Company registration number 02302168 (England and Wales)

SYSTEMS ENGINEERING & ASSESSMENT LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023

SYSTEMS ENGINEERING & ASSESSMENT LTD

CONTENTS

SYSTEMS ENGINEERING & ASSESSMENT LTD

COMPANY INFORMATION

Directors	J C Whalvin R A Flitton S R Walther A S Thomis
Company Secretary	H Maybury
Registered office	Beckington Castle 17 Castle Corner Beckington Frome BA11 6TA
Registered number	02302168
Auditor	RSM UK Audit LLP Statutory Auditor The Pinnacle, 170 Midsummer Boulevard Milton Keynes Buckinghamshire MK9 1BP

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

Principal activities
The Company's core business continues to be the design, build and in-service support of advanced systems and products, and the delivery of defence related research and development activities. These activities are expected to continue in the next financial year.

Review of the business
Sales revenue of £36,034k was achieved, compared with £30,002k last year, with gross profit of £13,626k compared to £11,795k last year.

The business delivers its services to customers in the Defence and Transport markets in the areas described below:

The Integrated Maritime Systems (IMS) part of SEA's business provides communication and infrastructure systems for UK and overseas maritime platforms. In the last year it has successfully won work on an important contract to design communications system for two New Zealand surface ships and continues to extend its order book and delivery for communication systems and specialist sonar sub-systems for the UK submarine programmes.

SEA's Undersea Battlespace business area encompasses Agile Anti-submarine warfare (AASW) and underwater situational awareness (UWSA) systems and sub-systems. This year the business has made several successful AASW sub-system deliveries to a range of unmanned surface vehicle providers, and also successfully trailed our Krait Defence System as part of the extra-large-unmanned-undersea-vehicle (XLUUV) research project. This continues to be a focus area for investment and further integration of 3rd party undersea sensors and communications.

SEA has a long pedigree in torpedo and decoy launcher systems as part our wider ship and fleet protection (SFP) business. The SFP team had success in winning a contract to deliver torpedo launchers into the Philippines and continues to progress projects won last year in South America and Canada.

SEA made significant progress in winning and executing defence R&D contracts this year, with several notable successes on the UK Progeny framework and also the Defence and Security Accelerator (DASA).

SEA Maritime Support business has had another good year providing a range of repair, support, training, and technology refresh to a range of customers.

SEA has previously focussed on the land area via customer R&D tasks, customer-friend activity and providing technical advice & service (TAS). SEA's revised strategy in this area is to carve out applicable niches in land & littoral capability delivery and has made progress creating a proposition around the capability developed under the UK Future Infantry Lethality System (FILS) project.

The transport management business saw a modest recovery from the significant decline during the pandemic and was successful in being awarded the Bristol Clean Air zone contract that is now underway. The team also made good progress with the ROADflow Fusion and Red Light Safety Enforcement (RLSE) products, and continues to expand our business to local authorities. The business also made renewed progress in delivering sub-systems into partners in the USA.

Key performance indicators

The Management Board of the Company monitors performance using the following KPI's.

Indicator	Rationale
Order Book	This is the level of contracted work not yet delivered to customers; therefore indicating future revenue. The order book at 30 June 2023 was £120,319k (2022: £72,890k). The forward pipeline indicates good opportunities in the coming year to replenish the order book.
Infill	The difference between the Order Book covering current year revenues and the budget/latest forecast. This allows management to assess the risk related to achieving planned results. This is an in-year tracking metric, which tends towards 100% as the year progresses.
Revenue	The level of work delivered to the customer from the Order Book. This is the key measure of operational activity in the business.
Gross margin	Revenue less those costs directly attributable to that activity, together with the resulting gross margin percentage. This measure enables management to assess the profitability of the business being delivered to customers. Gross margins reported at total Company level were 38% (2022: 39%), representing consistency in the profitability of contracts.
Utilisation	This measures the level to which employee activity is engaged in delivering work to customers. This allows management to manage employees in terms of both numbers and the skills held to optimise the Company's performance. Rolling utilisation recorded of 75% (2022: 77%).

Future developments

We believe that with a strong order book and some key contracts currently in negotiation, we are well placed for the coming year.

Principal risks and uncertainties

Revenue	The Company takes a prudent approach to the recognition of revenue. Any work done at risk (i.e. before contractual agreement) is minimal and controlled by management through authorisation at the appropriate level and regular review. The Company manages payment risk through informed choice of customer and effective control processes.
Operations	The primary operational risk is to maintain the appropriate level and skill of employees in order to deliver successfully to customers and maximise profitability. In order to do so, the level of utilisation of employees is reviewed regularly by management, both in terms of past performance and future tasks. The Company mitigates this risk by employing sub-contractors where appropriate in order that specific skills are contracted as needed; in order to maximise the effectiveness of this measure, the Company is active in maintaining a database of skilled sub-contractors. All sub-contractors are subject to checks both before and during delivery to ensure they are appropriately incorporated and delivering to a high standard. The Company's contracts with customers are either priced based upon the level of resources expended or on a fixed-price basis. Both types of contracts are reviewed in detail on a regular basis; profit is taken in a prudent manner, reflecting risk and level of future costs expected.

Geo-political & macro-economic trends	The conflict in Ukraine continues to impact a world economy still recovering from the COVID pandemic. The invasion has seen a higher level of focus amongst governments, particularly European NATO members, on their defence stance. In the UK, this has already led to an increase in defence spending. It is hard to predict the duration of the conflict in Ukraine and its direct impact upon the Company's trading. In the longer term, after the taboo over armed invasion of peaceful neighbours has so clearly been broken, we expect to see a more sustained growth in defence budgets, both in NATO but also in other parts of the world where security threats remain. To set against this, we continue to expect economic fallout from the war in Ukraine as well as the lingering impacts, largely supply chain related, of COVID-19. These include higher inflation and rising interest rates and therefore pressure on governments to mitigate these effects on their populations.

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.

The Company takes a prudent approach to managing foreign currency exchange rate risk, which is governed by Cohort plc group policy. The fair value of FX derivatives at 30 April 2023 was a liability of £779k included within creditors (2022: asset of £771k included within receivables).

With regard to cash flow, performance and future expectations are reviewed in detail on a regular basis to ensure that the business has maximised its working capital position and maintains adequate funds.

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.

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.

J C Whalvin
Director

Date: 4 August 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 amount to £930k (2022: profit after taxation of £2,578k).

The directors recommend a payment of a dividend of £1,200k to the ordinary shareholders in respect of the year (2022: £900k).

Charitable and political donations
During the year the Company made charitable donations of £7,286 (2022: £4,527). The Company made no political donations during the year (2022: £nil).

Research and development
The Company carries out research and development in support of its activities. Expenditure on research activities is recognised in the Profit and Loss Account as an expense as incurred.

During the year the Company incurred and expensed £4,761k research and development costs (2022: £5,307k).

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

J C Whalvin
R A Flitton
S R Walther
A S Thomis

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.

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 £6,317k as at 30 April 2023 (2022: £6,502k).

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 directors have obtained a letter of support from the Company's ultimate parent, 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.

....

J C Whalvin

Director

Date: 4 August 2023

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SYSTEMS ENGINEERING & ASSESSMENT LTD

Opinion

We have audited the financial statements of Systems Engineering & Assessment Ltd (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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SYSTEMS ENGINEERING & ASSESSMENT LTD

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.

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 evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement and evaluating 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 managements' 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 items 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SYSTEMS ENGINEERING & ASSESSMENT LTD

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

Date: 4 August 2023

SYSTEMS ENGINEERING & ASSESSMENT LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 APRIL 2023

	Notes	2023 £000	2022 £000
Revenue	4	36,034	30,002
Cost of sales		(22,408)	(18,207)
Gross profit		13,626	11,795
Administrative expenses		(12,230)	(8,413)
Operating profit	5	1,396	3,382
Adjusted for:			
Adjusted operating profit		2,947	2,617
(Charge)/credit on marking forward contracts at market value at year end (included in cost of sales)		(1,551)	765
Operating profit		1,396	3,382
Interest receivable and similar income	8	-	3
Interest payable and similar expenses	9	(106)	(117)
Profit before taxation		1,290	3,268
Taxation	10	(360)	(690)
Profit for the financial year		930	2,578

All results relate to continuing activities.

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

The accompanying notes on pages 17 - 38 form an integral part of the financial statements.

SYSTEMS ENGINEERING & ASSESSMENT LTD

STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2023

		2023		2022	
	Notes	**£000**	**£000**	**£000**	**£000**
Fixed assets					
Goodwill	**12**		4,913		4,913
Tangible assets	**13**		4,138		4,368
Investments	**14**		7,380		7,780
			16,431		17,061
Current assets					
Inventories	**16**	6,817		2,943	
Trade and other receivables	**17**	21,553		20,640	
Cash at bank and in hand	**18**	1,814		4,777	
		30,184		28,360	
Creditors: amounts falling due within one year	**19**	(23,867)		(22,258)	
Net current assets			6,317		6,102
Total assets less current liabilities			22,748		23,163
Creditors: amounts falling due after more than one year	**20**		(2,144)		(2,370)
Provisions for liabilities					
Provisions	**21**	(625)		(620)	
			(625)		(620)
Net assets			19,979		20,173
Capital and reserves					
Called up share capital	**23**		64		64
Share premium account	**24**		44		44
Capital redemption reserve	**24**		1		1
Capital contribution reserve	**24**		223		219
Profit and loss reserves	**24**		19,647		19,845
Total equity			19,979		20,173

The accompanying notes on pages 17 - 38 form an integral part of the financial statements.

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

....

J C Whalvin

Director

Company Registration No. 02302168

SYSTEMS ENGINEERING & ASSESSMENT LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2023

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital contribution reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 May 2021		64	44	1	267	18,091	18,467
Year ended 30 April 2022:							
Profit for the year		-	-	-	-	2,578	2,578
Total comprehensive income for the year		-	-	-	-	2,578	2,578
Dividends	11	-	-	-	-	(900)	(900)
Movements in deferred tax		-	-	-	(73)	-	(73)
Charge in respect of share-based payments		-	-	-	101	-	101
Transfers of capital contribution on vesting of options		-	-	-	(76)	76	-
Total transaction with owners, recognised directly within equity		-	-	-	(48)	(824)	(872)
Balance at 30 April 2022		64	44	1	219	19,845	20,173

The accompanying notes on pages 17 - 38 form an integral part of the financial statements.

SYSTEMS ENGINEERING & ASSESSMENT LTD

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2023

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital contribution reserve £000	Profit and loss reserves £000	Total £000
Balance at 1 May 2022		64	44	1	219	19,845	20,173
Year ended 30 April 2023:							
Profit for the year		-	-	-	-	930	930
Total comprehensive income for the year		-	-	-	-	930	930
Dividends	11	-	-	-	-	(1,200)	(1,200)
Movements in deferred tax		-	-	-	(39)	-	(39)
Charge in respect of share-based payments		-	-	-	115	-	115
Transfers of capital contribution on vesting of options		-	-	-	(72)	72	-
Total transactions with owners, recognised directly within equity		-	-	-	4	(1,128)	(1,124)
Balance at 30 April 2023		64	44	1	223	19,647	19,979

The accompanying notes on pages 17 - 38 form an integral part of the financial statements.

1 General information

Systems Engineering & Assessment Ltd (the "Company") is a private limited company, limited by shares, registered, incorporated and domiciled in England and Wales. The registered office is:

Beckington Castle
17 Castle Corner
Beckington
Frome
BA11 6TA

The registration number (02302168) 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 £6,317k as at 30 April 2023 (2022: £6,502k).

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 directors have obtained a letter of support from the Company's ultimate parent, 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.

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, 2 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 Pounds Sterling (£).

Transactions in foreign currencies are translated to the Company's functional currency 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 historic 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.

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.

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.

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.

The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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 Intangible fixed assets - goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

This is not in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

2.10 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:

Land and buildings	over the life of the lease
Plant and machinery	5 - 10 years
IT equipment	4 years
Motor vehicles	4 years
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.

2.11 Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

2 Accounting policies (continued)

2.12 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.

2.13 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.

2.14 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.

2 Accounting policies (continued)

2.15 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.

2.16 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.

2.17 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.

2.18 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

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

2.19 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.

2 Accounting policies (continued)

2.19 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:

- fixed 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.

2 Accounting policies (continued)

2.20 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.

2.21 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.

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.

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.

Lease accounting
The directors have applied judgment to determine the treatment of an inter-company leased asset under IFRS 16. In reviewing the terms of an inter-company lease the directors have considered the terms of the arrangement between the companies and the future plans for the underlying leased asset. Based on the review the lease of the asset has been treated as a short-term lease under IFRS 16. The net impact on the accounts were the lease be accounted for as a long-term lease would be a grossing up of the Company's assets and liabilities with no material impact on trading profit.

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.

4 Revenue

	2023 £000	2022 £000
Major goods/service lines		
Defence (including security)	27,797	23,261
Transport	8,237	6,741
	36,034	30,002

	2023 £000	2022 £000
Geographical market		
UK	29,339	22,897
Europe	564	624
Rest of the World	6,131	6,481
	36,034	30,002

	2023 £000	2022 £000
Timing of transfer of goods and services		
Goods transferred at a point in time	6,340	8,118
Services transferred at a point in time	2,021	8,759
Goods transferred over time	22,005	11,540
Services transferred over time	5,668	1,585
	36,034	30,002

a) Contract balances

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

	2023 £000	2022 £000
Receivables (see note 17)	6,759	6,598
Contract assets (see note 17)	9,934	8,356
Contract liabilities (see note 19)	(8,458)	(10,246)
	8,235	4,708

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	8,356	(10,246)
New balances added - performance obligations not billed (asset) and advances received (liability)	8,072	(26,173)
Contract liability recognised in revenue (performance obligation satisfied)	-	27,961
Contract asset invoiced/billed	(6,494)	-
At 30 April 2023	9,934	(8,458)

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

2023/24 £000	2024/25 £000	2025/26 £000	2026+ £000
25,019	19,658	16,126	33,398

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

Operating profit for the year is stated after charging/(crediting):	2023 £000	2022 £000
Foreign exchange differences	(117)	(769)
Loss/(gain) on marking forward contracts at market value at year end	1,551	(765)
Research and development costs	4,761	5,307
Depreciation of tangible fixed assets (see note 13)	781	783
Depreciation of right of use assets (see note 13)	347	317
Impairment of trade receivables and contract assets	559	183
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	107	111

6 Employees

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

	2023 Number	2022 Number
Operational	194	175
Admin and support	86	74
Total	280	249

Their aggregate remuneration comprised:

	2023 £000	2022 £000
Wages and salaries	13,957	11,255
Social security costs	1,322	1,149
Pension costs	665	629
Share-based payments	115	101
Apprenticeship levy	53	59
	16,112	13,193

7 Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	342	324
Company contributions to defined contribution pension schemes	18	17
	360	341

During the year retirement benefits were accruing to 2 directors (2022: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £199k (2022: £197k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8k (2022: £8k).

During the year, no directors exercised share options (2022: nil).

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 parent entity.

8 Interest receivable and similar income

	2023 £000	2022 £000
Other interest receivable	-	3

9 Interest payable and similar expenses

	2023 £000	2022 £000
Bank interest payable	8	-
Interest on lease liabilities	98	117
	106	117

10 Taxation

	2023 £000	2022 £000
Current tax		
UK corporation tax on profit for the current period	201	627
Adjustments in respect of prior periods	108	59
Total current tax	309	686
Deferred tax		
Origination and reversal of timing differences	50	(22)
Adjustment in respect of prior periods	1	26
Total deferred tax	51	4
Total tax charge	360	690

10 Taxation (continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit and the standard rate of tax as follows:

	2023 £000	2022 £000
Profit before taxation	1,290	3,268
Expected tax charge based on the standard rate of corporation tax in the UK of 19.50% (2022: 19.00%)	252	621
Adjustments in respect of prior years	108	59
Effect of share options	22	19
Effect of depreciation in excess of capital allowances	(106)	24
Deferred tax	51	4
Effect of disallowed items for tax purposes	64	(8)
Effect of statutory deductions (s23) in respect of share options exercised	(31)	(42)
Disallowed exceptional costs	-	13
Taxation charge for the year	360	690

The actual tax charge is at an effective tax rate of 27.9% (2022: 21.1%) of profit 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 pence	2022 Per share pence	2023 Total £000	2022 Total £000
Ordinary shares				
Final paid	314.00	236.00	800	600
Interim paid	157.00	118.00	400	300
			1,200	900

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

12 Intangible fixed assets

	Goodwill £000
Cost	
At 1 May 2022 and 30 April 2023	4,913
Amortisation and impairment	
At 1 May 2022 and 30 April 2023	-
Carrying amount	
At 30 April 2023	4,913
At 30 April 2022	4,913

13 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	IT equipment £000	Motor vehicles £000	Right of use asset £000	Total £000
Cost						
At 1 May 2022	2,062	4,410	3,831	55	3,370	13,728
Additions	221	81	596	-	-	898
At 30 April 2023	2,283	4,491	4,427	55	3,370	14,626
Depreciation and impairment						
At 1 May 2022	1,692	3,553	3,166	55	894	9,360
Depreciation charged in the year	120	346	315	-	347	1,128
At 30 April 2023	1,812	3,899	3,481	55	1,241	10,488
Carrying amount						
At 30 April 2023	471	592	946	-	2,129	4,138
At 30 April 2022	370	857	665	-	2,476	4,368

Included within the value of tangible fixed assets are intangible fixed assets of £280k (2022: £438k) which are not disclosed separately due to immateriality.

14 Fixed asset investments

	Notes	2023 £000	2022 £000
Shares in group undertakings	15	7,380	7,780

Movements in fixed asset investments

	Shares in subsidiaries £000
Cost or valuation	
At 1 May 2022	7,780
Transfers	(400)
At 30 April 2023	7,380
Carrying amount	
At 30 April 2023	7,380
At 30 April 2022	7,780

In the current year, the Company performed a review of the prior year asset acquisition of Kaycom, a Canadian entity, and concluded that the asset value should be held in its subsidiary JSK Naval Support Inc ("JSK"). Subsequently £400k of the previously assigned purchase consideration was reclassified as an intercompany receivable owed by JSK. Accordingly, the Company has reduced its investment balance and recognised a £400k intercompany receivable balance with JSK in the statement of financial position at 30 April 2023. The directors have decided to not restate the statement of financial position at 30 April 2022 as this reclassification has an immaterial impact on the financial statements.

15 *Subsidiaries*

Details of the company's subsidiaries at 30 April 2023 and 30 April 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
JS Residual Limited	Riverside Road, Pottington Business Park, Barnstaple, Devon, EX31 1LY	Holds investment in SEA's Canadian operations	Ordinary	100.00	-
8963665 Canada Inc	2500-1100 René-Lévesque Blvd., West Montréal QC H3B 5C9, Canada	The holding company of the Group's investment in JSK Naval Support Inc.	Ordinary	-	100.00
JSK Naval Support Inc	193 Brunswick Boulevard, Pointe-Claire QC H9R 5N2, Canada	Delivers and supports SEA products and services into the Canadian Navy.	Ordinary	-	100.00

16 Inventories

	2023 £000	2022 £000
Raw materials and consumables	1,100	2,009
Work in progress	4,902	526
Finished goods and goods for resale	815	408
	6,817	2,943

Raw materials, consumables and work in progress recognised as cost of sales in the year amounted to £4,972k (2022: £5,532k).

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

Inventories are stated after provisions for impairment of £220k (2022: £26k).

17 Trade and other receivables

Amounts falling due within one year:	2023 £000	2022 £000
Trade receivables	6,759	6,598
Contract assets	9,934	8,356
Corporation tax recoverable	768	1,100
Amounts owed by fellow subsidiary undertakings	3,392	3,006
Derivative financial instruments	-	771
Other receivables	-	145
Prepayments and accrued income	700	574
Deferred tax asset (note 22)	-	90
	21,553	20,640

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

Trade receivables and contract assets are stated after provisions for impairment of £100k and £459k respectively (2022: £56k and £127K). The increase in the provisions have been recognised in administrative expenses within the profit and loss account.

18 Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	1,814	4,777
	1,814	4,777

19 Creditors: amounts falling due within one year

	2023 £000	2022 £000
Lease liability	228	278
Trade creditors	918	1,064
Contract liabilities	8,458	10,246
Amounts owed to fellow subsidiary undertakings	8,644	8,253
Other taxation and social security	542	481
VAT payable	546	777
Derivative financial instruments	779	-
Other creditors	-	25
Accruals and deferred income	3,752	1,134
	23,867	22,258

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 £352k (2022: £437k).

20 Creditors: amounts falling due after more than one year

	2023 £000	2022 £000
Lease liability	2,144	2,370

21 Provisions for liabilities

The Company had the following provisions during the year:

	2023 £000	2022 £000
Warranty provisions	625	620

Movements on provisions:

	Warranty provisions £000
At 1 May 2022	620
Additional provisions in the year	84
Utilisation of provision	(79)
At 30 April 2023	625

21 Provisions for liabilities (continued)

Warranty provision
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.

22 Deferred taxation

	Tangible fixed assets £000	Share-based payments £000	Other £000	Total £000
At 1 May 2021	(1)	27	141	167
Recognised in income statement	(14)	(6)	16	(4)
Recognised in equity	-	-	(73)	(73)
At 30 April 2022	(15)	21	84	90
Recognised in income statement	(73)	51	(29)	(51)
Recognised in equity	-	-	(39)	(39)
At 30 April 2023	(88)	72	16	-

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	-	90

23 Share capital

	2023 Number	2022 Number	2023 £000	2022 £000
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 25p each	254,211	254,211	64	64

24 Reserves

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

- Share capital represents the nominal value of shares issued.
- Share premium account includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account.
- Capital redemption reserve relates to a redemption of capital.
- 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.

25 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: £47.4m) of bank borrowings and overdraft drawn by its parent company and other group companies, along with a further £19.8m (year ended 30 April 2022: £11.7m) in respect of bank guarantees drawn by other group companies.

26 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 £665k (2022: £629k).

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 05 September 2022	Equity	12,003	The options vest on the third anniversary of grant	Expire on 01 April 2026
Equity settled awards granted by the parent on 05 September 2022	Equity	5,072	The options vest on the fifth anniversary of grant	Expire on 01 April 2028
Equity settled awards granted by the parent on 18 August 2022	Equity	80,000	The options vest on the third anniversary of grant	Expire on 18 August 2025

The weighted average share price at the date of exercise of share options exercised during the year was 539.00 pence (2022: 584.00 pence). The options outstanding at the year-end have an exercise price in the range of 340.00 pence to 670.00 pence (2022: 167.50 pence to 670.00 pence) and a weighted average contractual life of seven years (2022: six years).

27 Related party transactions

There were no 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.

28 Ultimate controlling party

The immediate parent undertaking is SEA (Group) Ltd.

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.