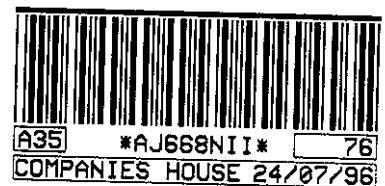


Company Registration No. 962893

**KARMA INDUSTRIES NO 2 LIMITED**

**Financial Statements 1995**



**KARMA INDUSTRIES NO 2 LIMITED**

**FINANCIAL STATEMENTS 1995**

<b>CONTENTS</b>	<b>Page</b>
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

**KARMA INDUSTRIES NO 2 LIMITED**

**FINANCIAL STATEMENTS 1995**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P G Billington (Chairman)  
I G K Leighton

**SECRETARY**

I G K Leighton

**REGISTERED OFFICE**

1480 Parkway  
Whiteley  
Fareham  
Hampshire  
PO15 7AF

**AUDITORS**

Deloitte & Touche  
Chartered Accountants

## KARMA INDUSTRIES NO 2 LIMITED

### DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 18 month period ended 30 September 1995.

### CHANGE IN ACCOUNTING REFERENCE DATE

The company changed its accounting reference date from 31 March to 30 September during the period.

### PRINCIPAL ACTIVITIES

The company did not trade during the period.

### PROFIT AND DIVIDENDS

The directors do not recommend the payment of a dividend. A loss for the period of £2,000 (1994 - profit £6,337) has been transferred from reserves.

### DIRECTORS

The present membership of the Board is set out on page 1.

The following directors served during the period:

Mr M J Cleary - resigned 21 September 1994  
Mr G Edge - resigned 21 September 1994  
Mr J M Whitehorn - resigned 21 September 1994  
Mrs S E F Vine - appointed 21 September 1994, resigned 27 June 1995  
Mr P G Billington - appointed 21 September 1994  
Mr I G K Leighton - appointed 27 June 1995

Mr P G Billington is also a director of Chemring Group PLC and his interests in the shares and share options of the parent company and his remuneration are dealt with in that company's accounts.

The remaining director's interests in the shares and share options of the parent company as at 2 April 1994, or date of appointment if later, and 30 September 1995 are set out below.

	<i>Ordinary Shares</i>		<i>Ordinary Share Options</i>	
	<i>1995</i>	<i>1994</i>	<i>- Sharesave Scheme</i>	
			<i>1995</i>	<i>1994</i>
Mr I Leighton	-	-	455	-

The company maintains liability insurance in respect of its directors and officers.

### CLOSE COMPANY STATUS

So far as the directors are aware the company is not a close company for taxation purposes.

**KARMA INDUSTRIES NO 2 LIMITED**

**DIRECTORS' REPORT**

**AUDITORS**

BDO Binder Hamlyn resigned as auditors during the period and Deloitte & Touche were appointed by the directors to fill the casual vacancy. A resolution to re-appoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
on 11 July 1996

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'I. G. K. Leighton', written over a horizontal line.

**I G K Leighton**  
**Secretary**

## KARMA INDUSTRIES NO 2 LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Karma Industries No 2 Limited as at the end of the financial year and of the profit or loss for that period. It is also the directors' responsibility to maintain adequate accounting records which disclose with reasonable accuracy the financial position of Karma Industries No 2 Limited, safeguard the assets, and prevent and detect fraud and other irregularities, and prepare the financial statements on a going concern basis.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements, and that applicable accounting standards have been followed.

Signed on behalf of the Board



**I G K Leighton**

**Secretary**

**11 July 1996**

## KARMA INDUSTRIES NO 2 LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 11 which have been prepared under the accounting policies set out on page 8.

#### Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

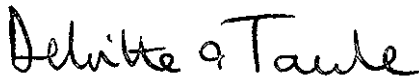
#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1995 and of its loss for the 18 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and  
Registered Auditors  
Southampton

11.7.96

**KARMA INDUSTRIES NO 2 LIMITED**

**PROFIT AND LOSS ACCOUNT**

**For the 18 month period ended 30 September 1995**

	<b>Note</b>	<b>Discontinued Operations 18 month period ended 30 Sep 1995 £'000</b>	<b>Discontinued Operations Year ended 2 Apr 1994 £'000</b>
<b>OPERATING (EXPENSES)/INCOME</b>		(2)	9
		<hr/>	<hr/>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(2)	9
Tax on (loss)/profit on ordinary activities	3	-	(3)
		<hr/>	<hr/>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	8	(2)	6
		<hr/>	<hr/>

No statement of total recognised gains and losses has been included as there are no recognised gains or losses other than the (loss)/profit for either period.



**KARMA INDUSTRIES NO 2 LIMITED**

**BALANCE SHEET**  
**As at 30 September 1995**

	Note	£'000	As at 30 Sep 1995 £'000	£'000	As at 2 Apr 1994 £'000
<b>CURRENT ASSETS</b>					
Debtors	4	201		260	
Cash at bank and in hand		-		3	
				<hr/>	
		201		263	
<b>CREDITORS -</b>					
Amounts falling due within one year	5	(943)		(1,003)	
				<hr/>	
<b>NET CURRENT LIABILITIES</b>			(742)		(740)
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(742)		(740)
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	6		10		10
Profit and loss account	8		(752)		(750)
			<hr/>		<hr/>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			(742)		(740)
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on 11 July 1996.

Signed on behalf of the Board

  
**I G K Leighton**  
Director

## KARMA INDUSTRIES NO 2 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the 18 month period ended 30 September 1995

#### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

##### Accounting Convention

The financial statements are prepared under the historical cost convention.

##### Deferred Taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

#### 2. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments from the company during the period (1994 - £nil).

#### 3. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	18 month period ended 30 Sep 1995 £'000	Year ended 2 Apr 1994 £'000
Tax is based on the (loss)/profit for the period and comprises:		
Group relief claimed	-	(3)
	<hr/>	<hr/>
	-	(3)
	<hr/>	<hr/>

**KARMA INDUSTRIES NO 2 LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the 18 month period ended 30 September 1995****4. DEBTORS**

	<b>As at 30 Sep 1995 £'000</b>	<b>As at 2 Apr 1994 £'000</b>
Trade debtors	15	51
Amounts owed by fellow subsidiary undertakings	1	205
Other debtors	-	4
Group relief receivable	185	-
	<hr/>	<hr/>
	201	260
	<hr/>	<hr/>

**5. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>As at 30 Sep 1995 £'000</b>	<b>As at 2 Apr 1994 £'000</b>
Amounts owed to parent undertaking	943	973
Other creditors	-	16
Accruals and deferred income	-	10
Obligations under finance leases	-	4
	<hr/>	<hr/>
	943	1,003
	<hr/>	<hr/>

**KARMA INDUSTRIES NO 2 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 18 month period ended 30 September 1995**

**6. CALLED UP SHARE CAPITAL**

	As at 30 Sep 1995 £'000	As at 2 Apr 1994 £'000
Authorised: 100,000 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid: 10,250 ordinary shares of £1 each	10	10
	<hr/>	<hr/>

**7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	18 month period ended 30 Sep 1995 £'000	Year ended 2 Apr 1994 £'000
(Loss)/profit for the financial period	(2)	6
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(2)	6
Opening shareholder's funds	(740)	(746)
	<hr/>	<hr/>
Closing shareholder's funds	(742)	(740)
	<hr/>	<hr/>

**8. PROFIT AND LOSS ACCOUNT**

	£'000
Balance at 2 April 1994	(750)
Loss for the period	(2)
	<hr/>
Balance at 30 September 1995	(752)
	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 18 month period ended 30 September 1995**

**9. ULTIMATE PARENT COMPANY**

In the opinion of the directors, the company's ultimate parent company is Chemring Group PLC, a company registered in England. Copies of the group financial statements of Chemring Group PLC are available at Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

**10. CASH FLOW STATEMENT**

The company is a wholly owned subsidiary undertaking and consequently no cash flow statement has been prepared.