



# Chemring Group PLC

## Notice of Annual General Meeting

17 March 2010

**This document is important and requires your immediate attention.**

If you are in any doubt about its contents you should consult your independent financial adviser. If you have sold or transferred all of your Chemring Group PLC ordinary shares you should send this document and all accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

# Notice of Annual General Meeting

Notice is hereby given that the 104th Annual General Meeting of the shareholders will be held at 2.30pm on Wednesday 17 March 2010 at The Solent Hotel, Rookery Avenue, Whiteley, Fareham, Hampshire PO15 7AJ for the purpose of considering and, if approved, passing the following resolutions:

## Ordinary Resolutions

1. To receive and adopt the financial statements and reports of the directors and auditors for the year ended 31 October 2009, together with the auditable part of the Directors' Remuneration Report.
2. To approve the Directors' Remuneration Report for the year ended 31 October 2009.
3. To approve the payment of a final dividend of 36p per ordinary share for the year ended 31 October 2009 to be paid on 1 April 2010 to shareholders on the register at the close of business on 19 March 2010.
4. To re-elect The Rt Hon Lord Freeman as a director.
5. To re-elect Mr K C Scobie as a director.
6. To re-appoint Deloitte LLP as auditors and to authorise the directors to fix their remuneration.
7. That the amendments to the rules of the Chemring Group Performance Share Plan (the "Plan") referred to in the Chairman of the Board's letter to shareholders dated 2 February 2010 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the directors be authorised to adopt such amendments.
8. That the Board be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot and to make offers or agreements to allot shares in the Company up to an aggregate nominal amount of £589,180, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 17 June 2011 (whichever is the earlier), save that the Company may before the expiry of this authority make an offer or agreement which would or might require shares to be allotted after such expiry and the Board may allot shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

This authority is in substitution for all existing authorities under section 80 of the Companies Act 1985 (the "1985 Act"), which to the extent unused at the date of this resolution, are revoked with immediate effect.

## Special Resolutions

9. That subject to resolution 8 being passed, the Board be and it is hereby generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash:
  - (a) subject to the passing of resolution 8, pursuant to section 570 of the Act and the authority conferred by resolution 8; and/or
  - (b) pursuant to section 573 of the Act, where the allotment is an allotment of equity securities by virtue of section 560(2)(b) of the Act;

in each case, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

- (a) to the allotment of equity securities in connection with an offer for equity securities:
  - (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
  - (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) to the allotment of equity securities (otherwise than pursuant to paragraph (a) of this resolution) up to an aggregate nominal value of £88,377;

and (unless previously revoked, varied or reviewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 17 June 2011 (whichever is the earlier), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

This power is in substitution for all existing powers under section 95 of the 1985 Act, which, to the extent unused at the date of this resolution, are revoked with immediate effect.

10. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of its ordinary shares of 5p each in the capital of the Company ("Shares") on such terms and in such manner as the directors may from time to time determine, and where such Shares are held as treasury shares, the Company may use them for the purposes of its employee share schemes, provided that:
- (a) the maximum aggregate number of Shares which may be purchased is 3,535,083 (representing approximately 10 per cent of the issued ordinary share capital at 1 February 2010 (exclusive of treasury shares));
  - (b) the minimum price (exclusive of expenses) which may be paid for a Share is 5p;
  - (c) the maximum price (exclusive of expenses) which may be paid for a Share is the higher of:
    - (i) an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such Share is contracted to be purchased; and
    - (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out;

and (unless previously renewed, revoked or varied), this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 17 June 2011 (whichever is the earlier), save that the Company may make a contract to purchase Shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of Shares pursuant to it as if this authority had not expired.

All previous unutilised authorities to make market purchases of ordinary shares are revoked, except in relation to the purchase of Shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed.

11. That with immediate effect the articles of association produced to the meeting and for the purposes of identification signed by the Chairman of the meeting be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.
12. That the Company be and is hereby generally and unconditionally authorised, from the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company or 17 June 2011 (whichever is the earlier), to hold general meetings (other than annual general meetings) on not less than 14 clear days' notice.

By order of the Board

**Sarah Ellard**  
 Company Secretary  
 2 February 2010

Chemring House  
 1500 Parkway  
 Whiteley  
 Fareham  
 Hampshire  
 PO15 7AF

# Notes on resolutions

## Resolution 1

The directors are required to present to the meeting the audited accounts and the reports of the directors and auditors for the financial year ended 31 October 2009.

## Resolution 2

It is a statutory requirement that the Directors' Remuneration Report be subject to an advisory vote by shareholders at the Annual General Meeting. The report is set out on pages 39 to 47 of the Annual Report and Accounts, which can be accessed on the Company's website ([www.chemring.co.uk](http://www.chemring.co.uk)). Shareholders may also obtain a copy by contacting the Company Secretary at the Company's registered office during usual business hours.

## Resolution 3

Shareholders must approve the final dividend payable for each ordinary share held. The final dividend declared cannot exceed the amount recommended by the directors.

## Resolutions 4 and 5

Under the Company's Articles of Association, and in compliance with the Combined Code on Corporate Governance, all directors are required to retire from office and be re-elected every three years at an Annual General Meeting. The Rt Hon Lord Freeman will retire this year and is proposed for re-election.

Additionally, the Company's Articles of Association require that all directors who have reached the age of 70 retire from office annually thereafter and seek re-election. Accordingly, Mr K C Scobie, who is aged 71, will also retire this year and is proposed for re-election. This also satisfies the requirement under the Combined Code on Corporate Governance for Mr Scobie to retire annually, having served more than nine years as a non-executive director.

Information on these directors is given below.

The Rt Hon Lord Freeman joined the Group as a non-executive director in May 2006. He is currently Chairman of the Audit Committee. In addition he is a consultant (formerly partner) to PricewaterhouseCoopers, Chairman of Thales UK plc and a non-executive director of Savile Group PLC. He is also on the main Board of Thales S.A., France and is Chairman of Cambridge Enterprise - the University Technology Transfer Office. Previously he was a partner with Lehman Brothers Investment Bankers between 1969 and 1985 and a Member of Parliament from 1983 to 1997. He was made a Privy Councillor in 1993 and held a position as Minister between 1985 and 1997. The Rt Hon Lord Freeman is aged 67.

Mr K C Scobie joined the Group as Non-Executive Chairman in June 1997. He was formerly Chairman of Allied Leisure plc and has acted as Chairman, Chief Executive and non-executive director of a wide range of industrial companies since 1972. Mr Scobie is aged 71.

## Resolution 6

This resolution proposes the re-appointment of the auditors and follows the standard practice of giving authority to the directors to fix the remuneration to be paid to the auditors.

## Resolution 7

A copy of the rules of the Chemring Group Performance Share Plan incorporating draft amendments proposed to be made to the individual limits proposed by resolution 7 will be available for inspection at the Company's registered office, Chemring House, 1500 Parkway, Whiteley, Fareham, Hampshire PO15 7AF, and the offices of Hewitt New Bridge Street, 6 More London Place, London SE1 2DA, during normal business hours on any weekday (Saturdays and public holidays excepted) until the close of the Annual General Meeting and at the location of the meeting for at least 15 minutes prior to and during the meeting. Further details of the proposed changes to the rules are set out in the Chairman of the Board's letter dated 2 February 2010.

### **Resolution 8**

The directors of the Company may only allot shares if authorised to do so by the shareholders in general meeting. This resolution, if passed, will grant new authority under section 551 of the Companies Act 2006 (the "Act") (which has superseded section 80 of the Companies Act 1985 (the "1985 Act") and will give the directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new ordinary shares, and renews the section 80 of the 1985 Act authority given at the Annual General Meeting in 2009. The authority will enable the directors to allot ordinary shares up to an aggregate nominal amount of £589,180, which represents approximately one third of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 2 February 2010. This limit is in line with the guidelines issued by the Association of British Insurers.

The directors have no present intention of exercising this authority except for the purpose of allotting shares under the terms of the Company's employee share schemes. The authority will expire at the conclusion of the next Annual General Meeting or on 17 June 2011 (whichever is the earlier).

### **Resolution 9**

If passed, this resolution will allow the directors, pursuant to section 571(1) of the Act (which has superseded section 95 of the 1985 Act), to allot shares for cash without first offering them to shareholders in accordance with the Act and renews the section 95 1985 Act authority given at the Annual General Meeting in 2009. This authority is limited to the allotment of shares for cash up to an aggregate nominal amount of £88,377, which represents approximately 5 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 2 February 2010, without having to first offer them to shareholders in proportion to their existing holdings. This limit is in line with the guidelines issued by the Pre-emption Group. In addition, in accordance with normal practice, the resolution would enable the Board to deal with overseas shareholders and fractional entitlements as it thinks fit in the context of any rights issue or open offer. The authority will expire at the conclusion of the next Annual General Meeting or on 17 June 2011 (whichever is the earlier). It is the directors' intention to review this authority every year. There are no present plans to exercise this authority.

### **Resolution 10**

If passed, this resolution will give the Company authority to purchase its own shares in the market up to a limit of 10 per cent of its issued ordinary share capital. The maximum and minimum prices are stated in the resolution. The directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, retained as treasury shares, as an alternative to cancelling them.

Shares repurchased as treasury shares will be held with a view to possible resale at a future date rather than having to cancel them. The directors will consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This gives the Company the ability to reissue treasury shares quickly and cost effectively, and provides the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10 per cent anti-dilution limit set by the Association of British Insurers.

The directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

### **Resolution 11**

The Company is proposing to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles"), primarily to take account of the latest changes brought about by the Act. The New Articles are intended to reflect provisions of the Act that came into force on 1 October 2009. The principal changes introduced in the New Articles are summarised in the Appendix.

### **Resolution 12**

The Act provides that general meetings of a company may be held on not less than 14 clear days' notice in writing. However, the Shareholder Rights Directive (Directive 2007/36/EC), which come into force on 1 August 2009, made it a requirement for companies whose shares are traded on the London Stock Exchange (among other markets), to seek approval each year from its shareholders if any general meeting is to be held on less than 21 clear days' notice in writing. Resolution 12 seeks such approval.

## Shareholder notes

1. A shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies (who need not be shareholders in the Company) to attend, speak and vote instead of him/her. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A separate proxy form should be used for each proxy appointment. If you intend appointing additional proxies, please contact Computershare Investor Services PLC on +44(0)870 889 3289 to obtain (an) additional proxy form(s). Alternatively, you may photocopy the enclosed form. A shareholder appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding.
2. A proxy form accompanies this Notice and should be completed and returned to the Company's registrars: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by not later than 2.30pm on 15 March 2010 or not later than 48 hours before the time appointed for any adjourned meeting. Alternatively, you may register your vote electronically by accessing the registrar's website at [www.eproxyappointment.com](http://www.eproxyappointment.com). Electronic votes must also be registered not later than 2.30pm on 15 March 2010.
3. Shareholders may change proxy instructions by returning a new proxy form using the methods set out above. A shareholder who has appointed a proxy using the hard copy proxy form but would like to change the instructions using another hard copy proxy form should contact Computershare Investor Services PLC. The above deadline for receipt of proxy appointments also applies to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded.
4. Shareholders who are users of the CREST system (including CREST Personal Members) may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the Company's agent (ID number 3RA50) not later than forty-eight hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Company's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
5. A person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have the right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statements of the rights of shareholders in relation to the appointment of proxies in this Notice do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by registered shareholders.
7. Under section 319A of the Companies Act 2006 any member attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. Only persons entered in the register of members of the Company at 5.00pm on 15 March 2010 or, in the event that the meeting is adjourned, 5.00pm on the date which is two working days prior to the reconvened meeting, shall be entitled to attend or vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting or adjourned meeting.

9. As at 1 February 2010 (being the latest business day prior to publication of this Notice), the Company's issued share capital consisted of 35,585,832 ordinary shares, carrying one vote each, and 62,500 preference shares. Preference shareholders are not entitled to attend and vote at the meeting. The Company holds 235,000 ordinary shares in treasury, which leaves voting rights over 35,350,832 ordinary shares.
10. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on its website.
11. The following documents are available for inspection at the Company's registered office during normal business hours every business day, and will be available for inspection at the place of the Annual General Meeting for one hour prior to and until the close of the meeting:
  - (i) copies of all service contracts between the Company and its directors; and
  - (ii) a copy of the Company's Articles of Association incorporating and showing all the changes proposed to be made to the Articles of Association pursuant to resolution 11.
12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website ([www.chemring.co.uk](http://www.chemring.co.uk)).

# Appendix

## **Explanatory notes of principal changes to the Company's Articles of Association**

The material differences between the Current Articles and the New Articles are summarised below. Changes of a minor, conforming or purely technical nature have not been mentioned specifically.

### **Change of name**

Currently a company can only change its name by special resolution. Since 1 October 2009, a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

### **Authorised share capital and unissued shares**

The Act abolishes the requirement for a company to have an authorised share capital. All references to authorised share capital have therefore been removed in the New Articles. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employee share schemes.

### **Redeemable shares**

At present, if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. Since 1 October 2009, the Act enables directors to determine such matters provided they are authorised to do so by the company's articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would require shareholders' authority to issue new shares in the usual way.

### **Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital**

Under the law currently in force a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares, and to reduce its share capital or other undistributable reserves, as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Since 1 October 2009, a company only requires shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

### **Use of seals**

A company currently requires authority in its articles to have an official seal for use abroad. Since 1 October 2009, such authority is no longer required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document, it may also be signed by a director in the presence of a witness, in addition to the current provisions for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

### **Vacation of office by directors**

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department of Business, Innovation and Skills.

## **Chemring Group PLC**

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