UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: July 30, 2001, amending Form 8-K filed May 29, 2001
(Date of earliest event reported: May 11, 2001)

SAF-T-HAMMER CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	000-29015	87-0543688
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

14500 North Northsight, Suite 221, Scottsdale, Arizona 85260
(Address of principal executive offices) (Zip Code)

(480) 949-9700
(Registrant's telephone number)

Item 2. Acquisition or Disposition of Assets.

Saf-T-Hammer Corporation ("Saf-T-Hammer") previously reported on its Form 8-K filed on May 29, 2001 that it acquired (the "Acquisition") all of the issued and outstanding shares of Smith & Wesson Corp., a Delaware corporation ("Smith & Wesson") pursuant to a Stock Purchase Agreement (the "Acquisition Agreement") dated as of May 11, 2001 between Tomkins Corporation, a Delaware corporation, and Saf-T-Hammer. As a result of the Acquisition, Smith & Wesson became a wholly owned subsidiary of Saf-T-Hammer.

Item 7. Financial Statements and Exhibits.

(a) As of the date of the filing of the initial Form 8-K reporting the Acquisition, Saf-T-Hammer was unable to provide the financial statements required by this Item 7(a). The financial statements of Smith & Wesson, as required by Item 7(a) are filed herewith as Exhibit 99.1.

(b) As of the date of the filing of the initial Form 8-K reporting the Acquisition, Saf-T-Hammer was unable to provide the financial statements required by this Item 7(b). Saf-T-Hammer Corporation's pro forma financial information required by Item 7(b) is filed herewith as Exhibit 99.2.

(c) Exhibits

2.3 Stock Purchase Agreement dated as of May 11, 2001 between Tomkins Corporation, a Delaware corporation and Saf-T-Hammer Corporation, pursuant to which Saf-T-Hammer Corporation acquired Smith & Wesson Corp.*

2.4 Note issued by Saf-T-Hammer Corporation to Tomkins dated May 11, 2001.*

2.5 Guaranty by and between Saf-T-Hammer Corporation and Tomkins dated May 11, 2001.*

2.6 Promissory Note dated April 30, 1997 issued by Smith & Wesson to Tomkins.*

2.7 First Amendment to Promissory Note dated May 11, 2001 between Tomkins and Smith & Wesson.*

4.1 Promissory Note & Loan Agreement dated May 6, 2001 between Saf-T-Hammer Corporation and Colton Melby.*

4.2 First Amendment to Promissory Note and Loan Agreement between Saf-T-Hammer Corporation and Colton Melby dated May 10, 2001.*

4.3 Stock Pledge Agreement effective as of May 11, 2001 between Saf-T-Hammer Corporation and Colton Melby.*

4.4 Common Stock Purchase Warrant dated May 6, 2001.*

4.5 Registration Rights Agreement between Saf-T-Hammer Corporation and Colton Melby dated May 6, 2001.*

4.6 Form of common stock purchase warrant issued to Bryan Saxwold and Corey Lambrecht.*

99.1 Consolidated audited financial statements of Smith & Wesson Corp. and subsidiaries for the years ended April 28, 2001 and April 29, 2000.

99.2 Unaudited pro forma balance sheet as of March 31, 2001 and unaudited pro forma statements of operations for the three months ended March 31, 2001 and the year ended December 31, 2000.

* Filed previously with Saf-T-Hammer Corporation's Form 8-K, filed with the Securities and Exchange Commission on May 29, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on July 30, 2001.

Saf-T-Hammer Corporation,
a Nevada corporation

By: /s/ Mitchell A. Saltz

Mitchell A. Saltz, Chief Executive Officer

SAF-T-HAMMER CORPORATION

EXHIBIT INDEX TO FORM 8-K/A
Dated July 30, 2001

Exhibit

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Schedules and attachments to Exhibit 2.3:

Disclosure Schedule

Exhibit A – Pending Litigation & Investigations

Exhibit B – Seller Obligations

Exhibit C – Guaranty

Exhibit D – Covenant Compliance Certificate

Exhibit E – Form of Buyer’s Note

Exhibit F – Letters of Credit

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* Filed previously with Saf-T-Hammer Corporation’s Form 8-K, filed with the Securities and Exchange Commission on May 29, 2001.

EXHIBIT 99.1

SMITH & WESSON CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 28, 2001 AND APRIL 29, 2000

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Smith & Wesson Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Smith & Wesson Corp. and Subsidiaries as of April 28, 2001, and the related consolidated statements of operations, stockholder's equity, and cash flows for the years ended April 28, 2001 and April 29, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Smith & Wesson Corp. and Subsidiaries as of April 28, 2001, and the results of their operations and their cash flows for the years ended April 28, 2001 and April 29, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ Stonefield Josephson, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

Santa Monica, California
July 12, 2001

SMITH & WESSON CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - APRIL 28, 2001

ASSETS

Current assets:	
Cash and cash equivalents	$ 972,745
Accounts receivable, net of allowance for doubtful accounts of $281,450	7,912,080
Inventories	8,696,698
Collaterized cash deposits	5,150,000
Other current assets	1,519,193
Due from Tomkins Corporation	58,904,233
Receivable from Walther USA, LLC, net of investment deficit	626,343
Total current assets	83,781,292
PROPERTY, PLANT AND EQUIPMENT, AT COST:	
Land and improvements	2,166,413
Buildings and improvements	21,509,181
Machinery, equipment and furniture	102,543,728
	126,219,322
Less accumulated depreciation and amortization	(104,261,770)
	21,957,552
GOODWILL, net of amortization	15,685,000
	$ 121,423,844

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 19,540,757
Deferred income	1,616,378
Total current liabilities	21,157,135
DEFERRED INCOME TAXES	3,016,990
NOTE PAYABLE, TOMKINS	73,830,000
OTHER NON-CURRENT LIABILITIES	10,567,486
COMMITMENT AND CONTINGENCIES (NOTE 12)	-
STOCKHOLDER'S EQUITY:	
Common stock, $0.01 par value, 1,000 shares authorized 800 shares issued and outstanding	8
Additional paid in capital	70,923,721
Accumulated deficit	(58,070,144)
Other comprehensive loss	(1,352)
Total stockholder's equity	12,852,233
	$ 121,423,844

The accompanying notes are an integral part of these consolidated financial statements.

SMITH & WESSON CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended April 28, 2001	Year ended April 29, 2000
NET SALES	$ 70,662,738	$ 111,966,272
COST OF GOODS SOLD	63,133,706	81,191,297
GROSS PROFIT	7,529,032	30,774,975
OPERATING EXPENSES:		
Research and development expenses	1,645,981	1,599,544
Selling, general and administrative expenses	16,677,098	19,543,573
Loss on impairment of goodwill	29,000,000	-
Other, primarily provision for losses	8,644,802	6,202,979
Total operating expenses	55,967,881	27,346,096
NET INCOME/(LOSS) FROM OPERATIONS	(48,438,849)	3,428,879
OTHER INCOME/(EXPENSE):		
Interest income - related party	4,392,375	3,945,735
Interest expense - related party	(6,718,532)	(6,718,532)
	(2,326,157)	(2,772,797)
INCOME/(LOSS) BEFORE PROVISION FOR INCOME TAXES	(50,765,006)	656,082
PROVISION FOR INCOME TAXES	6,853,820	882,352
NET LOSS	$ (57,618,826)	$ (226,270)
WEIGHTED AVERAGE NUMBER OF COMMON EQUIVALENT shares outstanding, basic and diluted	800	800
NET LOSS PER SHARE, BASIC AND DILUTED	$ (72,024)	$ (283)

The accompanying notes are an integral part of these consolidated financial statements.

SMITH & WESSON CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

FOR THE YEARS ENDED APRIL 28, 2001 and APRIL 29, 2000

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Accumulated deficit	Other comprehensive loss	Total stockholder's equity
Balance at May 1, 1999	800	$ 8	$ 70,923,721	$ (225,048)	$ 2,988	$ 70,701,669
Foreign currency translation adjustments	-	-	-	-	(8,554)	(8,554)
Net loss for the year ended April 29, 2000	-	-	-	(226,270)	-	(226,270)
Balance at April 29, 2000	800	8	70,923,721	(451,318)	(5,566)	70,466,845
Foreign currency translation	-	-	-	-	4,214	4,214
Net loss for the year ended April 28, 2001	-	-	-	(57,618,826)	-	(57,618,826)
Balance at April 28, 2001	800	$ 8	$ 70,923,721	$(58,070,144)	$ (1,352)	$ 12,852,233

The accompanying notes are an integral part of these consolidated financial statements.

SMITH & WESSON CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended April 28, 2001	Year ended April 29, 2000
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Net loss	$ (57,618,826)	$ (226,270)
ADJUSTMENTS TO RECONCILE NET LOSS TO CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Amortization and depreciation	6,779,000	7,609,000
Loss from impairment of goodwill	29,000,000	-
Valuation allowance for deferred tax asset	8,139,447	-
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivables	767,844	1,698,331
Inventories	(1,105,004)	(729,032)
Other current assets	(374,781)	520,335
Due from Tomkins Corporation	21,288,198	(11,930,400)
Deferred income taxes	(622,150)	(1,469,108)
Receivable from Walther USA, LLC, net	(350,309)	(276,034)
Accounts payable and accrued expenses	865,695	5,226,087
Income taxes payable	(2,077,958)	1,988,664
Deferred income	1,378,115	(46,106)
Net cash provided by operating activities	6,069,271	2,365,467
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Collaterized cash deposits	(5,150,000)	-
Acquisition of property, plant and equipment	(1,035,167)	(2,403,910)
Proceeds from disposal of property, plant and equipment	9,000	19,000
Net cash used for investing activities	(6,176,167)	(2,384,910)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4,214	(8,554)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,682)	(27,997)
CASH AND CASH EQUIVALENTS, beginning of year	1,075,427	1,103,424
CASH AND CASH EQUIVALENTS, end of year	$ 972,745	$ 1,075,427
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for -		
Interest, including related party	$ 6,642,000	$ 6,893,000
Income taxes	$ 1,878,000	$ 363,000

The accompanying notes are an integral part of these consolidated financial statements.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(1) GENERAL:

THE COMPANY:

Smith & Wesson Corp. was incorporated under the laws of the State of Delaware on January 13, 1987. Smith & Wesson Corp. has been in business since 1852, during which period, ownership has changed a few times. Prior to incorporation on January 13, 1987, Smith & Wesson Corp. operated as a division of Lear Siegler. On June 9, 1987, Tomkins Corporation ("Tomkins"), a company organized under the laws of the State of Delaware, acquired all the outstanding stock of the Company.

On May 11, 2001, Saf-T-Hammer Corporation (the "Parent") purchased all of the outstanding stock of the Smith & Wesson Corp. for $15,000,000. (See Note 13 "Subsequent Events").

PRINCIPLES OF CONSOLIDATION:

The accompanying consolidated financial statements include the accounts of Smith & Wesson Corp. and its wholly owned subsidiaries (collectively the "Company") - Smith & Wesson Firearms Training Centre GMBH (Germany), Smith & Wesson Distributing, Inc. (United States) and Smith & Wesson, Inc. (United States). All significant intercompany accounts and transactions have been eliminated in consolidation.

BUSINESS ACTIVITY:

The Company manufactures firearms and related products and accessories for sale to registered distributors, sportsmen, collectors, public safety officials and military agencies in the United States, and also sells to distributors throughout the world.

The Company has two manufacturing facilities (in Springfield, MA and Houlton, ME), both of which are used primarily to manufacture firearms. However, the Company also uses its machine-tooling capabilities at the Springfield facility to manufacture and assemble bicycles, handcuffs, golf club heads, and component parts for various industries.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FISCAL YEAR END:

The Company's fiscal year ends on the Saturday closest to April 30. The accompanying consolidated financial statements are for the years ended April 28, 2001 (2001) and April 29, 2000 (2000).

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

CASH:

Equivalents

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

Concentration

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting periods. Operating results in the future could vary from the amounts derived from management's estimates and assumptions. In addition, future facts and circumstances could alter management's estimates with respect to the adequacy of insurance reserves.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

REVENUE RECOGNITION:

Revenues from the sale of products are recognized when title to the products are transferred to the customer (product shipment). The Company recognizes tooling, forging and engineering support revenues after acceptance by the customer and only when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain payments for services performed and billed.

DEFERRED REVENUES:

Deferred revenues represent deposits and prepayments from customers for products and services, for which, the revenue is not yet recognizable as the title has not transferred for products shipped or services have not yet been fully performed. In addition, deferred revenues will be recognized into revenues within a 12-month period.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

OTHER COMPREHENSIVE INCOME:

The Statement of Financial Accounting Standards Board No. 130 requires companies to report all components of comprehensive income in their financial statements, including all non-owner transactions and events which impact a company's equity, even if those items do not directly affect net income/(loss). The components of comprehensive income not included in the consolidated statements of operations include foreign currency translation adjustments.

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF:

The provisions of Statement of Financial Accounting Standards Board No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair values of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

INVENTORIES:

Inventories, consisting primarily of finished firearms components, finished firearms and related products and accessories, are valued at the lower of cost or market using the last-in, first-out (LIFO) method. An allowance for potential non-saleable inventory due to excess stock or obsolescence is provided based upon a detailed examination of inventory components, past history and expected future usage.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consisting of land, building, improvements, machinery, equipment, computers, furniture and fixtures are recorded at cost, and are depreciated using the straight-line method over their estimated useful lives. A summary of the estimated useful lives is as follows:

Description	Useful Life
Building and improvements	10 to 40 years
Machinery and equipment	2 to 10 years
Furniture and fixtures	2 to 10 years
Computers and software	3 to 5 years

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

GOODWILL:

Goodwill arose from the acquisition of the Company by Tomkins in 1987. This acquisition was accounted for under the purchase method of accounting, whereby, the excess of the purchase price paid over the fair value of assets acquired and liabilities assumed was recorded as goodwill in the amount of approximately $68,525,000. This transaction was recorded by the Company pursuant to guidance provided by the Securities and Exchange Commission on SAB Topic 54 - "Push Down Basis of Accounting Required in Certain Limited Circumstances." Goodwill is being amortized on a straight-line basis over 40 years as determined by management. During the year ended April 28, 2001, management determined that the carrying amount of the net goodwill balance far exceeded the future net undiscounted cash flows expected to be generated, and accordingly, recognized an impairment loss of $29,000,000. Accumulated amortization as of April 28, 2001 amounted to $23,840,000.

NET LOSS PER SHARE:

Basic net loss per share has been calculated based upon the weighted average number of common shares outstanding during the period. Diluted net loss per share has been determined by dividing the net loss by the weighted average number of common shares outstanding plus the dilutive effects of stock options, warrants, and other convertible securities. Basic and diluted net loss per share are the same for the years ended April 28, 2001 and April 29, 2000, as there were no dilutive securities outstanding during those periods.

INCOME TAXES:

The Company uses an asset and liability approach for financial accounting and reporting of income taxes. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax basis assets and liabilities and are measured by applying enacted tax rates and laws to taxable years in which differences are expected to be recovered or settled. A valuation allowance was recorded to reduce deferred tax assets to an amount that represents the Company's best estimate of the amount of such deferred tax assets that are likely to be realized. Further, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

WARRANTY:

The Company generally provides a life-time warranty to the "original" purchaser. The Company maintains a warranty reserve for warranty expense based on historical experience and expected future trends. Warranty expense for the years ended April 28, 2001 and April 29, 2000 amounted to approximately $1,093,000 and $1,269,000, respectively. Warranty expense is accrued upon the recognition of revenues and determined based upon historical warranty activity.

PRODUCT LIABILITY:

The Company provides for product liability claims. The provision for product liability claims are charged to selling, general and administrative expenses.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

INSURANCE RESERVES:

The Company is "self-insured" (defined as excessive loss re-insurance) through retentions or deductibles for the majority of its workers' compensation, automobile, general liability, product liability and group health insurance programs. Self-insurance amounts vary up to $2,000,000 per occurrence. Insurance with third parties, some of which is then reinsured through the Parent, is in place for claims in excess of these self-insured amounts. During the years ended April 28, 2001 and April 29, 2000, all of the Company's insurance was covered under the Tomkins insurance policies. The Company's liability for estimated premiums and incurred losses are actuarially determined and recorded in the accompanying consolidated financial statements on an undiscounted basis.

RECENT ACCOUNTING DEVELOPMENTS:

Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued in June 1998 and establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. SFAS No. 133 was initially effective for all fiscal quarters of fiscal years beginning after June 15, 1999. In July 1999, SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, was issued which delays the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The Company will adopt this new standard as of January 1, 2001. The Company does not expect the adoption will be material to the Company's financial position or results of operations since the Company does not believe it participates in such activities.

In December 1999, the SEC staff issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, which became effective December 2000. SAB No. 101 summarizes the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The application of this SAB did not have a material effect on the Company's revenue recognition policies.

In March 2000, the Financial Accounting Standards Board (FASB) issued Interpretation No. 44 of Accounting Principles Board Opinion No. 25 Accounting for Certain Transactions Involving Stock Compensation, which, among other things, addressed accounting consequences of a modification that reduces the exercise price of a fixed stock option award (otherwise known as repricing). If the exercise price of a fixed stock option award is reduced, the award must be accounted for as variable stock option plan from the date of the modification to the date the award is exercised, is forfeited or expires unexercised. The exercise price of a stock option has been reduced if the fair value of the consideration required to be paid by the grantee upon exercise is less than, or potentially less than, the fair value of the consideration that was required to be paid pursuant to the option award's original terms. The requirements concerning modifications to fixed stock option awards that directly or indirectly reduce the exercise price of an option award apply to modifications made after December 15, 1998, and will be applied prospectively as of July 1, 2000. The adoption of this interpretation did not impact the Company's financial statements.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

RECENT ACCOUNTING DEVELOPMENTS, CONTINUED:

In January 2001, the Financial Accounting Standards Board Emerging Issues Task Force issued EITF 00-27 effective for convertible debt instruments issued after November 16, 2000. This pronouncement requires the use of the intrinsic value method for recognition of the detachable and imbedded equity features included with indebtedness, and requires amortization of the amount associated with the convertibility feature over the life of the debt instrument rather than the period for which the instrument first becomes convertible. Inasmuch as all debt instruments that were entered into prior to November 16, 2000 and all of the debt discount relating to the beneficial conversion feature was previously recognized as expense in accordance with EITF 98-5, there is no impact on these financial statements. This EITF 00-27, could impact future financial statements, should the Company enter into such agreements.

(3) MAJOR CUSTOMER:

One customer accounted for approximately 11% and 17% of the Company's net sales for the years ended April 28, 2001 and April 29, 2000, respectively. This customer owed the Company approximately $1,065,000 as of April 28, 2001.

(4) INTERNATIONAL SALES:

The Company sells its products worldwide. A breakdown of international and export sales, which accounted for 21% and 15% of net sales for the years ended April 28, 2001 and April 29, 2000, are as follows:

Net Sales by Region	2001	2000
Europe	$ 5,732,000	$ 7,925,000
Asia	3,412,000	5,199,000
Latin America	4,758,000	2,863,000
All others	1,205,000	452,000
Total	$ 15,107,000	$ 16,439,000

(5) ADVERTISING COSTS:

Advertising costs, consisting primarily of magazine advertisements and printed materials, are expensed as incurred. For the years ended April 28, 2001 and April 29, 2000, advertising expenses amounted to approximately $3,264,000 and $3,698,000, respectively.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(6) INVENTORIES:

A summary is as follows:

Raw materials	$ 1,670,186
Finished parts	8,856,991
Work in process	1,185,470
Finished goods	11,728,375
	23,441,022
LIFO Reserve	(14,744,324)
	$ 8,696,698

The LIFO reserve reflects difference between stating the inventory at historical FIFO cost and the current LIFO cost. The LIFO reserve increased by $3,347,000 during the year ended April 28, 2001 and decreased by $858,000 during the year ended April 29, 2000. Net loss, net of income tax effect, would have decreased by $1,840,000 during the year ended April 28, 2001 and increased by $472,000 during the year ended April 29, 2000, had the FIFO method been used.

(7) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Included in accounts payable and accrued liabilities as of April 28, 2001 is approximately $970,000 of checkbook overdraft.

(8) RELATED PARTY TRANSACTIONS:

Loans Receivable - Tomkins

Tomkins maintains a centralized cash management system and excess funds were swept daily from the Company's accounts and are reflected in the "Due from Tomkins Corporation" caption on the accompanying consolidated balance sheet.

Loans receivable, Tomkins balance as of April 28, 2001 amounted to $58,904,233, is unsecured, due on demand and bears interest at LIBOR minus 1 percent per annum. Immediately prior to the Acquisition on May 11, 2001 (See Note 13 - Subsequent Events), Tomkins repaid the entire balance except for $7,699,500, of which $464,500 will be collected within a year and the remaining balance was held as a collateral for (a) open letters of credit on behalf of the Company by Tomkins in the amount of $2,235,000 and (b) a bond for $5,000,000 for the Company's workers' compensation fund on behalf of the Company by Tomkins. During May 2001, the Company collected $5,000,000 and expects to collect an additional $2,235,000 in July 2001, upon the expiration of the open letters of credit. The Company paid $20,000,000 of its indebtedness under the Tomkins Note on May 11, 2001 (See Note 13 - "Subsequent Events").

Interest income earned from Tomkins during the years ended April 28, 2001 and April 29, 2000 amounted to approximately $4,392,000 and $3,933,000, respectively.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(8) RELATED PARTY TRANSACTIONS, CONTINUED:

Note Payable, Tomkins

On April 30, 1997, the Company declared a dividend of $73,830,000 to Tomkins and issued a note payable ("Tomkins Note") for $73,830,000. The Tomkins Note bears interest at 9% per annum and matures on April 30, 2004. (See Note 13 - "Subsequent Events").

Interest expense and payments to Tomkins during both years ended April 28, 2001 and April 29, 2000 amounted to approximately $6,719,000.

Management Fees - Tomkins

During the years ended April 28, 2001 and April 29, 2000, the Company incurred and paid Tomkins approximately $176,000 and $332,000, respectively for certain management services rendered. Such amounts are reflected in selling, general and administrative expenses in the accompanying consolidated statements of operations. Expenses were charged to the Company on a specific identification basis. The Company believes the allocation method used was reasonable and approximates the amount that would have been incurred on an arms length basis had the Company been operated as an unaffiliated entity.

Receivable from Walther USA, LLC, net of Investment Deficit

On April 1, 2000, the Company acquired 50% interest in Walther USA, LLC, a joint venture with Carl Walther GMBH, a German Company. Each member contributed $50,000. Walther USA purchases and sells the "Walther" brand handguns worldwide. Neither the Company, nor its management have management control of the Walther USA. The Company provides limited procurement and employee support services. Accordingly, this joint venture has been accounted for under the equity method of accounting, whereby, the Company's share of its net income and losses are adjusted for in the Investment in Walther USA account. The members of Walther USA, LLC have chosen December 31 as its fiscal year end. A summary of the transactions with Walther USA, LLC is as follows:

	Four months ended April 28, 2001	Short year ended December 31, 2000
Due from Walther USA, LLC:		
Beginning balance	$ 601,677	$ --
Plus expenses paid for Walther USA	402,553	745,748
Plus procurement and fees earned	183,374	653,950
Plus sales	--	--
Less payments/collections	(300,557)	(798,031)
Ending balance	887,047	601,677
Investment in Walther USA:		
Beginning balance	$ (201,521)	$ --
Capital contribution	--	50,000
50% equity in net losses of Walther USA	(59,183)	(251,521)
Net investment deficit in Walther USA	(260,704)	(201,521)
Net balance due, as presented on the consolidated balance sheet	$ 626,343	$ 400,156

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(8) RELATED PARTY TRANSACTIONS, CONTINUED:

Carl Walther GMBH:

Carl Walther GMBH buys products from the Company. Neither the Company, nor its management have any control over the management of Carl Walther GMBH. A summary of transactions with Carl Walther GMBH is as follows:

	Year ended April 28, 2001	Year ended April 29, 2000
Due from Carl Walther GMBH (included in accounts receivable on the consolidated balance sheet):		
Beginning balance	$ --	$ --
Plus sales	589,955	30,494
Less payments	--	(30,494)
Ending balance	$ 589,955	$ --

(9) BENEFIT PLANS:

Contributory Defined Investment Plan

The Company offers a contributory defined investment plan covering substantially all employees who have completed at least 6 months of service, as defined. Employees may contribute from 1% to 15% of their annual pay, with the Company matching 50% of the first 6% of combined pre and post-tax compensation. The Company contributed approximately $603,000 and $648,000 for the years ended April 28, 2001 and April 29, 2000, respectively.

Non-contributory Profit Sharing Plan

The Company also has a non-contributory profit sharing plan. Employees are eligible on May 1 following their completion of a full fiscal year of continuous service. The Company contributes 15% of its net operating profit, as defined, to the plan each year. The Company contributed to the plan $0 and approximately $1,831,000 for the years ended April 28, 2001 and April 29, 2000, respectively. Contributions are funded after year-end.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(9) BENEFIT PLANS, CONTINUED:

Retirement Incentive Program

Prior to 1991, the Company offered a program that provided health care to retirees until age 65. The program was terminated in 1991, but employees who had a combined age and years of service equal to 70 as of December 31, 1996 were grandfathered in the program. The grandfather provision provides varying degrees of coverage based upon years of service as of December 31, 1990. There are currently 15 retirees covered by the program and 21 active employees who are grandfathered under the plan. The post retirement medical liability is based upon actuarial reports as provided by an independent consultant. The post retirement medical liability as of April 28, 2001 amounted to approximately $505,000, all of which is included in accrued liabilities on the accompanying consolidated balance sheet. Annual expense for the years ended April 28, 2001 and April 29, 2000 amounted to $50,600 and $50,000, respectively.

The following table sets forth the Postretirement Medical and Life Plan's status and amounts recognized in the Company's Retirement Incentive Program. The financial position at April 28, 2001 is as follows:

Actuarial present value of benefit obligations:	
Accumulated benefit obligation, including vested benefits of $94,494	$ 172,231
Projected benefit obligation for service rendered to date	333,586
Plan assets	--
Unpaid pension cost	333,586
	$ 505,817
Beginning balance, April 30, 2000	$ 597,227
Net periodic postretirement benefit cost/(income)	(50,600)
Payments during the year ended April 28, 2001	(40,810)
Balance at April 28, 2001	$ 505,817

Net periodic postretirement benefit cost/(income) for the year ended April 28, 2001, included the following components:

Service costs - benefits earned during the period	$ 1,600
Net amortization	(68,100)
Interest costs on projected benefit obligation	15,900
Net periodic postretirement benefit cost/(income)	$ (50,600)

The weighted-average discount rate and rate of increase in future per capita cost of covered health care benefits for retirees used in determining the actuarial present value of the projected benefit obligation was 8.25% and 8.0%, respectively.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(10) SELF INSURANCE RESERVES:

As of April 28, 2001 the Company had reserves for workers compensation and product liability totaling approximately $12,876,000, of which, $9,867,0000 has been classified as long-term. While management believes these reserves to be adequate, there exist a minimal possibility that the ultimate liabilities will exceed such estimates.

Following is a summary of the activity in the workers' compensation and product liability reserves for the years ended April 28, 2001 and April 29, 2000:

	Year ended April 28, 2001	Year ended April 29, 2000
Beginning balance	$ 8,826,000	$ 6,264,000
Provision, net of reserve adjustments	5,363,000	5,651,000
Payments	(1,313,000)	(3,089,000)
Ending balance	$ 12,876,000	$ 8,826,000

(11) INCOME TAXES:

The Company is included in the consolidated Federal income tax return of Tomkins. Under a tax sharing agreement between the Company and Tomkins, the Company is obligated to pay Tomkins its allocable share of the Tomkins Corporation tax liability, determined as if the Company were filing a separate consolidated income tax return.

A reconciliation of the provision for income taxes at statutory rates to the provision reported in the consolidated financial statements is as follows:

	Year ended April 28, 2001	Year ended April 29, 2000
Federal income taxes (benefit) at statutory rates	$ (7,416,629)	$ 602,357
State income taxes (benefit), less federal income tax benefit	(1,749,663)	151,000
Total provision/(benefit)	(9,166,292)	753,357
Loss for which no tax benefit is available	9,166,292	--
Valuation allowance on deferred tax assets	8,139,447	--
Other adjustments	(1,285,627)	128,995
Total provision	$ 6,853,820	$ 882,352

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(11) INCOME TAXES, CONTINUED:

The income tax provision (benefit) is comprised of the following:

	Year ended April 28, 2001	Year ended April 29, 2000
Current:		
Federal	$ --	$ 1,708,809
State	--	424,548
Total current	--	2,133,357
Deferred	--	(1,380,000)
Total provision/(benefit)	--	753,357
Less valuation allowance	8,139,447	--
Other adjustments	(1,285,627)	128,995
Total provision	$ 6,853,820	$ 882,352

Future tax benefits (deferred tax liabilities) relate to temporary differences on the following:

	Year ended April 28, 2001	Year ended April 29, 2000
Current assets (liabilities):		
Inventories	$ --	$ 1,754,329
Compensation and related accruals	--	678,202
Other accruals	--	5,102,970
	--	7,535,501
Non-current assets (liabilities) - depreciation	(3,016,990)	(2,689,236)
Net deferred tax asset/(liabilities)	$ (3,016,990)	$ 4,846,265

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(12) COMMITMENTS AND CONTINGENCIES:

Litigation

The Company, together with other firearms manufacturers and certain related organizations, is a co-defendant in various legal proceedings involving product liability claims and is aware of other product liability claims including allegations of defective product design, manufacturing, negligent marketing and/or distribution of firearms leading to personal injury(s) including wrongful death. The lawsuits and claims are based principally on the theory of "strict liability" but also may be based on negligence, breach of warranty and other legal theories. In many of the lawsuits, punitive damages, as well as compensatory damages, are demanded. Aggregate claimed amounts presently exceed product liability accruals and, if applicable, insurance coverage. Management believes that, in every case, the allegations of defective product design are unfounded, and that the accident and any results therefrom were due to negligence or misuse of the firearm by the claimant or a third party and that there should be no recovery against the Company.

In addition, the Company is also co-defendant in various legal proceedings brought by certain cities, municipalities and counties, against numerous firearms manufacturers, distributors and dealers seeking to recover damages allegedly arising out of the misuse of firearms by third parties in shootings. The complaints by municipalities seek damages, among other things, for the costs of medical care, police and emergency services, public health services, and the maintenance of courts, prisons, and other services. In certain instances, the plaintiffs seek to recover for decreases in property values and loss of business within the city due to increased criminal violence. In addition, nuisance abatement and/or injunctive relief is sought to change the design, manufacture, marketing and distribution practices of the various defendants. These suits allege, among other claims, strict liability or negligence in the design of products, public nuisance, negligent entrustment, negligent distribution, deceptive or fraudulent advertising, violation of consumer protection statutes and conspiracy or concert of action theories.

The Company's management monitors the status of known claims and the product liability accrual, which includes amounts for asserted and unasserted claims. While it is difficult to forecast the outcome of these claims, in the opinion of management, after consultation with special and corporate counsel, it is not probable and is unlikely that the outcome of these claims will have a material adverse effect on the results of operations or financial condition of the Company, as management believes that it has provided adequate reserves.

Environmental Remediation

The Company is subject to numerous federal, state and local laws which regulate the discharge of materials into, or otherwise relate to the protection of, the environment. These laws have required, and are expected to continue to require, the Company to make significant expenditures of both a capital and expense nature. Several of the more significant federal laws applicable to the Company's operations include the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act ("RCRA").

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(12) COMMITMENTS AND CONTINGENCIES, CONTINUED:

Environmental Remediation, Continued

The Company has in place programs and personnel that monitor compliance with various federal, state and local environmental regulations. In the normal course of its manufacturing operations, the Company is subject to occasional governmental proceedings and orders pertaining to waste disposal, air emissions and water discharges into the environment. The Company will fund its environmental costs through cash flows from operating revenue and expects to do so in the future. Smith & Wesson believes that it is in compliance with applicable environmental regulations in all material respects.

The Company is required to remediate hazardous waste at Company owned facilities. Currently, a site in Springfield, Massachusetts is subject to four remediation projects as part of the Massachusetts Contingency Plan (MCP). The MCP provides a structured environment for the voluntary remediation of regulated releases. The Company may be required to remove hazardous waste or remediate the alleged effects of hazardous substances on the environment associated with past disposal practices at sites not owned by the Company. The Company has received notice that it is a potentially responsible party from the Environmental Protection Agency (EPA) and/or individual states under CERCLA or a state equivalent at one site.

The Company has reserves of $1.735 million, at net present value, for remediation of the sites referred to above and other environmental costs in accordance with its policy to record liabilities for environmental expenditures when it is probable that obligations have been incurred and costs can be reasonably estimated. The Corporation's estimates of these costs are based upon currently available facts, existing technology, and presently enacted laws and regulations. Where the available information is sufficient to estimate the amount of liability, that estimate has been used; where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used.

Based on information known to the Company, management does not expect current environmental regulations or environmental proceedings and claims to have a material adverse effect on the results of operations or financial conditions of the Company. However, it is not possible to predict with certainty the impact on the Company of future environmental compliance requirements or of the cost of resolution of future environmental proceedings and claims, in part because the scope of the remedies that may be required is not certain, liability under federal environmental laws is joint and several in nature, and environmental laws and regulations are subject to modification and changes in interpretation. There can be no assurance that environmental regulation will not become more burdensome in the future and that any such development would not have a material adverse effect on the Company.

Employment Contracts

Employment Agreements - The Company has entered into arms length employment agreements with certain officers and managers to retain their expertise in the ordinary course of business.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(12) COMMITMENTS AND CONTINGENCIES, CONTINUED:

Operating Rental Leases

The Company leases space for three of its retail stores aggregating an annual commitment of approximately $252,000 over the next two years. Rent expense for the years ended April 28, 2001 and April 29, 2000 amounted to $324,000 and $376,000, respectively.

(13) SUBSEQUENT EVENTS:

The Acquisition

Pursuant to a Stock Purchase Agreement (the "Acquisition Agreement") dated as of May 11, 2001 between Tomkins Corporation ("Tomkins") and Saf-T-Hammer Corporation ("Parent"), Parent acquired (the "Acquisition") all of the issued and outstanding shares of the Company. As a result of the Acquisition, the Company became a wholly owned subsidiary of Saf-T-Hammer. The Parent paid $15 million dollars (the "Purchase Price") in exchange for all of the issued and outstanding shares of Smith & Wesson as follows:

- $5 million (See the "Loan") of which was paid at closing

- $10 million must be paid on or before May 11, 2002 pursuant to the terms of an unsecured promissory note issued by The Parent to Tomkins (the "Acquisition Note"). The Acquisition Note accrues interest at a rate of 9% per year.

The Purchase Price was the result of arm's length negotiations between the Parent and Tomkins.

Acquisition Note

Pursuant to the Acquisition Agreement, the Parent issued a promissory note in the amount of $10 million as partial consideration for the acquisition of the Company. This note is due on May 11, 2002, is unsecured and bears interest at 9% per annum. In the event of default by the Parent, the interest rate would increase by an additional 2% per annum on the outstanding balance.

SMITH & WESSON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED APRIL 28, 2001 AND APRIL 29,2000

(13) SUBSEQUENT EVENTS, CONTINUED:

Tomkins Note

The Acquisition Agreement required the Parent to guaranty the Company's existing obligations to Tomkins under a promissory note issued on April 30, 1997 by the Company to Tomkins (the "Tomkins Note"). The original Tomkins Note was in the amount of $73,830,000, due April 30, 2004 and bore interest at the rate of 9% per annum. Prior to the Acquisition, Tomkins contributed to the capital of the Company $23,830,000 of the Tomkins Note, thereafter leaving a balance of $50,000,000. Immediately subsequent to the Acquisition, the Company paid $20,000,000 of the Tomkins Note. The outstanding principal balance on the Tomkins Note is $30 million. In satisfaction of this condition, the Parent executed a guaranty in favor of Tomkins dated May 11, 2001. The terms of the Tomkins Note was amended as follows:

(a) Commencing on May 11, 2001, the new due date was extended by ten years to May 11, 2011.
(b) Unpaid principal balance shall be paid in 84 equal monthly payments commencing on May 11, 2004.
(c) Until paid in full, dividends declared and paid to the Parent shall not exceed $600,000 for the twelve month period ended May 11, 2002, and not exceed $1,800,000 for annual periods thereafter.
(d) Until the payment of the $10 million Acquisition Note owed by the Parent to Tomkins, the Company shall not, either directly or indirectly, incur, assume, guaranty, or otherwise become liable to any indebtedness, except in the ordinary course of business.
(e) The Company shall not liquidate, wind-up or dissolve any business assets, including tangible and intangible assets.
(f) In the event of default by the Parent on the Acquisition Note, or default by the Company on the Tomkins Note, the Tomkins Note shall be accelerated and become due and payable in full immediately.

The Loan

The initial payment of $5 million was obtained as a loan from an individual, pursuant to a Promissory Note & Loan Agreement dated May 6, 2001 between the Parent and this individual (the "Note"). Interest accrues on the Note at a rate of 12% per annum and matures on May 15, 2002. Pursuant to the terms of the Note, the Parent prepaid the annual interest of $600,000 on the latter of five business days after the consummation of the Acquisition or May 15, 2001.

The Note is secured by a pledge of all of the issued and outstanding stock of the Company, as evidenced by a Stock Pledge Agreement dated and effective as of May 11, 2001 between the Parent and the individual (the "Pledge Agreement").

Promissory Note and Loan Agreement

Effective May 15, 2001, the Company entered into an agreement to loan the Parent an aggregate of $1,600,000. This loan is secured by all assets of the Parent including intangible assets, bears interest payable monthly at prime plus 1% per annum and due by May 15, 2002.

EXHIBIT 99.2

The Acquisition

Pursuant to a Stock Purchase Agreement (the "Acquisition Agreement") dated as of May 11, 2001 between Tomkins Corporation ("Tomkins") and Saf-T-Hammer Corporation ("Parent" and "Acquirer"), Parent acquired (the "Acquisition") all of the issued and outstanding shares of the Company. As a result of the Acquisition, the Company became a wholly owned subsidiary of Saf-T-Hammer. The Parent paid $15 million dollars (the "Purchase Price") in exchange for all of the issued and outstanding shares of Smith & Wesson ("Acquiree") as follows:

- $5 million (See the "Loan") of which was paid at closing

- $10 million must be paid on or before May 11, 2002 pursuant to the terms of an unsecured promissory note issued by The Parent to Tomkins (the "Acquisition Note"). The Acquisition Note accrues interest at a rate of 9% per year.

The Purchase Price was the result of arm's length negotiations between the Parent and Tomkins. This business combination has been accounted for using the purchase method of accounting, under APB Opinion No. 16, and accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon their estimated fair values on the date of acquisition.

Acquisition Note

Pursuant to the Acquisition Agreement, the Parent issued a promissory note in the amount of $10 million as partial consideration for the acquisition of the Company. This note is due on May 11, 2002, is unsecured and bears interest at 9% per annum. In the event of default by the Parent, the interest rate would increase by an additional 2% per annum on the outstanding balance.

Tomkins Note

The Acquisition Agreement required the Parent to guaranty the Company's existing obligations to Tomkins under a promissory note issued on April 30, 1997 by the Company to Tomkins (the "Tomkins Note"). The original Tomkins Note was in the amount of $73,830,000, due April 30, 2004 and bore interest at the rate of 9% per annum. Prior to the Acquisition, Tomkins contributed to the capital of the Company $23,830,000 of the Tomkins Note, thereafter leaving a balance of $50,000,000. Immediately subsequent to the Acquisition, the Company paid $20,000,000 of the Tomkins Note. The outstanding principal balance on the Tomkins Note is $30 million. In satisfaction of this condition, the Parent executed a guaranty in favor of Tomkins dated May 11, 2001. The terms of the Tomkins Note was amended as follows:

(a) Commencing on May 11, 2001, the new due date was extended by ten years to May 11, 2011.

(b) Unpaid principal balance shall be paid in 84 equal monthly payments commencing on May 11, 2004.

(c) Until paid in full, dividends declared and paid to the Parent shall not exceed $600,000 for the twelve month period ended May 11, 2002, and not exceed $1,800,000 for annual periods thereafter.

(d) Until the payment of the $10 million Acquisition Note owed by the Parent to Tomkins, the Company shall not, either directly or indirectly, incur, assume, guaranty, or otherwise become liable to any indebtedness, except in the ordinary course of business.

(e) The Company shall not liquidate, wind-up or dissolve any business assets, including tangible and intangible assets.

(f) In the event of default by the Parent on the Acquisition Note, or default by the Company on the Tomkins Note, the Tomkins Note shall be accelerated and become due and payable in full immediately.

The Loan

The initial payment of $5 million was obtained as a loan from an individual, pursuant to a Promissory Note & Loan Agreement dated May 6, 2001 between the Parent and the individual. Interest accrues on the Note at a rate of 12% per annum and matures on May 15, 2002. Pursuant to the terms of the Note, the Parent prepaid the annual interest of $600,000 on the latter of five business days after the consummation of the Acquisition or May 15, 2001.

The Note is secured by a pledge of all of the issued and outstanding stock of the Company, as evidenced by a Stock Pledge Agreement dated and effective as of May 11, 2001 between the Parent and Mr. Melby (the "Pledge Agreement").

UNAUDITED PROFORMA DISCLOSURES

The following unaudited proforma balance sheet, results of operations and net loss per share assume that the acquisition of Smith & Wesson Corp. occurred as of the beginning of each period presented, after giving effect to proforma adjustments. The proforma adjustment represents amortization of intangibles and interest expense arising from the Acquisition Note, Tomkins Note and The Loan, as defined above. The proforma financial information is presented for informational purposes only and may not necessarily be indicative of the operating results that would have occurred had these acquisitions been consummated as of the beginning of each period presented, nor is it indicative of future operating results.

SAF-T-HAMMER CORPORATION
PROFORMA BALANCE SHEET - MARCH 31, 2001

	Acquirer Historical March 31, 2001 (Unaudited)	Balance Sheet Acquiree Historical May 11, 2001 (Unaudited)	Proforma Adjustments (Unaudited)	Consolidated Proforma (Unaudited)
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	$ 181,430	$ 48,598,168	$(20,000,000)(1),(2),(3)	$ 28,779,598
Accounts receivables	18,015	7,733,517		7,751,532
Inventory	8,420	9,489,931	14,768,927(1)	24,267,278
Other current assets	--	7,126,862	--	7,126,862
Due from Tomkins Corporation	--	7,699,500		7,699,500
TOTAL CURRENT ASSETS	207,865	80,647,978	(5,231,073)	75,624,770
PROPERTY, PLANT AND EQUIPMENT	31,232	21,790,649	(13,182,539)(1)	8,639,342
INTANGIBLES	--	15,619,115	(10,664,159)(1)	4,954,956
INVESTMENT IN SUBSIDIARY - SMITH & WESSON CORP	--		--	--
OTHER ASSETS	399,120			399,120
TOTAL ASSETS	$ 638,217	$ 118,057,742	$(29,077,771)	$ 89,618,188
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payables and accrued expenses	$ 131,431	$ 16,373,582	$ 4,878,867(1)	$ 21,383,880
Loan payable	500,000	--		500,000
Deferred income	--	1,612,707		1,612,707
TOTAL CURRENT LIABILITIES	631,431	17,986,289	4,878,867	23,496,587
NON-CURRENT LIABILITIES:				
Deferred tax liability	--	3,016,990	7,530,339(1)	10,547,329
Other non-current liabilities	597,426	10,567,486		11,164,912
Note payable, Individual, net of debt issue cost of $5 million	--	--	--(3)	--
Note payable, Tomkins	--	50,000,000	(10,000,000)(1),(2)	40,000,000
TOTAL LIABILITIES	1,228,857	81,570,765	2,409,206	85,208,828
STOCKHOLDERS' EQUITY:				
Common stock	14,721	8	(8)	14,721
Additional paid in capital	3,807,663	94,753,721	(89,753,721)(3)	8,807,663
Accumulated deficit	(4,413,024)	(58,266,752)	58,266,752	(4,413,024)
TOTAL STOCKHOLDERS' EQUITY	(590,640)	36,486,977	(31,486,977)	4,409,360
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 638,217	$ 118,057,742	$(29,077,771)	$ 89,618,188

SAF-T-HAMMER CORPORATION
PROFORMA STATEMENT OF OPERATIONS

	Unaudited Proforma Statement of Operations - Three Months Ended March 31, 2001			
	Acquirer Historical Three months ended March 31, 2001	Acquiree Historical Three months ended March 31, 2001	Proforma Adjustments	Consolidated Proforma Three months ended March 31, 2001
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	$ 21,151	$ 17,665,685		$17,686,836
Cost of sales	8,418	15,783,427	(1,532,050)(4)	14,259,795
Gross profit	12,733	1,882,258		3,427,041
Operating expenses:				
Research and development and other	-	2,572,696		2,572,696
Selling, general and administrative	409,729	4,169,275	(509,379)(5)	4,069,625
Loss on impairment of goodwill	-	7,250,000	(7,250,000)(6)	-
	409,729	13,991,971	13,991,971	6,642,321
Loss from operations	(396,996)	(12,109,713)	(12,109,713)	(3,215,280)
Interest expense, net	36,000	581,539	1,670,250(7)	2,287,789
Loss before taxes	(432,996)	(12,691,252)		(5,503,069)
Provision for income taxes	-	-		-
Net loss	$ (432,996)	$(12,691,252)		$(5,503,069)
Weighted average number of shares outstanding - basic and diluted	15,931,330			15,931,330
Net loss per share, basic and diluted	$ (0.03)			$(0.35)

SAF-T-HAMMER CORPORATION
PROFORMA STATEMENT OF OPERATIONS

	Unaudited Proforma Statement of Operations - Year ended December 31, 2000			
	Acquirer Historical Year ended December 31, 2000	Acquiree Historical 12 months ended December 31, 2000	Proforma Adjustments	Consolidated Proforma Year ended December 31, 2000
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	$ 13,367	$ 84,430,583		$ 84,443,950
Cost of sales	5,347	69,152,903	(3,512,842)(4)	65,645,408
Gross profit	8,020	15,277,680		18,798,542
Operating expenses:				
Research and development and other	195,109	9,461,363		9,656,472
Selling, general and administrative	2,025,126	17,632,590	(1,531,504)(5)	18,126,212
Loss on impairment of goodwill	-	19,333,333	(19,333,333)(6)	0
	2,220,235	46,427,286		27,782,684
Loss from operations	(2,212,215)	(31,149,606)		(8,984,142)
Interest expense, net	329,855	2,475,037	6,681,000(7)	9,485,892
Loss before taxes	(2,542,070)	(33,624,643)		(18,470,034)
Provision for income taxes	-	(0)		(0)
Net loss	$ (2,542,070)	$ (33,624,643)		$(18,470,034)
Weighted average number of shares outstanding - basic and diluted	11,021,937			11,021,937
Net loss per share, basic and diluted	$ (0.23)			$(1.68)

SAF-T-HAMMER CORPORATION
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The pro forma adjustments to the condensed consolidated balance sheet are as follows:

(1) To reflect the acquisition of Smith & Wesson Corp. and the allocation of the purchase price on the basis of the fair values of the assets acquired and liabilities assumed. The components of the purchase price and its allocation to the assets and liabilities of Smith & Wesson are as follows:

COMPONENTS OF PURCHASE PRICE:	
Cash paid on May 11, 2001	$ 5,000,000
Note payable, Tomkins, due May 11, 2002	10,000,000
Total purchase price	$ 15,000,000
ALLOCATION OF PURCHASE PRICE:	
Stockholder's equity of Smith & Wesson	(36,486,977)
Increase in inventories (elimination of LIFO reserve and adjustment to fair value)	(14,768,927)
Increase to plant, property and equipment	(6,874,351)
Increase to tradename (Intangible)	(880,885)
Increase in accrued liabilities contingent upon sale of Smith & Wesson	4,878,867
Increase in deferred income taxes (SFAS 109)	7,530,339
Fair value of net assets in excess of purchase price	(31,601,934)
Allocation of negative goodwill to plant, property and equipment	20,056,890
Allocation of negative goodwill to tradename	11,545,044
	$ 0

(2) In addition, the Company paid $20,000,000 of the Tomkins Note.

(3) On May 6, 2001, Saf-T-Hammer Corporation obtained a loan from an individual in the amount of $5 million to fund its initial cash payment to Tomkins for the purchase of Smith & Wesson. Related to this loan, Saf-T-Hammer also issued warrants to purchase, in aggregate, approximately 8.7 million shares. Using the Black Scholes option pricing model, debt issue costs of $5 million (value of 8.7 million shares upto the loan value) has been netted against the proceeds of the loan. The debt issue costs will be amortized over the life (1 year) of the note using the effective interest method.

The pro forma adjustments to the condensed consolidated statement of operations are as follows:

		Year ended December 31, 2000	Three months ended March 31, 2001
(4)	Adjustments to cost of goods sold:		
	Eliminate Smith & Wesson's LIFO reserve for current period	$ (2,011,333)	$ (861,500)
	Depreciation expense adjustment from reduction of carrying value by allocated negative goodwill	(1,501,509)	(670,550)
		$ (3,512,842)	$(1,532,050)
(5)	Adjustments to selling, general and administrative expenses:		
	Amortization expense adjustment from goodwill eliminated from prior sale of Smith & Wesson to Tomkins under Push Down Accounting	$ (1,713,000)	$ (428,250)
	Amortization of Tradename acquired over 20 years using straight line method	825,000	206,250
	Depreciation expense adjustment from reduction of carrying value by allocated negative goodwill	(643,504)	(287,379)
		$ (1,531,504)	$ (509,379)
(6)	Adjustments to impairment loss on goodwill:		
	Elimination of impairment loss recognized by Smith & Wesson on historical data	$(19,333,333)	$(7,250,000)
(7)	Adjustments to interest expense - Increase/(decrease):		
	Tomkins Note, at 9%	181,000	45,250
	Tomkins Acquisition Note, at 9%	900,000	225,000
	Amortization of debt issue costs	5,000,000	1,250,000
	Interest on loan from individual at 12%	600,000	150,000
		$ 6,681,000	$ 1,670,250