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**CHESS DYNAMICS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 APRIL 2019**

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## CHES DYNAMICS LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	Andrew Stephen Thomis (appointed 12 December 2018) David Alan Tuddenham Simon Robert Walther (appointed 12 December 2018) Graham Peter Beall (resigned 21 January 2019) Gregory John Poole (resigned 12 December 2018) Andrew Philip Ward (resigned 12 December 2018)
<b>Company secretary</b>	Sarita Kaur Bilkhu (appointed 18 January 2019)
<b>Registered number</b>	03891212
<b>Registered office</b>	Quadrant House North Heath Business Park, North Heath Lane Horsham West Sussex RH12 5QE
<b>Independent auditors</b>	KPMG LLP 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT

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**CHESS DYNAMICS LIMITED**

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## CHESSE DYNAMICS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2019

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#### STRATEGIC MANAGEMENT

##### Strategy and Objectives

A majority stake in the Chess Technologies Group was acquired by Cohort PLC on the 12 December 2018. Chess Dynamics Ltd is a wholly owned subsidiary within the Chess Technologies Group, which is internationally recognised as a leading innovator of high-performance electro-optical surveillance and target tracking systems and solutions for the Defence and Security sectors. The principal activities of Chess Dynamics continue to be the design, manufacture and installation of surveillance systems for use in harsh exposed environments, incorporating advanced optical target detection, tracking and identification software from its associated group company Vision4ce Ltd. In addition, the business operates service, maintenance and spares activities covering all these sectors.

The business delivered significantly improved financial results, as the benefits from the development of innovative air defence systems incorporating the latest High Definition (HD) cameras and 3D radar technologies took effect. Turnover increased by 27.2% to £21,275k, with gross profit maintained at 41.10%. This improvement in the underlying business, delivered an operating profit on trading activities of £1,908k.

The business made significant progress against its strategic plan, with orders won for its latest leading-edge technology systems and solutions; including the stabilised integrated naval radar optical systems and short-range air defence systems including counter UAV and drone defence. The focus for the coming years is to continue the growth of these systems, expand into a range of best in class air defence target identification and tracking systems, providing customers with custom designed solutions that meet their exacting requirements.

##### Business Model

In February 2017 Chess Dynamics Inc was incorporated in the US State of Delaware and is a wholly owned subsidiary of Chess Technologies Limited. The company continued its focus on working with its US partners and customers to provide integrated solutions that meet the end users' requirements. Chess Dynamics Ltd growth in the North American region accounted for 38% of the orders received in FY 2019. (FY 2018 10%). All design and manufacturing is delivered from the UK, with approximately 73% of revenue exported during FY 2019 (FY 2018 64%).

Whilst, due to the nature of various contracting models in the security and defence market, we work with a number of third parties, our business model will often provide direct contact and relationship with the end user.

##### Management Changes and Business Impact

Following the acquisition of the Chess Group by Cohort PLC, Andy Thomis (Cohort MD) and Simon Walther (Cohort FD) have been appointed as Company Directors of Chess Dynamics Ltd. The existing management team have remained in place, but now report into Cohort PLC.

As the business continues to grow and expand its capabilities, additional management positions will be required to maintain the high performance levels and customer satisfaction expectations.

#### BUSINESS ENVIRONMENT

##### Trends and Factors

The business has seen an increased demand for optical security systems and counter drone systems in the key markets and sectors in which we operate. There are annual government budgets that provide the necessary funding to enable the procurement of the company's systems and solutions. The timing of these annual budgets varies from country to country and provides for a certain amount of stability for contract placements throughout the year. The underlying trend in demand and volume of enquiries continues to grow in line with the maturity of the latest systems' life-cycle.

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## CHESSE DYNAMICS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2019

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Following numerous well publicised drone incidents over the last few years, the company is well positioned to continue to secure substantial revenues from its anti-UAV solution. The latest incident was at Gatwick airport, following which the Chess Dynamics solution was set up and operational within a few days of the first reported drone sighting. The systems are now fully installed and integrated as part of the ongoing security solution operated by London Gatwick Airport. The company is at the forefront of the major Short Range Air Defence (SHORAD) and anti UAV growth market, delivering critical capability to the largest and most important international programmes.

#### Principal Risks and Uncertainties

The principal risks and uncertainties facing the company relate to program delay and levels of customer demand for the company's systems, solutions and services. Customer demand is driven by the perceived threats within specific countries and by general economic conditions; but is also affected by our system pricing, quality and delivery performance in comparison with our competitors. The company manages its controllable risks by ensuring that it has the latest technological value for money solutions and its willingness to adapt any existing system to match customer requirements. Although the operational impact of Brexit on our business is expected to be minimal, the company has been expanding its global customer base to mitigate social, economic or political risk to any one country.

With the growth in overseas business, the company is exposed to foreign currency risk. This exposure is minimised by invoicing in sterling wherever possible, matching foreign currency requirements for purchases where appropriate, or undertaking foreign currency exchange contracts.

#### Environmental, Employee, Social, Community and Human Rights Matters

The business continues to ensure that all operations and activities are executed within the UK's legislation and within that of the local countries in which we operated. Business policies relating to employees, anti-bribery, social and environmental responsibilities are reviewed with strict governance in place.

### BUSINESS PERFORMANCE

#### Analysis of performance and position

The operating profit attributable to trading activities for the year of £1,908k met expectations, following the high level of long-term orders received over the past three years. The Company is continuing to win new and exciting business following on from the transition of products into systems, incorporating Vision4ce software and expertise from our land and naval system teams. The business continues to invest in R&D, additional facilities and employees to maintain our excellent customer support.

#### KPI performance

The business utilises financial and non-financial KPI's to monitor the performance of the business on a monthly and quarterly basis. These measurements cover all stages of the business lifecycle from design and production through to delivery and after sales support.

The Company key financial and other performance indicators during the year were as follows: -

	2019 £000	2018 £000
Turnover	21,275	16,730
Operating profit/(loss) on trading activities	1,908	1,734
Operating margin on trading activities	8.97%	10.36%
Shareholders' funds	3,853	2,780
Orders	18,345	15,640

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**CHESS DYNAMICS LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2019**

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Order Book	20,734	26,125
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Employees at year end	No 125	No 102
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Orders received in 2018/19 amounted to £18,345k and the expectation is for the growth to continue in 2019/20. There is now significant traction on sales of the products and systems that were developed over the previous 3 years. In addition, the strategic decision to target overseas customers has resulted in 75% of the orders for 2018/19 being destined for export. This is further reinforced in the first quarter of 2019/20, with over 85% of the £5.4M of orders placed coming from overseas customers.

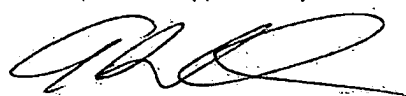
#### **OUTLOOK**

A number of significant contracts were awarded during the year for both Land and Naval systems, as well as for new bespoke engineering projects that are anticipated to lead to future product sales. The current year has started well with over £5.4M of new orders received in the first quarter and gives us confidence that the momentum of order-intake is expected to continue into 2019/20, maintaining a solid platform for the future.

The group has a wealth of expertise in optical tracking and this, combined with a high level of land and naval systems expertise, has placed the business in a strong position to support future customer demand.

Chess has formed a number of significant alliances with key international Prime Contractors and end users to provide evermore integrated defence and security solutions to counter the emerging threats from terrorism and state adversaries. Our counter Unmanned Aircraft Systems (UAS) solutions continue to be developed and expanded to cover Ground Based Air Defence (GBAD) and Mobile Short Range Air Defence (M-SHORAD) using our innovative vehicle agnostic Modular Integrated Pod System (MIPS™). On the commercial security side of our business we are expanding our drone defence solutions for Airports and critical national infrastructure protection with our AirGuard™ and AirShield™ systems incorporating Radio Frequency Direction Finding (RFDF) and Artificial Intelligence (AI) machine learning to reduce operational manning for future autonomous system.

This report was approved by the board on 28 February 2020 and signed on its behalf.



**Simon Robert Walther**  
Director

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## CHES DYNAMICS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2019

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The directors present their report and the financial statements for the year ended 30 April 2019.

#### Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### Results and dividends

The profit for the year, after taxation, amounted to £983,170 (2018 - £1,197,648).

The directors do not recommend a payment of a dividend to the ordinary shareholders in respect of the year (2018 £nil).

#### Directors

The directors who served during the year were:

Andrew Stephen Thomis (appointed 12 December 2018)  
David Alan Tuddenham  
Simon Robert Walther (appointed 12 December 2018)  
Graham Peter Beall (resigned 21 January 2019)  
Gregory John Poole (resigned 12 December 2018)  
Andrew Philip Ward (resigned 12 December 2018)

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**CHESS DYNAMICS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2019**

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**Research and Development**

The Company carries out research and development in support of its activities. The company continues to develop its products and systems for the business with a number of key projects to be released over the coming year. Research and development carried out in the financial year has been expensed as incurred.

**Political Contributions**

The Company made no political donations or incurred any political expenditure during the year.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Auditors**

The auditors RSM UK Group LLP have been appointed auditors for the financial period ending 30 April 2020, due to the Group running a competitive tender.

This report was approved by the board on *28 February 2020* and signed on its behalf.



Simon Robert Walther  
Director



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESS DYNAMICS LIMITED**

### **Opinion**

We have audited the financial statements of Chess Dynamics Limited ("the company") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Gemma Hancock (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Forest Gate  
Crawley  
West Sussex  
RH11 9PT  
28 February 2020

**CHESS DYNAMICS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 APRIL 2019**

	Note	2019 £	As restated (note 23) 2018 £
Turnover	4	21,274,908	16,729,984
Cost of sales		(12,530,406)	(10,609,286)
<b>Gross profit</b>		<b>8,744,502</b>	<b>6,120,698</b>
Administrative expenses		(6,836,325)	(4,445,962)
Other operating income		-	59,600
<b>Operating profit</b>	6	<b>1,908,177</b>	<b>1,734,336</b>
Interest payable and expenses	10	(551,036)	(457,004)
<b>Profit before tax</b>		<b>1,357,141</b>	<b>1,277,332</b>
Tax on profit	11	(373,971)	(79,684)
<b>Profit for the financial year</b>		<b>983,170</b>	<b>1,197,648</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
<b>Total comprehensive income for the year</b>		<b>983,170</b>	<b>1,197,648</b>

The notes on pages 15 to 35 form part of these financial statements.

**CHES DYNAMICS LIMITED**  
**REGISTERED NUMBER: 03891212**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 APRIL 2019**

		2019 £	<i>As restated (note 23) 2018 £</i>
<b>Fixed assets</b>			
Tangible assets	12	493,407	346,360
		<u>493,407</u>	<u>346,360</u>
<b>Current assets</b>			
Stocks	13	6,815,596	5,140,510
Debtors: amounts falling due within one year	14	6,362,008	6,574,869
Bank and cash balances		759,215	387,237
		<u>13,936,819</u>	<u>12,102,616</u>
Creditors: amounts falling due within one year	16	<u>(8,880,107)</u>	<u>(8,193,417)</u>
<b>Net current assets</b>		5,056,712	3,909,199
<b>Total assets less current liabilities</b>		<u>5,550,119</u>	<u>4,255,559</u>
Creditors: amounts falling due after more than one year		(1,663,536)	(1,423,561)
		<u>3,886,583</u>	<u>2,831,998</u>
<b>Provisions for liabilities</b>			
Deferred tax		(33,173)	(52,232)
		<u>(33,173)</u>	<u>(52,232)</u>
<b>Net assets</b>		<u><u>3,853,410</u></u>	<u><u>2,779,766</u></u>

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CHES DYNAMICS LIMITED  
REGISTERED NUMBER: 03891212

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STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 30 APRIL 2019

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		2019	As restated (note 23)
	Note	£	2018
			£
<b>Capital and reserves</b>			
Called up share capital	21	100	100
Other reserves	22	405,613	576,440
Profit and loss account	22	3,447,697	2,203,226
		<u>3,853,410</u>	<u>2,779,766</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
28 February 2020

  
**Simon Robert Walther**  
Director

The notes on pages 15 to 35 form part of these financial statements.

**CHESS DYNAMICS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2019**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 May 2018 (as previously stated)	100	576,440	5,161,562	5,738,102
Prior year adjustment	-	-	(2,958,336)	(2,958,336)
At 1 May 2018 (as restated)	100	576,440	2,203,226	2,779,766
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	983,170	983,170
Share option charge	-	-	90,474	90,474
<b>Total comprehensive income for the year</b>	-	-	1,073,644	1,073,644
Unwinding of discounted cashflows arising from capital contribution from parent undertaking	-	(170,827)	170,827	-
<b>Total transactions with owners</b>	-	(170,827)	170,827	-
<b>At 30 April 2019</b>	<b>100</b>	<b>405,613</b>	<b>3,447,697</b>	<b>3,853,410</b>

The notes on pages 15 to 35 form part of these financial statements.



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**CHESS DYNAMICS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2018**

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	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 May 2017 (as previously stated)	100	728,964	3,244,520	3,973,584
Prior year adjustment	-	-	(2,391,466)	(2,391,466)
At 1 May 2017 (as restated)	<u>100</u>	<u>728,964</u>	<u>853,054</u>	<u>1,582,118</u>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,197,648	1,197,648
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>1,197,648</u>	<u>1,197,648</u>
Unwinding of discounted cashflows arising from capital contribution from parent undertaking	-	(152,524)	152,524	-
<b>Total transactions with owners</b>	<u>-</u>	<u>(152,524)</u>	<u>152,524</u>	<u>-</u>
<b>At 30 April 2018</b>	<u><u>100</u></u>	<u><u>576,440</u></u>	<u><u>2,203,226</u></u>	<u><u>2,779,766</u></u>

The notes on pages 15 to 35 form part of these financial statements.

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## CHES DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

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#### 1. General information

The Company is a private company incorporated, domiciled and registered in the UK.. The address of the registered office is Quadrant House, North Heath Lane Industrial Estate, North Heath Lane, Horsham, West Sussex, RH12 5QE. The Registration number can be found on the company information page.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS") but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

##### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 28.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- Cash flow statement and related notes
- Comparative period reconciliation for share capital and tangible fixed assets
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of Key Management Personnel
- Certain disclosures regarding revenue
- Disclosures in respect of transactions with wholly owned subsidiaries
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy in the prior year (see note 23)

As the consolidated statements of Cohort plc include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by FRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 May 2017 for the purposes of the transition to FRS 101

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## CHES DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

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## 2. Accounting policies (continued)

### 2.3 Going concern

Notwithstanding net current assets of £5,056,712 as at 30 April 2019 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through the Group's overdraft facility, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's immediate parent company, Chess Technologies Limited not seeking repayment of the amounts currently due, which at 30 April 2019 amounted to £2,819,951, and providing additional financial support during that period. Chess Technologies Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### 2.4 Impact of new international reporting standards, amendments and interpretations

#### IFRS 9

From 01 May 2017, the company has applied IFRS 9. There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 01 May 2017.

#### IFRS 15

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 May 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

There have been no material impacts on the company's financial statements as a result of adopting IFRS 15 from 01 May 2017.

### 2.5 Foreign currency translation

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency), which is currently sterling.

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

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CHESSE DYNAMICS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019

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**2. Accounting policies (continued)**

**2.6 Revenue**

Revenue is recognised at the fair value of the consideration received or receivable for the provision of goods and services, excluding discounts, VAT and other sales and related taxes. Sales of goods are recognised when goods are delivered and title has passed.

The Company applies IFRS15 'Revenue from Contracts with Customers' and falls into three main categories:

**Sale of goods**

Revenue is recognised in accordance with IFRS15 when the seller has transferred to the buyer the significant risks and rewards of ownership.

**Rendering of services**

For service provision, revenue is generally a fixed price for the provision of specific ongoing defined services (not the construction of an asset) over an agreed period. These services include the provision of technical engineering support, maintaining help desks and consultancy. Where the services comprise an indeterminate number of acts over a specified period of time, revenue is recognised on a straight line basis over the period that the services are provided. Where the services comprise one or more significant acts, revenue is recognised as each act is completed.

**Equipment design and delivery**

These contracts are typically for the design and build of equipment. These contracts are accounted for under IFRS15. The company's contracts of this nature are generally fixed-price and usually contain stage payments for achieving certain milestones.

In these contracts the revenue is recognised as performance obligations 'over-time'. Costs are expensed as incurred in respect of all contracts unless they relate to goods yet to be delivered.

**2.7 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.8 Research and development**

Research and development expenditure funded by the company is expensed as incurred. This is a change in accounting policy, due to aligning the policy with that of Cohort plc (see note 23).

**2.9 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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## CHES DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

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#### 2. Accounting policies (continued)

##### 2.10 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

##### 2.11 Pensions

###### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

##### 2.12 Share based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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## CHES DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

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#### 2. Accounting policies (continued)

##### 2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### 2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

##### 2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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## CHESSE DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

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#### 2. Accounting policies (continued)

##### 2.15 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- over the life of the lease
Plant and machinery	- 10 - 20% straight line
Motor vehicles	- 10% straight line
Fixtures and fittings	- 10 - 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

##### 2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.19 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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**CHESS DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

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**2. Accounting policies (continued)**

**2.20 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**2.21 Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.



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## CHES DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

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#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Significant judgements

The judgements (apart from those involving estimations) that management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

##### Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

##### Long term contracts

Income has been recognised on long term contracts in accordance with the accounting policy below. The key assumptions in confirming the profitability and the revenue to be recognised at the period end for each project is based on costs incurred to date as a proportion of the estimated total cost of the project. The total cost is estimated in relation to previous constructions runs, with the assumption that common projects will likely incur similar costs. For new projects an evaluation is made into the design and production requirements of the project at commencement with the assumption that management have the experience to accurately predict the total costs.

##### Long term loans

Liabilities in respect of interest free loans are recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The initial adjustment on recognition of the present value of the liability is included as a non-distributable reserve. The discount rate in calculating the present value of the liability is based on an arm's length rate of interest at the date of inception of the loan.

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CHES DYNAMICS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019

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4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Sales of goods	7,478,996	13,200,272
Equipment Design and delivery	13,795,912	3,529,712
<b>Total turnover</b>	<b>21,274,908</b>	<b>16,729,984</b>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	6,410,269	5,257,230
Rest of the world	14,864,639	11,472,754
<b>Total turnover</b>	<b>21,274,908</b>	<b>16,729,984</b>

5. Other operating income

	2019 £	2018 £
Other operating income	-	59,600
	-	59,600

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	125,054	173,446
<b>Operating lease payments</b>		
- operating lease payments	286,865	234,133

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**CHESS DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

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**7. Auditors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<b>27,550</b>	<b>7,500</b>

**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>4,696,500</b>	<b>3,868,123</b>
Social security costs	<b>503,014</b>	<b>415,119</b>
Share based payments	<b>90,474</b>	<b>-</b>
Cost of defined contribution scheme	<b>256,696</b>	<b>144,044</b>
	<b>5,546,684</b>	<b>4,427,286</b>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Directors	<b>4</b>	<b>5</b>
Sales and operations	<b>19</b>	<b>36</b>
Engineering and servicing	<b>93</b>	<b>55</b>
	<b>116</b>	<b>96</b>

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CHES DYNAMICS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019

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9. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	445,512	456,809
Share based payments	90,474	-
Company contributions to defined contribution pension schemes	83,686	92,242
	<u>619,672</u>	<u>549,051</u>

During the year retirement benefits were accruing to 4 directors (2018 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £127,731 (2018 - £111,266).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £43,397 (2018 - £55,292).

During the year, 4 directors exercised share options (2018 - NIL).

During the year, the highest paid director exercised share options (2018 - NIL).

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	34,272	36,871
Other loan interest payable	13,500	17,500
Interest due to group undertakings	503,264	402,633
	<u>551,036</u>	<u>457,004</u>

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**CHESS DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

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**11. Taxation**

	2019 £	<i>As restated (note 23) 2018 £</i>
<b>Corporation tax</b>		
Current tax on profits for the year	387,935	79,684
Adjustments in respect of previous periods	5,095	-
	<u>393,030</u>	<u>79,684</u>
<b>Total current tax</b>	<u>393,030</u>	<u>79,684</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(14,266)	-
Changes to tax rates	1,501	-
Adjustment in respect of prior period	(6,294)	-
<b>Total deferred tax</b>	<u>(19,059)</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>373,971</u>	<u>79,684</u>

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**CHES DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

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**11. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	As restated 2018 £
Profit on ordinary activities before tax	<u>1,357,141</u>	<u>1,277,332</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	<b>257,857</b>	242,693
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	136,073	8,730
Capital allowances for year in excess of depreciation	-	90,778
Utilisation of tax losses	-	(64,367)
Adjustments to tax charge in respect of prior periods	(19,959)	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	(247,207)
Adjustment to prior year	-	49,057
<b>Total tax charge for the year</b>	<u><b>373,971</b></u>	<u><b>79,684</b></u>

**Factors that may affect future tax charges**

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK Corporation tax was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 30 April 2019 and 2018 has been calculated on the rate of 17%.

**CHES DYNAMICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

**12. Tangible fixed assets**

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings and computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 May 2018	393,191	695,217	23,815	277,096	1,389,319
Additions	14,591	156,123	19,069	91,054	280,837
Disposals	-	(4,975)	(15,610)	-	(20,585)
At 30 April 2019	<u>407,782</u>	<u>846,365</u>	<u>27,274</u>	<u>368,150</u>	<u>1,649,571</u>
<b>Depreciation</b>					
At 1 May 2018	314,448	485,988	14,185	228,338	1,042,959
Charge for the year on owned assets	20,567	67,685	2,699	34,103	125,054
Disposals	-	-	(11,849)	-	(11,849)
At 30 April 2019	<u>335,015</u>	<u>553,673</u>	<u>5,035</u>	<u>262,441</u>	<u>1,156,164</u>
<b>Net book value</b>					
At 30 April 2019	<u>72,767</u>	<u>292,692</u>	<u>22,239</u>	<u>105,709</u>	<u>493,407</u>
At 30 April 2018	<u>78,743</u>	<u>209,229</u>	<u>9,630</u>	<u>48,758</u>	<u>346,360</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Plant and machinery	<u>138,490</u>	-
	<u>138,490</u>	-

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CHESSE DYNAMICS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019

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13. Stocks

	2019 £	2018 £
Raw materials and consumables	5,690,617	3,893,075
Work in progress (goods to be sold)	1,124,979	1,247,435
	<u>6,815,596</u>	<u>5,140,510</u>

Raw materials, consumables and work in progress recognised as cost of sales in the year amounted to £10,305,769 (2018: £8,038,168).

14. Debtors

	2019 £	2018 £
Trade debtors	2,752,385	2,437,577
Receivables from contracts with customers	2,436,211	3,529,712
Amounts owed by group undertakings	128,683	15,629
Other debtors	287,400	165,635
Prepayments and accrued income	757,329	426,316
	<u>6,362,008</u>	<u>6,574,869</u>

15. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	759,215	387,237
Less: bank overdrafts	(983,857)	(863,340)
	<u>(224,642)</u>	<u>(476,103)</u>



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CHES DYNAMICS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019

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16. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	983,857	863,340
Obligations under finance lease and hire purchase contracts	47,829	-
Trade creditors	2,635,817	2,544,200
Amounts owed to group undertakings	2,819,951	2,770,777
Corporation tax	281,981	125,652
Other taxation and social security	151,938	115,950
Other creditors	369,061	557,958
Accruals and deferred income	1,589,673	1,215,540
	<u>8,880,107</u>	<u>8,193,417</u>

The following liabilities were secured:

	2019 £	2018 £
Bank overdrafts	983,857	863,340
Hire purchase contracts	47,829	-
	<u>1,031,686</u>	<u>863,340</u>

Details of security provided:

The bank overdrafts are secured against assets of the company under fixed and floating charges in favour of Barclays Bank plc.

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**CHESS DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

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**17. Creditors: Amounts falling due after more than one year**

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	69,148	-
Amounts owed to group undertakings	1,594,388	1,423,561
	<u>1,663,536</u>	<u>1,423,561</u>

The following liabilities were secured:

	2019 £	2018 £
Hire purchase contracts	69,148	-
	<u>69,148</u>	<u>-</u>

Details of security provided:

Amounts owed on hire purchase contracts are secured over the assets on which they have been used to purchase.

**18. Hire purchase and finance leases**

	Minimum lease payments 2019 £	Interest 2019 £	Principal 2019 £
Less than one year	47,829	3,809	44,020
Between one and five years	69,148	5,546	63,602
	<u>116,977</u>	<u>9,355</u>	<u>107,622</u>

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**CHESS DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

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**19. Financial instruments**

	2019 £	2018 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	759,215	387,237
Financial assets that are debt instruments measured at amortised cost	5,356,801	6,016,456
	<u>6,116,016</u>	<u>6,403,693</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(10,056,121)</u>	<u>(9,349,531)</u>

**20. Deferred taxation**

	2019 £	2018 £
At beginning of year	(52,232)	(52,232)
Utilised in year	19,059	-
<b>At end of year</b>	<u>(33,173)</u>	<u>(52,232)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(33,173)	(52,232)
	<u>(33,173)</u>	<u>(52,232)</u>

**21. Share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
100 (2018 - 100) Ordinary shares shares of £1.00 each	<u>100</u>	<u>100</u>

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## CHESSE DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

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#### 22. Reserves

##### Other reserves

Capital contribution - represents the capital contributions made to the company in respect of below market rate loans provided by Chess Dynamics Limited by its immediate parent undertaking Chess Technologies Limited. It is a non distributable reserve.

##### Profit and loss account

This reserve records the retained profits and accumulated losses

#### 23. Prior year adjustment

The prior year adjustments in the year ending 30 April 2018 relates to the inclusion of the cost of labour and attributable overheads into stock and work in progress not previously included, together with related corporation tax adjustments. The increase in the value of stock and work in progress as at 30 April 2016 totalled £381,393, with no related tax adjustment, with the corresponding adjustments for the year ended 30 April 2017 of £18,573 to stock and work in progress and a corresponding tax adjustment amounting to £54,147 for the year.

A further prior year adjustment in the year ending 30 April 2019 has been made to align the Research and Development policy with Cohort which reverses the capitalisation of research and development costs capitalised. The resulting adjustments have the affect of reducing bought forward profits by £2,700,139 in aggregate to 30 April 2017. With a reduction in profit of £258,197 in the year to 30 April 2018. This results in a bought forward profit reduction at the 1 May 2018 of £2,958,336 and the reduction in Intangible assets from £2,958,336 to nil.. Due to the application of research and development relief within Corporation tax the resulting tax adjustment is immaterial.

The aggregate prior year adjustments are shown in the tables below:

##### 2017 adjustments

Profit as previously disclosed	838,343	-
Decrease in stock and WIP to April 2017 from PYA	362,820	-
Increase in taxation	(54,147)	-
Increase in R&D expensed	(2,700,139)	-
Profit as adjusted	(1,553,123)	-
	<hr/>	<hr/>
Adjustment to P&L	(2,391,466)	-
Opening balance adjustment to 01/05/2017	-	(2,391,466)

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**CHESS DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2019**

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**2018 adjustments**

Profit as previously disclosed	1,455,845	-
Increase in R&D expensed	(258,197)	-
Profit as adjusted	1,197,648	-
Adjustment to P&L	(258,197)	-
Prior year adjustment	(2,700,139)	-
Opening balance adjustment to 01/05/2018	-	(2,958,336)

**24. Contingent liabilities**

The company, as part of Cohort plc's group banking and offset arrangements, is also a guarantor for £43,281,000 of bank borrowing and overdraft drawn by its parent, along with a further £1,221,000 in respect of bank guarantees drawn by fellow subsidiary undertakings.

**25. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £256,696 (2018 - £144,044). Contributions totalling £53,603 (2018 - £25,845) were payable to the fund at the balance sheet date and are included in creditors.

**26. Commitments under operating leases**

At 30 April 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	242,167	263,433
Later than 1 year and not later than 5 years	682,877	855,395
Later than 5 years	-	39,691
	<u>925,044</u>	<u>1,158,519</u>

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## CHES DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

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#### 27. Related party transactions

During the year A C Parker, a director of the group, charged the company £13,500 interest (2018 - £24,500) in respect of monies owed to him. At the balance sheet date the company owe A C Parker £Nil (2018 £400,000).

Included in the accounts of Chess Technologies Limited are debentures of £Nil (2018 - £560,044) owing to proven VCT Plc and £Nil (2018 - £840,066) owing to Proven Growth and Income VCT Plc. These are secured by a fixed and floating charge over the assets of Chess Dynamics Limited, its parent undertaking and its fellow subsidiary.

The company has provided security over loans at 30 April 2019 totalling £Nil (2018 - £2,622,117) held by its parent undertaking Chess Technologies Limited via a fixed and floating charge over the company's assets in the favour of Beringea LLP.

#### 28. Controlling party

The company is under control of its ultimate parent undertaking Cohort plc

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The company is under control of its ultimate parent undertaking, Cohort plc with the registered address of 1 Waterside Drive, Theale, Reading, RG7 4SW

#### 29. First time adoption of FRS 101

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss.