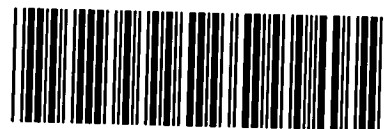


Company registration number 03891212 (England and Wales)

CHES DYNAMICS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

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CHESS DYNAMICS LIMITED

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CHESS DYNAMICS LIMITED

COMPANY INFORMATION

Directors	A S Thomis S R Walther D A Tuddenham
Company Secretary	H Maybury
Registered office	Quadrant House North Heath Business Park North Heath Lane Horsham West Sussex RH12 5QE
Registered number	03891212
Auditor	RSM UK Audit LLP Statutory Auditor The Pinnacle, 170 Midsummer Boulevard Milton Keynes Buckinghamshire MK9 1BP

CHESSE DYNAMICS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2023

The directors present the Strategic report for the year ended 30 April 2023.

Principal activities

The principal activities of Chess Dynamics continue to be the design, manufacture and installation of Electro Optic Fire Control and surveillance systems for use in harsh exposed environments. In addition, the business operates service, maintenance and spares activities covering all these sectors.

Review of the business

Chess Dynamics Limited provides engineered to order Electro-Optical surveillance & fire control products and systems to customers around the world. The business' customers predominantly consist of Defense Primes. All design and manufacturing is delivered from the UK, with approximately 79% of revenue exported during FY 2022/23 (FY 2021/22: 75%).

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.

Chess Dynamics Limited 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 business continued its development of innovative air defence systems incorporating the latest High Definition (HD) cameras and 3D radar technologies. Turnover increased by 85% to £37,390k (2022: £20,185k), with gross profit at 29.4% (2022: 30.5%). This results in an operating profit on trading activities of £74k (2022: operating loss of £483k).

During the year, Vision4ce branded products contributed revenue of £2,113k. Work continued to integrate the sites, including linking IT systems

The business made 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 shortrange air defence systems. 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.

Key performance indicators

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's key financial and other performance indicators during the year were as below. The business benefited from a full years contribution from our Vision4ce brand in FY 2022/23.

	2023 £000	2022 £000
Turnover	37,390	20,185
Operating profit/(loss) on trading activities	74	(483)
Operating margin on trading activities	0.20%	(2.39)%
Shareholders' funds	4,994	5,376
	No.	No.
Employees at year end	212	166

CHESS DYNAMICS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

Orders received in 2022/23 amounted to £39.7m and the expectation is that the Company will see increased levels of contract placement in 2023/24. 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 55.6% of the orders placed in 2022/23 being destined for export.

Future developments

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 Company 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, and will continue, to form strategic 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). We continue to expand our drone defence solutions for critical infrastructure and force protection with variants of our AirGuard™ and AirShield™ systems incorporating Radio Frequency Direction Finding (RFDF) and Artificial Intelligence (AI) machine learning reducing the burden of manning providing latest state of the art reliable autonomous systems.

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. The Company continues to expand its global customer base to mitigate social, economic or political risk to any one country.

As in previous years, pressure remains on UK public spending. At the same time, worldwide events have given rise to new opportunities, although the timing of export orders continues to be less predictable. The events in the Ukraine have delayed and made both contract timings and budgets much less predictable, with increased pressure on the supply chain, in particular lead times extending. In common with the majority of UK companies, the Company has experienced cost of living inflationary pressure, as well as increased competition for staff, which the Company is managing through targeted attraction and retention activities.

Business environment

The business has seen 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.

Our systems are now fully installed and integrated as part of the ongoing security solutions operated by the Military and a number of Airports and other critical infrastructure sites, both domestically and overseas. The Company is at the forefront of the major Short-Range Air Defence (SHORAD), Ground Based Air Defence (GBAD) and anti UAV growth market, delivering critical capability to the largest and most important international programmes.

Financial instruments and financial risk management

The Company is exposed to a number of financial risks including interest rate risk, credit risk, currency risk and treasury risk. Any use of financial derivatives is approved by the board of directors and is limited to the management of those risks. The Company does not use financial derivatives for speculative purposes.

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

CHESSE DYNAMICS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

Section 172 statement

Section 172 of the Companies Act 2006 (s172) requires the directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. This statement describes how the directors and management team have considered the matters set out in s172.

How the directors have discharged their s172 duties

The Company has its own board and management team which meets regularly. Monthly reporting by the Company to its ultimate parent company (Cohort plc), facilitates good oversight and communication, and enables a continuous exchange of information on engagement with stakeholders and other s172 considerations. When making a decision, the directors, together with the management team, take into consideration the Company's mission and core values, together with its strategic priorities.

Strategy planning

The directors and the management team conduct a detailed review of the strategy for the Company on an annual basis. As part of this exercise, the long-term opportunities and risks for the business and how best to manage these for the benefit of all stakeholders is considered.

Investment in our people

The success of our business depends on our ability to deliver innovative solutions to our customers. This drives us to attract the best talent and to nurture this ability within our employees, providing them with a stimulating workplace and career development and supporting the creation of long-term value for our business. The Company has its own internal recruitment team and are investing in career mapping and benchmarking systems to ensure we are keeping up with the employment market trends to retain and reward our employees.

Focus on delivering long term value

We are committed to delivering value to shareholders and ensuring that they benefit from our success. This is achieved through our business model and strategic plan. Our strategy is clearly defined and communicated across our business by face-to-face briefings from the Managing Director.

Managing risk

Our effective risk management framework enables the directors and management team to take risk-based decisions which are well understood and managed within our strategic guidelines to deliver growth above target market and to protect shareholder value.

Building strong relationships with our customers

Our customers depend on us to be their trusted partner to deliver reliably and on time. We have regular contact with our customers at many levels within the organisation. There are regular contract status reviews at project level. Business development meetings are held at various levels and senior engagement meetings are held by the Business Development Directors and Managing Director.

Working as a team with our suppliers and other partners

Our suppliers are critical to our business, as we rely on them for specific elements of our technical and product offering. We often secure business through teaming and partnering with other suppliers. We ensure there is an appropriate framework for managing these arrangements. This includes close liaison and regular review meetings, good project management and ensuring suppliers are paid promptly for the goods and services received. We conduct rigorous due diligence on our suppliers and other partners to ensure that they comply with our ethical and legal requirements.

CHESS DYNAMICS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

Ethical conduct

The directors and management team place great emphasis on maintaining high standards of business conduct and our culture encourages our people to act with the highest ethical standards and integrity at all times. This is supported by the policies and processes we have implemented including our anti-bribery and corruption policy and modern slavery policy. We ensure clear communication of our policies through our employee induction, training, management briefings, our employee handbook and our intranet. Our policies are reviewed regularly to ensure they are in line with best practice.

Approved by the Board of Directors and signed by order of the Board.



D A Tuddenham
Director

Date: 07/08/23

CHESS DYNAMICS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2023

The directors present their report and the financial statements of the Company for the year ended 30 April 2023.

Results and dividends

The profit after taxation for the year amounts to £270k (2022: loss after taxation of £463k).

The directors recommend a payment of a dividend of £750k to the ordinary shareholders in respect of the year (2022: £nil).

Charitable and political donations

During the year the Company made no charitable or political donations (2022: £nil).

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.

Directors

The directors who served during the year and up to the date of signing the financial statements were.

A S Thomis

S R Walther

D A Tuddenham

Qualifying third-party indemnity provisions

The Company maintains appropriate third-party indemnity provisions and insurance cover in respect of legal actions against the directors as well as against material loss or claims against the Company. The adequacy of cover is reviewed regularly.

Employee involvement

The Company organises staff communications through its intranets, in-house magazines, staff bulletins and presentations. In addition, regular staff meetings are held, and notices are published containing information about matters of interest within the Company.

Key persons within the business are incentivised by performance related bonuses, primarily based upon company performance but also achievement of personal objectives.

Disabled persons

The policy of the Company is to offer the same opportunities to disabled people as to all others in respect of recruitment and career advancement, provided their disability does not prevent them from carrying out their required duties. Full and fair consideration is given to applications for employment by the Company made by disabled persons, having regard to their aptitudes and abilities. Employees who become disabled will, wherever possible, be retained, rehabilitated and, where necessary, retrained.

Streamlined Energy and Carbon reporting (SECR)

The streamlined energy and carbon reporting figures of the Company are included within the consolidated financial statements of Cohort Plc which are available from Companies House. As such, the Company qualifies for the subsidiary exemption under these regulations and therefore the streamlined energy and carbon reporting figures of the Company have not been disclosed within these financial statements.

Post balance sheet events

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

CHESS DYNAMICS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

Going concern

In accordance with their responsibilities as directors, the directors have assessed the ability of the Company to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company had net current assets of £4,239k as at 30 April 2023 (2022: £4,364k).

The Company's directors have prepared forecasts and projections which go beyond 12 months of the approval date of these accounts. The Company's forecasts and projections consider the reasonably possible changes in trading performance. All outcomes modelled in the forecast show that the Company should be able to operate within the level of its current facilities.

The ultimate parent of the Company is Cohort Plc (Group). In reaching the going concern conclusion of the Company the directors have also considered the wider Group performance, as the Company are a guarantor on the debt held by the Group. In conclusion, the forecasts and projections show that the Group should be able to operate within the level of its current facility. This takes into account the £41,454k gross funds of the consolidated Cohort Plc Group as disclosed in the Group Financial Statements at 30 April 2023, as well as the £25,837k overdraft facility and other ancillary financing facilities which are available should it be required. Thus, they continue to adopt the going concern basis in preparing the annual financial statements which supports the Company going concern status.

Disclosure of information in the Strategic report

Disclosures relating to the future developments of the Company and its principal risks and uncertainties have been included in the Strategic report.

Disclosure of information to auditor


Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, RSM UK AUDIT LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors and signed by order of the Board.



D A Tuddenham
Director

07/08/23

Date:

CHESS DYNAMICS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 APRIL 2023

The directors are responsible for preparing the Annual report, which includes the Strategic report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 – 'The Reduced Framework' (FRS 101) and applicable laws including the Companies Act 2006.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with FRS 101, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 requirements of the Companies Act 2006.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHESS DYNAMICS LIMITED

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 2023 which comprise the profit and loss account, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

CHESS DYNAMICS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CHESS DYNAMICS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

CHESS DYNAMICS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CHESS DYNAMICS LIMITED

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 101 "Reduced Disclosure Framework", the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and tax provisions.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to information and product security. We performed audit procedures to inquire of management whether the company is compliant with these law and regulations and inspected legal and professional expenditure.

The audit engagement team identified the risk of management override of controls, revenue recognition, recoverability of trade receivables and contract assets as the areas where the financial statements were most susceptible to material misstatement due to fraud. Procedures to address these risks included but were not limited to:

In respect of management override we tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, reviewing accounting estimates for biases and evaluating whether the circumstances producing the bias, if any, represent a risk of material misstatement and whether the business rationale (or the lack thereof) of the transactions outside the normal course of business suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

In respect of revenue recognition we reviewed management's assessment of the performance obligations and transaction price in the contracts sampled to ensure this is in accordance with IFRS 15, challenged management regarding significant judgements and estimates where applicable and performed tests of detail on a sample of accrued revenue and deferred revenue to check the items are accounted for in accordance with management's revenue recognition policy as well as consideration of any contract cost assets recognised in relation to the contract.

In respect of recoverability of trade receivables and contract assets we reviewed the contract asset balances and trade debt balances to invoicing and receipt and challenged the recoverability of receivables or contract assets that have been outstanding for extended periods where no provision has been made.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

CHESS DYNAMICS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CHESS DYNAMICS LIMITED

Use of our report

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.

RSM UK AUDIT LLP

Richard Bartlett-Rawlings (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
The Pinnacle, 170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

07/08/23

Date:

CHESS DYNAMICS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 APRIL 2023

	Notes	2023 £000	2022 £000
Revenue	4	37,390	20,185
Cost of sales		(26,406)	(14,020)
Gross profit		10,984	6,165
Administrative expenses		(10,910)	(6,648)
Operating profit/(loss)	5	74	(483)
Interest receivable and similar income	8	13	1
Interest payable and similar expenses	9	(70)	(36)
Profit/(loss) before taxation		17	(518)
Taxation	10	253	55
Profit/(loss) for the financial year		270	(463)

All results relate to continuing activities.

There was no other comprehensive income in either the current or prior years.

The accompanying notes on pages 16 - 36 form an integral part of the financial statements.

CHES DYNAMICS LIMITED

STATEMENT OF FINANCIAL POSITION

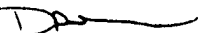
AS AT 30 APRIL 2023

		2023		2022	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	12		2,752		3,007
Current assets					
Inventories	13	8,251		13,675	
Trade and other receivables	14	12,001		16,816	
Cash at bank and in hand	15	605		486	
		20,857		30,977	
Creditors: amounts falling due within one year	16	(16,618)		(26,613)	
Net current assets			4,239		4,364
Total assets less current liabilities			6,991		7,371
Creditors: amounts falling due after more than one year	17		(1,907)		(1,914)
Provisions for liabilities					
Provisions	18	(90)		(50)	
Deferred tax liability	19	-	(90)	(31)	(81)
Net assets			4,994		5,376
Capital and reserves					
Called up share capital	20		-		-
Capital contribution reserve	21		179		150
Profit and loss reserves	21		4,815		5,226
Total equity			4,994		5,376

The accompanying notes on pages 16 - 36 form an integral part of the financial statements.

07/08/23

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:



D A Tuddenham
Director

Company Registration No. 03891212

CHESS DYNAMICS LIMITED

STATEMENT OF CHANGES IN EQUITY **FOR THE YEAR ENDED 30 APRIL 2023**

	Notes	Called up share contribution capital £000	Capital contribution reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 May 2021		-	76	5,689	5,765
Year ended 30 April 2022:					
Loss for the year		-	-	(463)	(463)
Total comprehensive loss for the year		-	-	(463)	(463)
Movements in deferred tax		-	(8)	-	(8)
Charge in respect of share-based payments		-	82	-	82
Total transaction with owners, recognised directly within equity		-	74	-	74
Balance at 30 April 2022		-	150	5,226	5,376
Year ended 30 April 2023:					
Profit for the year		-	-	270	270
Total comprehensive loss for the year		-	-	270	270
Dividends	11	-	-	(750)	(750)
Charge in respect of share-based payments		-	98	-	98
Transfers of capital contribution on vesting of options		-	(69)	69	-
Total transactions with owners, recognised directly within equity		-	29	(681)	(652)
Balance at 30 April 2023		-	179	4,815	4,994

CHESSE DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023

1 General information

Chess Dynamics Limited (the "Company") is a private limited company, limited by shares, registered, incorporated and domiciled in England and Wales. The registered office is:

Quadrant House
North Heath Business Park
North Heath Lane
Horsham
RH12 5QE

The registration number (03891212) can be found on the company information page.

The principal activities of the Company can be found within the strategic report.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, unless otherwise specified within these accounting policies, and in accordance with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as adopted by the UK ("UK adopted International Accounting Standards") but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 April 2023 that have a material impact on the Company's financial statements.

2.2 Going concern

In accordance with their responsibilities as directors, the directors have assessed the ability of the Company to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company had net current assets of £4,239k as at 30 April 2023 (2022: £4,364k).

The Company's directors have prepared forecasts and projections which go beyond 12 months of the approval date of these accounts. The Company's forecasts and projections consider the reasonably possible changes in trading performance. All outcomes modelled in the forecast show that the Company should be able to operate within the level of its current facilities.

The ultimate parent of the Company is Cohort Plc (Group). In reaching the going concern conclusion of the Company the directors have also considered the wider Group performance, as the Company are a guarantor on the debt held by the Group. In conclusion, the forecasts and projections show that the Group should be able to operate within the level of its current facility. This takes into account the £41,454k gross funds of the consolidated Cohort Plc Group as disclosed in the Group Financial Statements at 30 April 2023, as well as the £25,837k overdraft facility and other ancillary financing facilities which are available should it be required. Thus, they continue to adopt the going concern basis in preparing the annual financial statements which supports the Company going concern status.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023

2 Accounting policies (continued)

2.3 Financial reporting standard 101 - reduced disclosure exemptions

The Company is a member of a Group, where the parent of that Group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

The consolidated financial statements of Cohort Plc (the "Group") are prepared in accordance with UK adopted International Accounting Standards and are available to the public. They may be obtained from Cohort Plc, 1 Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW.

The Company has therefore taken advantage of exemptions available under FRS 101 from the following disclosure requirements:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraph 52 and 58 of IFRS 16, 'Leases' in respect of a single lease disclosure note and detailed maturity analysis, respectively.

2.4 Foreign currencies

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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

2 Accounting policies (continued)

2.5 Revenue recognition

The Company has applied IFRS 15, 'Revenue from Contracts with Customers'.

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Company to customers in exchange for consideration in the ordinary course of the Company's activities.

Revenue is recognised at the fair value of the consideration received or receivable for the provision of goods and services, excluding discounts, returns and value added taxes.

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Company determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date.

The Company has determined that most of its contracts satisfy the over time criteria, either because the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs (typically services or support contracts) or the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date (typically development or production contracts).

For each performance obligation to be recognised over time, the Company recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to estimates of transaction price and total expected costs to complete the contract, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Company has determined that this method appropriately depicts the Company's performance in transferring control of the goods and services to the customer.

If over time the criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

2 Accounting policies (continued)

2.5 Revenue recognition (continued)

Internally, the Company categorises revenue recognition according to three types. One or more of each type can apply to a single customer contract.

(a) Point in time

Revenue is recognised when the product or service is delivered to the customer per the contract and the customer is obliged to pay at this point. This usually applies to all the Company's standard products, support, spares and repairs.

(b) Over time service

Revenue is recognised for a service provision over time. Typically, these services are long term (greater than one year) but the contract with the customer fixes the annual revenue where the costs incurred per annum are variable. Revenue is typically recognised on a monthly basis based on either timesheets or a fixed receivable from the customer.

(c) Over time

Revenue is recognised over the contract based on the input costs to deliver the contract to that stage, taking account of appropriate risk contingencies in the remaining costs to complete the contract. Revenue is recognised (typically monthly) on input costs including internal labour (timesheets) and bought in goods and services (invoices or delivery notes).

2.6 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

2.7 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

2.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Any research and development expenditure credits are recognised as income when calculating accounting profit-before-tax in the year that are incurred.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

2 Accounting policies (continued)

2.8 Taxation (continued)

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

2 Accounting policies (continued)

2.10 Impairment of assets

Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Any subsequent reversal of an impairment loss is recognised as income immediately.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is based on the first in, first out principle ("FIFO"), and includes expenditure incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventory and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is based upon estimated selling price less the further cost expected to be incurred to completion and disposal.

Provision is made for obsolete and slow-moving items.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

The Company recognises provisions for doubtful debts on a credit loss basis taking into account the future anticipated credit losses based upon the creditworthiness of the end customer. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Where revenue recognised over time on a contract exceeds the value that has been invoiced, the excess is recognised as a contract asset and is included within trade and other receivables. Accrued income is recognised on revenue recognised at a point in time where a delivery or service has been made and revenue can be recognised, but no invoice has been raised.

CHESSE DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

2 Accounting policies (continued)

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Deposits are included within cash and cash equivalents where the maturity from commencement of the deposit is three months or less.

2.14 Bank overdrafts

Bank overdrafts are recorded at the proceeds received, net of direct issue costs.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest rate method and are disclosed within accruals to the extent they are not settled in the period, unless the overdraft terms provide for the interest to be added to the principal, in which case the interest is added to the carrying amount of the instrument to which it pertains.

2.15 Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

2.16 Derivative financial instruments

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments are recognised in the profit and loss account as they arise and are disclosed separately in deriving the Company's adjusted operating profit.

2.17 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

2.18 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative standalone price and the aggregate standalone price of the non-lease components.

The Company recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

2 Accounting policies (continued)

2.18 Leases (continued)

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as the equivalent owned tangible fixed asset categories. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Lease payments including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, to the extent that the right of use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and of short-term (less than 12 months) leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

2 Accounting policies (continued)

2.19 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) which arises as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. In respect of specific types of provisions, the policy is as follows:

Warranty

Provisions for the expected cost of warranty obligations under local sale of goods legislation and specifically contracted warranty undertakings are recognised at the date of sale of the relevant product or service. The provision is the directors' best estimate of the expenditure required to settle the Company's obligation.

Other contract related provisions including contract loss provisions

The Company undertakes a number of contracts where contractual and/or third-party obligations arise as a result of delivering the contract. This provision includes amounts for losses on contracts which are recognised in full immediately when it is probable that total contract costs will exceed total contract revenue. In some cases, after a product has been delivered and revenue has been recognised, the Company receives claims (including warranty issues) from customers in respect of work done. Where the amount required to settle the claim is uncertain or the Company disputes the amount of the claim, provision is made for the best estimate of the amount that will be required to settle the claim.

Contract loss provisions are reviewed on a regular basis to determine whether the provision is still adequate or excessive. Contract loss provisions and subsequent adjustments to them are charged as cost of sales in the profit and loss account.

2.20 Share-based payments

The Company operates a number of equity-settled, share-based compensation plans, under which the Company receives services from employees as consideration for equity instruments (options) of Cohort Plc.

The awards are granted by Cohort Plc and the Company has no obligation to settle the awards.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in equity in the capital contribution account.

The total amount to be expensed is determined by reference to the fair value of the options granted (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest and adjusted for the non-market-based vesting conditions.

Fair value is measured by use of the Quoted Companies Alliance binomial model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The appropriate element of the reserve is transferred to the retained profit of the Company when the share options to which the reserve relates vest.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

3 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The Directors have identified the following critical judgements and estimates in applying the Company's accounting policies that have the most significant impact on the amounts recognised in the financial statements.

Critical judgements

Revenue recognition

Judgment is applied in whether to recognise revenue over time or at a point in time with respect to contracts and other sales agreements in place. This will make reference to the contractual arrangements on each contract and which revenue recognition method is most appropriate for that contract or sales agreement.

Recoverability of trade and other receivables

Judgement is applied in determining whether any of the Company's trade and other receivables require a bad debt provision to be recognised. This takes account of the nature of our customers, many of which are ultimately governments, our historical experience and the commercial terms we have in place to protect the recoverability of our receivables.

Provisions

The Company makes estimates of provisions for existing commitments arising from past events. In estimating these provisions, the Company makes judgements as to the quantity and likelihood of the liability arising. Certain provisions require more judgement than others. In particular, warranty provisions and contract loss provisions have to take account of future outcomes arising from past deliveries of products and services. In estimating these provisions, the Company makes use of management experience, precedents and specific contract and customer issues.

Critical estimates

Revenue and profit recognition

The judgement applied in recognising revenue on a contract over time as performance obligations are completed is in respect of the input costs incurred and the attributable margin. The latter is particularly a judgement in respect of estimating the cost to complete on a particular contract and the remaining risk and associated contingency. The Directors make use of monthly project (contract) control processes in the Company to monitor and review cost to complete estimates and the utilisation or release of risk contingencies within each contract. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduces.

Provisions

Judgement is applied on recognising contract provisions for uncertainties inherent in the type of projects undertaken throughout the Company. Management take a prudent approach to recognising provisions against risks in projects especially on initial acquisition of subsidiaries where less historical information is available to inform managements decisions.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

4 Revenue	2023	2022
	£000	£000
Major goods/service lines		
Defence (including security)	37,390	20,185
	<u>37,390</u>	<u>20,185</u>
	2023	2022
	£000	£000
Geographical market		
United Kingdom	7,716	5,129
Europe	26,017	13,871
Rest of the World	3,657	1,185
	<u>37,390</u>	<u>20,185</u>
	2023	2022
	£000	£000
Timing of transfer of goods and services		
Goods transferred at a point in time	12,867	6,378
Goods transferred over time	24,523	13,807
	<u>37,390</u>	<u>20,185</u>

a) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	2023	2022
	£000	£000
Receivables (see note 14)	3,558	6,496
Contract assets (see note 14)	6,471	7,649
Contract liabilities (see note 16)	(1,857)	(2,204)
	<u>8,172</u>	<u>11,941</u>

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

4 Revenue (continued)

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on goods and services. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for goods and services.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract Assets £000	Contract Liabilities £000
At 1 May 2022	7,649	(2,204)
New balances added - performance obligations not billed (asset) and advances received (liability)	20,714	(2,054)
Contract liability recognised in revenue (performance obligation satisfied)	-	2,401
Contract asset invoiced/billed	(21,892)	-
At 30 April 2023	<u>6,471</u>	<u>(1,857)</u>

(b) Transaction price (order book) allocated to the remaining performance obligations

2023/24 £000	2024/25 £000	2025/26 £000	2026+ £000
31,624	2,948	2,330	6,017

The Company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(c) Contract Costs

The Company applies the practical expedient in IFRS 15.94, where it may recognise the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

5 Operating profit/(loss)

	2023 £000	2022 £000
Operating profit/(loss) for the year is stated after charging:		
Foreign exchange differences	445	-
Research and development costs	405	49
Depreciation of tangible fixed assets (see note 12)	279	273
Depreciation of right of use assets (see note 12)	521	448
Impairment of trade receivables and contract assets	953	238
Lease expenses for low value assets and short-term leases	2	2
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	89	49

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

6 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2023 Number	2022 Number
Operational	110	86
Admin and support	92	78
Total	<u>202</u>	<u>164</u>

Their aggregate remuneration comprised:

	2023 £000	2022 £000
Wages and salaries	8,911	6,737
Social security costs	1,042	745
Pension costs	638	494
Share-based payments	98	82
Apprenticeship levy	44	34
	<u>10,733</u>	<u>8,092</u>

7 Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	153	135
Company contributions to defined contribution pension schemes	18	11
Share-based payments	98	82
	<u>269</u>	<u>228</u>

During the year retirement benefits were accruing to 1 director (2022: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £153k (2022: £135k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18k (2022: £11k).

During the year, no directors exercised share options (2022: none).

In addition to the above remuneration are £53k (2022: £48k) of directors' costs borne by the parent entity, the charge reflects the value of services provided to the entity.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

8	Interest receivable and similar income	2023	2022
		£000	£000
	Bank interest receivable	13	1
		<u>13</u>	<u>1</u>
9	Interest payable and similar expenses	2023	2022
		£000	£000
	Bank interest payable	-	2
	Interest on lease liabilities	70	34
		<u>70</u>	<u>36</u>
10	Taxation	2023	2022
		£000	£000
	Current tax		
	UK corporation tax on loss for the current period	102	38
	Adjustments in respect of prior periods	(246)	(77)
	Total UK current tax credit	<u>(144)</u>	<u>(39)</u>
	Foreign current tax on profits for the current period	(20)	-
	Total current tax credit	<u>(164)</u>	<u>(39)</u>
	Deferred tax		
	Origination and reversal of timing differences	(69)	46
	Changes in tax rates	(18)	-
	Adjustment in respect of prior periods	(2)	(62)
	Total deferred tax	<u>(89)</u>	<u>(16)</u>
	Total tax credit	<u>(253)</u>	<u>(55)</u>

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

10 Taxation (continued)

The actual credit for the year can be reconciled to the expected charge/(credit) for the year based on the loss and the standard rate of tax as follows:

	2023 £000	2022 £000
Profit/(loss) before taxation	17	(518)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.50% (2022: 19.00%)	3	(98)
Adjustments in respect of prior years	(246)	(77)
Effect of capital allowances in excess of depreciation	(20)	(20)
Effect of share options	15	16
Effect of disallowed items for tax purposes	104	140
Deferred tax	(89)	(16)
Withholding tax	(20)	-
Taxation credit for the year	(253)	(55)

The actual tax credit is at an effective tax rate of 1,488.2% (2022: 10.6%) of profit/(loss) before tax.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11 Dividends

	2023 Per share £	2022 Per share £	2023 Total £000	2022 Total £000
Ordinary shares				
Final paid	7,500.00	-	750	-

The proposed final dividend is subject to approval by shareholders and has not been included as a liability in these financial statements.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

12 Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Right of use asset £000	Total £000
Cost						
At 1 May 2022	535	947	534	27	3,523	5,566
Additions	14	24	9	-	96	143
Intra group transfer	67	29	85	-	550	731
At 30 April 2023	616	1,000	628	27	4,169	6,440
Depreciation and impairment						
At 1 May 2022	443	583	304	13	1,216	2,559
Depreciation charged in the year	76	110	90	3	521	800
Intra group transfer	61	16	67	-	185	329
At 30 April 2023	580	709	461	16	1,922	3,688
Carrying amount						
At 30 April 2023	36	291	167	11	2,247	2,752
At 30 April 2022	92	364	230	14	2,307	3,007

13 Inventories

	2023 £000	2022 £000
Raw materials and consumables	5,441	11,925
Work in progress	1,299	396
Finished goods and goods for resale	1,511	1,354
	8,251	13,675

Raw materials, consumables and work in progress recognised as cost of sales in the year amounted to £18,423k (2022: £8,690k).

There is no significant difference between the replacement cost of work in progress and finished goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £941k (2022: £212k).

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

14 Trade and other receivables

	2023	2022
	£000	£000
Amounts falling due within one year:		
Trade receivables	3,558	6,496
Contract assets	6,471	7,649
Corporation tax recoverable	303	728
Amounts owed by fellow subsidiary undertakings	134	132
Forward contracts	42	487
Other receivables	416	263
Prepayments and accrued income	1,019	1,061
	<u>11,943</u>	<u>16,816</u>

	2023	2022
	£000	£000
Amounts falling due after more than one year:		

Deferred tax asset (note 19)	<u>58</u>	<u>-</u>
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Total trade and other receivables	<u>12,001</u>	<u>16,816</u>
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Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade receivables are stated after provisions for impairment of £735k (2022: £549k). The increase in the provisions has been recognised in administrative expenses within the profit and loss account.

15 Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	605	486
Less: bank overdrafts	<u>(3,374)</u>	<u>(12,336)</u>
	<u>(2,769)</u>	<u>(11,850)</u>

The bank overdrafts are secured against assets of the Company under fixed and floating charges in favour of NatWest bank plc.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

16 Creditors: amounts falling due within one year

	2023	2022
	£000	£000
Bank overdrafts	3,374	12,336
Lease liability	486	467
Trade creditors	2,664	3,326
Contract liabilities	1,857	2,204
Amounts owed to group undertakings	5,527	5,097
Other taxation and social security	288	253
Other creditors	104	1,178
Accruals and deferred income	2,318	1,752
	<u>16,618</u>	<u>26,613</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The total cash outflow for leases was £470k (2022: £458k).

The bank overdrafts are secured against assets of the Company under fixed and floating charges in favour of NatWest bank plc.

17 Creditors: amounts falling due after more than one year

	2023	2022
	£000	£000
Lease liability	<u>1,907</u>	<u>1,914</u>

18 Provisions for liabilities

The Company had the following provisions during the year:

	2023	2022
	£000	£000
Warranty provisions	<u>90</u>	<u>50</u>

Movements on provisions:

	Warranty provisions £000
At 1 May 2022	50
Additional provisions in the year	40
At 30 April 2023	<u>90</u>

CHESSE DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

18 Provisions for liabilities (continued)

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period.

The company generally offers 12 months warranties for its product sales. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

19 Deferred taxation

	Tangible fixed assets £000	Share-based payments £000	Other £000	Total £000
At 1 May 2021	(71)	21	11	(39)
Recognised in income statement	(3)	(44)	1	(46)
Prior year credit	-	62	-	62
Recognised in equity	-	(8)	-	(8)
At 30 April 2022	(74)	31	12	(31)
Recognised in income statement	10	(23)	102	89
At 30 April 2023	(64)	8	114	58

Certain deferred tax assets and liabilities have been offset where the Company has a legally enforceable right to do so. The following is the analysis of deferred tax balances (after offset) for financial reporting purposes:

	2023 £000	2022 £000
Deferred tax asset/(liability)	58	(31)

20 Share capital

	2023 Number	2022 Number	2023 £000	2022 £000
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	100	100	-	-

21 Reserves

Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shares issued.
- Capital contribution account represents the cumulative share-based payment charged to reserves less the transfer to the profit and loss account on the vesting of options.
- Profit and loss account is the retained earnings of the Company from realised gains and losses.

CHESS DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

22 Contingent liabilities and guarantees

The Company, as part of Cohort Plc's group banking and offset arrangements, for the year ended 30 April 2023 is a guarantor for £25.8m (year ended 30 April 2022: £35.5m) of bank borrowings and overdraft drawn by its parent company and other group companies, along with a further £25.8m (year ended 30 April 2022: £18.9m) in respect of bank guarantees drawn by other group companies.

23 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans. The total expense in relation to these plans in the current year was £638k (2022: £494k).

Share-based payments

During the year, the parent company granted the following options to employees of the Company:

Grant date / employees entitled	Method of settlement of accounting	Number of options	Vesting conditions	Contractual life of options
Equity settled awards granted by the parent on 18 August 2022	Equity	70,000	The options vest on the third anniversary of grant	Expire on 18 August 2025
Equity settled awards granted by the parent on 5 September 2022	Equity	10,078	The options vest on the third anniversary of grant	Expire on 1 April 2026
Equity settled awards granted by the parent on 5 September 2022	Equity	1,126	The options vest on the fifth anniversary of grant	Expire on 1 April 2028

No share options were exercised during the current or prior year. The options outstanding at the year-end have an exercise price in the range of 442.5 pence to 670.0 pence (2022: 442.5 pence to 670.0 pence) and a weighted average contractual life of seven years (2022: seven years).

CHESSE DYNAMICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

24 Related party transactions

Transactions with related parties

During the year, the Company incurred the following fees for services received from within the Group at arms-length:

	2023 £000	2022 £000
Empresa de Investigação e Desenvolvimento de Electrónica, S.A.	13	-

There were no other disclosable related party transactions during the current or prior year.

The Company has taken the exemption under FRS 101 to not disclose related party transactions entered into between two or more members of the wholly owned group of which it is a member.

25 Ultimate controlling party

The immediate parent undertaking is Chess Technologies Limited.

The ultimate controlling party and ultimate parent undertaking is Cohort Plc, a company incorporated in the United Kingdom. The registered office address of Cohort Plc is 1 Waterside Drive, Arlington Business Park, Theale, Reading, RG7 4SW.

The largest and smallest Group in which the results of the Company are consolidated is that headed by Cohort Plc. The consolidated financial statements of the Group are available to the public and may be obtained from the address above.