			
Continuing operations:			
UK	**52.3**	64.1	128.3
USA	**138.6**	155.4	318.0
Europe	**40.8**	22.3	71.1
Australia and Far East	**24.6**	22.2	44.7
Middle East	**67.9**	46.4	138.2
Rest of the world	**9.1**	8.9	23.8
	333.3	319.3	724.1
Discontinued operations:			
UK	**0.6**	0.5	1.1
USA	**1.0**	1.1	2.1
Europe	**4.3**	3.5	9.0
Australia and Far East	**3.2**	4.1	6.1
Middle East	**0.5**	0.4	0.9
Rest of the world	**1.2**	0.9	2.0
	10.8	10.5	21.2
Total	**344.1**	329.8	745.3

The directors consider the only countries that are significant in accordance with IFRS 8 are the UK and USA, as disclosed above, and Saudi Arabia, which is included within the Middle East category and which had revenue of £51.5 million (H1 2011: £37.2 million, 2011: £104.1 million).

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

	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Continuing operations:			
Non-current assets by location			
UK	**222.4**	206.8	221.1
USA	**309.6**	256.5	314.8
Europe	**140.3**	151.6	150.3
Australia and Far East	**29.0**	20.6	26.6
Total	**701.3**	635.5	712.8

3. Seasonality of revenue

Revenue for all four of the business segments is more weighted towards the second half of the financial year in line with defence spending. Margins in the second half of the financial year are anticipated to improve as increased revenue should lead to higher gross profit, whilst fixed costs should remain at similar levels to the first half of the financial year.

4. Tax

The estimated tax rate for the Group for the year ending 31 October 2012 is 20% (H1 2011: 26%, 2011: 19%) and the underlying estimated effective tax rate is 22% (H1 2011: 26%, 2011: 23%). This represents the best estimate of the average effective income tax rate expected for the full year, applied to the pre-tax income for the six month period.

5. Earnings per share

Earnings per share are based on the average number of shares in issue of 193,337,430 (2011: 176,919,779) and profit on ordinary activities after tax and minority interests of £17.6 million (2011: £30.9 million). Diluted earnings per share has been calculated using a diluted average number of shares in issue of 195,631,729 (2011: 178,176,690) and profit on ordinary activities after tax and minority interests of £17.6 million (2011: £30.9 million).

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

From continuing operations

	2012 Earnings £m	2012 Ordinary shares Number 000s	2012 EPS Pence	2011 Earnings £m	2011 Ordinary shares Number 000s	2011 EPS Pence
Basic	**16.0**	**193,337**	**8.3**	29.0	176,920	16.4
Additional shares issuable other than at fair value in respect of options outstanding	**-**	**2,295**	**(0.1)**	-	1,257	(0.1)
Diluted	**16.0**	**195,632**	**8.2**	29.0	178,177	16.3

From continuing and discontinued operations

	2012 Earnings £m	2012 Ordinary shares Number 000s	2012 EPS Pence	2011 Earnings £m	2011 Ordinary shares Number 000s	2011 EPS Pence
Basic	**17.6**	**193,337**	**9.1**	30.9	176,920	17.5
Additional shares issuable other than at fair value in respect of options outstanding	**-**	**2,295**	**(0.1)**	-	1,257	(0.1)
Diluted	**17.6**	**195,632**	**9.0**	30.9	178,177	17.4

Reconciliation from basic earnings per share to underlying earnings per share:

Underlying earnings has been defined as earnings before acquisition related costs, restructuring and incident costs, intangible amortisation arising from business combinations and (loss)/gain on fair value movements on derivatives. The directors consider this measure of earnings allows a more meaningful comparison of earnings trends.

From continuing operations

	2012 Earnings £m	2012 Ordinary shares Number 000s	2012 EPS Pence	2011 Earnings £m	2011 Ordinary shares Number 000s	2011 EPS Pence
Basic	**16.0**	**193,337**	**8.3**	29.0	176,920	16.4
Acquisition related costs, restructuring and incident costs, intangible amortisation arising from business combinations and (loss)/gain on fair value movements on derivatives (after tax)	**14.8**	**-**	**7.7**	7.9	-	4.5
Underlying	**30.8**	**193,337**	**16.0**	36.9	176,920	20.9

From continuing and discontinued operations

	2012 Earnings £m	2012 Ordinary shares Number 000s	2012 EPS Pence	2011 Earnings £m	2011 Ordinary shares Number 000s	2011 EPS Pence
Basic	**17.6**	**193,337**	**9.1**	30.9	176,920	17.5
Acquisition related costs, restructuring and incident costs, intangible amortisation arising from business combinations and (loss)/gain on fair value movements on derivatives (after tax)	**14.8**	**-**	**7.7**	7.9	-	4.5
Underlying	**32.4**	**193,337**	**16.8**	38.8	176,920	22.0

Notes to the Condensed Set of Financial Statements
continued

5. Earnings per share continued

For the year ended 31 October 2011, underlying earnings per share from continuing operations was 50.0p from continuing operations, which was calculated on £92.9 million of earnings and 185,633,996 average shares. Basic earnings per share was 37.7p from continuing operations, calculated on £70.0 million of earnings and 185,633,996 average shares.

For the year ended 31 October 2011, underlying earnings per share from continuing and discontinued operations was 52.1p from continuing and discontinued operations, which was calculated on £96.8 million of earnings and 185,633,996 average shares. Basic earnings per share was 39.8p from continuing and discontinued operations, calculated on £73.9 million of earnings and 185,633,996 average shares.

The number of shares in issue differs from the number held by third parties due to the fact that the Group holds Chemring Group PLC shares in treasury. The total number of ordinary shares held in treasury at 30 April 2012 was 2,223,782 (2011: 1,043,145) with an average cost of £4.40 (2011: £4.83) per share. This represents 1.1% of the total issued and fully paid ordinary share capital.

During the period the Group issued 334,363 of treasury shares following the vesting of conditional awards made on 21 January 2009 under the Chemring Group Performance Share Plan.

Full details of earnings per share for the year ended 31 October 2011 are disclosed in the Group's audited financial statements for the year ended 31 October 2011.

The reclassification of certain items from underlying to non-underlying in 2011 has resulted in a revised 2011 interim figure for underlying earnings per share. A reconciliation of the movement from the reported figure in the 2011 interim report to the figure above is shown below.

			Half year to 30 April 2011
	Earnings £m	Ordinary shares Number 000s	EPS Pence
Continuing and discontinued operations:			
Underlying as previously reported	36.7	176,602	20.8
Reclassification of items from underlying to non-underlying (including tax)	2.1	-	1.2
Revised underlying figure	38.8	176,602	22.0

6. Dividends

	2012 £m	2011 £m
Dividends on ordinary shares of 1p each		
Interim dividend for the year ended 31 October 2011 4.0p	-	7.8
Final dividend for the year ended 31 October 2011 10.8p (2010: 8.4p)	**20.8**	14.9
Total dividends	**20.8**	22.7

The proposed interim dividend in respect of the half year ended 30 April 2012 of 5.3p per share will, if approved, absorb approximately £10 million of shareholders' funds. No liability for the proposed interim dividend has been included in these half-yearly financial statements.

7. Cash and cash equivalents

Included within cash is £0.4 million of restricted cash (H1 2011: £15.6 million, 2011: £0.4 million), of which £nil (H1 2011: £15.2 million, 2011: £nil) is held in escrow in relation to the Chemring Group Staff Pension Scheme. The Group provided additional letters of credit and bank guarantees to the Chemring Group Staff Pension Scheme totalling £20.0 million in the previous year, bringing the total guarantees on the Scheme to £27.2 million. This increase facilitated the release of the £15.2 million of restricted cash previously held in escrow.

8. Acquisitions

No acquisitions were made in the period but, as a result of ongoing mergers and acquisitions activity and acquisitions in prior periods, acquisition related costs of £2.7 million (2011: £1.6 million) have been recognised through the Income Statement in accordance with IFRS3 (revised 2008). This cost predominantly relates to the costs incurred on the proposed joint ventures in India, Brazil and Saudi Arabia, and the final transitional service costs on the acquisition of Chemring Detection Systems, Inc..

9. Pensions

The defined benefit obligations are calculated using an actuarial valuation as at 30 April 2012. The deficit on the Chemring Group Staff Pension Scheme has increased to £26.5 million (2011: £20.3 million) as a result of changes to the scheme's asset values from rising equity markets and from the adjustment in assumptions to reflect current market conditions. The difference between the expected return on assets and the actual return on assets has been recognised as an actuarial loss in the Condensed Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy.

10. Related party transactions

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

11. Discontinued operations

The results of the discontinued marine business for the period, which have been included within the Condensed Consolidated Income Statement, were as follows:

	Unaudited Half year to 30 April 2012 £m	Unaudited Half year to 30 April 2011 £m	Audited Year to 31 Oct 2011 £m
Revenue	**10.8**	10.5	21.2
Operating profit	**2.6**	2.9	6.0
Finance expense	**(0.3)**	(0.3)	(0.6)
Tax	**(0.7)**	(0.7)	(1.5)
Profit after tax	**1.6**	1.9	3.9

Assets and liabilities relating to the discontinued marine business on the balance sheet were as follows:

	Unaudited Half year to 30 April 2012 £m
Goodwill	**3.8**
Property, plant and equipment	**1.0**
Inventories	**5.5**
Trade and other receivables	**6.3**
Cash and cash equivalents	**3.3**
Assets held for sale	**19.9**
Trade and other payables	**(1.3)**
Taxation	**(0.6)**
Retirement benefit obligations	**(0.7)**
Liabilities held for sale	**(2.6)**
	17.3

During the period the discontinued operations contributed £2.4 million inflow (H1 2011: £2.6 million, 2011: £5.2 million) to the Group's net operating cash flows, paid £nil (H1 2011 £nil, 2011: £nil) in respect of investing activities, and paid £0.3 million (H1 2011: £0.3 million, 2011: £0.6 million) in respect of financing activities.

12. Post balance sheet events

On 6 June 2012 the Group announced the conditional sale of its marine interests to Drew Marine for £32 million, subject to regulatory approval and a working capital adjustment to be determined at completion. The net value of marine interests held for sale on the balance sheet of £17.3 million as at 30 April 2012 are shown in Note 11 above. The marine business covers four jurisdictions and restructuring of each individual business was required in order to enable a sale. The restructuring included separating the German manufacturing facility into two for the retained defence business and the available-for-sale business, as well as a carve-out from the defence businesses in Spain and Australia. The disposal is expected to complete by the end of July 2012.

13. Corporate website

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

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