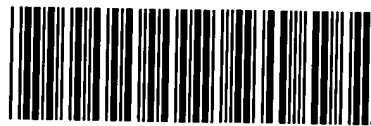


Registered number: 267550

ROKE MANOR RESEARCH LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

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ROKE MANOR RESEARCH LIMITED

COMPANY INFORMATION

Directors	I C Cooper S L Ellard P MacGregor J Mortensen (appointed 1 January 2024) M Ord
Company Secretary	S L Ellard
Registered number	267550
Registered office	Roke Manor Old Salisbury Lane Romsey Hampshire United Kingdom SO51 0ZN
Independent auditor	KPMG LLP Gateway House Tollgate Eastleigh SO53 3TG

ROKE MANOR RESEARCH LIMITED

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ROKE MANOR RESEARCH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2023

Business review

As shown in the company's income statement on page 11, the company's sales increased by 44% (2022: 36% increase) from the prior year, principally as a result of increased demand from UK customers. The company's operating profit for the year increased to £24,739,000 (2022: £19,630,000) due to the increased revenue, offset by the discretionary operating expense investment in Roke Academy and Roke Futures.

Principal risks and uncertainties

The company is a wholly owned subsidiary of Chemring Group PLC ("the Group"). The Group Board is responsible for the Group's systems of internal control and its risk management systems. The Group Board has constituted a Risk Management Committee, which meets quarterly, to review the key risks associated with the business, including the most significant health and safety risks identified at each site, and the risk control procedures implemented. Brief details of the principal risks and uncertainties currently facing the company are set out below. Further details can be found in the consolidated financial statements of Chemring Group PLC.

Future developments and customer priorities

Defence spending levels depend on a complex mix of political considerations, budgetary constraints and the requirement of the armed forces to address specific threats and perform certain missions. As such, defence spending may be subject to significant fluctuation from year to year. The business is focusing its business development activities in its key home markets in the niche segments in which it operates. The future prospects for the company are therefore good, while Russia's invasion of Ukraine has fostered broad support for more long-term defence investment as part of adapting to a more competitive and riskier world. The company continues to closely monitor the position in all the key markets in which it operates.

Timing and value of orders

The majority of the company's contracts are of a relatively short duration and, with the exception of framework contracts with key customers, do not usually cover multi-year requirements. This means that an unmitigated delay in the receipt of key orders could affect earnings. Maximising order intake is therefore a key objective for the company.

Contract-related risks

The company's government contracts may be terminated at any time and may contain unfavourable provisions. This could result in financial loss for the company or have an adverse effect on the company's ability to re-compete for future contracts and orders.

Management resource

The company requires competent management to lead it through the next stage of its development. In challenging markets and difficult times, there is a need to retain and incentivise senior managers and key employees in order to ensure that the operations of the company do not suffer from loss of management expertise and knowledge.

Environmental laws and regulations

The Group's operations and ownership or use of property are subject to a number of national and local environmental laws and regulations, including those relating to discharge of hazardous materials, management of contaminated sites, and the restoration of damage to the environment.

ROKE MANOR RESEARCH LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2023

Technology risks

The company's approach to innovation, continued research and development activity and focused technology investment ensures that the company is continually adding new services and technologies to its range. Close relationships are maintained with all key customers, to ensure that capability development aligns with customer requirements.

Compliance and corruption risks

The company operates under the Group's Code of Conduct, which stipulates the standard of acceptable business conduct required by employees and third parties acting on the company's behalf. The company has also adopted the Group's Bribery Act Compliance Manual, incorporating anti-bribery policies and procedures.

Cyber-related risks

Cyber security and related risks are key emergent areas of critical importance. Threats emanate from a wide variety of sources and could target a range of systems, leading to critical systems failures or loss of the company's, or its customers', intellectual property. In addition the company could suffer reputational damage and its business of providing cyber security services to its customers may be irreparably damaged. The company has adopted a number of cyber security defence measures and, where appropriate, governmental or commercial accreditation of networks and systems is obtained.

Financial risks

The company uses financial instruments to manage financial risk wherever it is appropriate to do so. The main risk addressed by financial instruments is foreign exchange rate risk. The company undertakes certain transactions denominated in foreign currencies, giving rise to exposures to exchange rate fluctuations. The company's policy is to hedge transactional currency exposures through the use of forward foreign exchange contracts. The weakening of sterling during the year ended 31 October 2023 did not have a significant impact on the company's financial performance.

The company faced inflationary cost increases during the year and higher energy prices, driven by Russia's invasion of Ukraine. These were largely mitigated but could have a further impact in 2024.

Rising interest rates during the year ended 31 October 2023 did not have a significant impact on the company's financial performance.

Financial key performance indicators

The company uses a number of financial key performance indicators (KPIs) to measure its performance. The principal KPI used is operating profit as given in the income statement.

Research and development activities

Performing research and development on behalf of its customers is integral to the operations of the company.

ROKE MANOR RESEARCH LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2023**

Employees

The Group pursues a policy of employee communication through meetings and in-house magazines by which employees are made aware of the progress of the Group and the companies in which they work, and are informed on matters affecting them as employees.

Certain employees may participate in equity settled share-based compensation schemes operated by the parent company, Chemring Group PLC.

The company makes no distinction between disabled and able-bodied persons in recruitment, employment and training, career development and promotion, provided that any disability does not make the particular employment impractical or impossible under the stringent Health and Safety and Explosives Acts under which the company operates.

Directors' statement of compliance with duty to promote the success of the Company

Section 172 (1) of the Companies Act 2006 requires the directors to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, section 172 requires the directors to have regard, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging their section 172 duties the directors have regard to the factors set out above and any other factors which they consider relevant to the decision being made. The directors acknowledge that every decision they make will not always result in a positive outcome for all its stakeholders. However, by considering the company's purpose, vision and values, together with their strategic objectives and having a process in place for decision making, the directors aim to ensure that their decisions are considered and proportionate.

Further information on how the company has had regard to section 172 matters during the year can also be found in the following sections of the strategic report:

- Consequences of any decision in the long term – Future developments and possible defence budget cuts (page 1);
- Interests of employees – Employees (page 3);
- Impact of operations on the community and the environment – Environmental laws and regulations (page 1);
- Maintaining high standards of business conduct - Compliance and corruption risks (page 2).

Information on business relationships with suppliers, customers and others and acting fairly between members, as well as further details on how the Chemring Group PLC Board operates and reflects all stakeholder views in its decision making, are set out within Chemring Group PLC's 2023 annual report and accounts which can be found at www.chemring.com.

This report was approved by the Board of Directors on 5 February 2024.



S.L. Ellard
Company Secretary

ROKE MANOR RESEARCH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2023

The directors present their report and the audited financial statements for the year ended 31 October 2023.

Principal activities

The principal activities of the company are cyber consultancy and research. Key technologies include wireless communications, networks, signal and vision processing, and sensing and positioning.

Going concern

As part of a regular assessment of the company's financial performance and position, the directors have prepared a detailed bottom-up budget and cashflow forecast for the period through to October 2025, being at least twelve months after the date of approval of the financial statements.

The directors have considered the potential impacts on the forecast prepared of a severe but plausible downside scenario being a significant reduction in revenue without any controllable mitigating actions taken.

As at 31 October 2023 the company has net current assets of £15,533,000 (2022: £10,919,000) and generated a profit for the year of £18,857,000 (2022: £17,330,000). Moreover, the company has the ability to draw down on Chemring Group PLC's revolving credit facility of £150m. £130m of this facility runs to December 2026, with an option to extend for a further year at the lender's discretion, and the remainder runs to December 2025. This provides further liquidity in the event of any severe downside scenario.

The directors, having considered the current financial position and forecast including a severe but plausible downside scenario, believe the company is well placed to manage its risks and have assessed that there is a reasonable expectation that adequate financial resources will continue to be available for the foreseeable future. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Results and dividends

The profit for the year, after taxation, amounted to £18,857,000 (2022: £17,330,000).

Interim dividends were paid during the year totalling £7,357,000 (2022: £19,272,000). The directors do not recommend the payment of a final dividend (2022: £nil).

Directors

The directors who served during the year, and up to the date of signing the financial statements, unless otherwise stated, were:

I C Cooper
S L Ellard
A G Lewis (resigned 31 December 2023)
P MacGregor
J Mortensen (appointed 1 January 2024)
M Ord

Future developments

The company continues to closely monitor the position in all the key markets in which it operates. Further details can be found in the strategic report on page 1.

ROKE MANOR RESEARCH LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2023**

Financial risks

The company uses financial instruments to manage financial risk wherever it is appropriate to do so. Further details can be found in the strategic report on page 2.

Research and development activities

The company continues to perform research and development activities on behalf of its customers. Further details can be found in the strategic report on page 2.

Employees

The company pursues a policy of employee communication through meetings and in-house magazines by which employees are made aware of the progress of the company. Further details can be found in the strategic report on page 3.

Disclosure of information to auditor

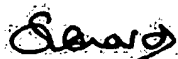
Each of the persons who is a director at the time when this directors' report is approved has confirmed that:

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

Auditor

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

This report was approved by the board on 5 February 2024 and signed on its behalf.



**S.L. Ellard
Company Secretary**

ROKE MANOR RESEARCH LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

The directors are responsible for preparing the strategic report, the directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROKE MANOR RESEARCH LIMITED

Opinion

We have audited the financial statements of Roke Manor Research Limited ("the company") for the year ended 31 October 2023 which comprise the income statement, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and internal audit and inspection of policy documentation as to Chemring Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and Chemring Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Chemring Group PLC Board, Audit Committee, Executive Committee, Remuneration Committee and Risk Management Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROKE MANOR RESEARCH LIMITED

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no complexities or significant areas of estimation or judgement, as such we considered there to be limited opportunities for material fraudulent entries to remain undetected.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included any unexpected journal entries to revenue and unexpected journal entries to cash and borrowings.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards) and management, from inspection of the company's regulatory and legal correspondence and discussed with the directors and management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental protection legislation, and anti-bribery and corruption, and certain aspects of company legislation recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROKE MANOR RESEARCH LIMITED

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

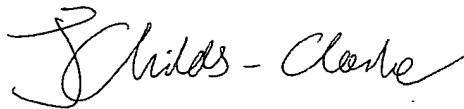
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROKE MANOR RESEARCH LIMITED

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

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



James Childs-Clarke (Senior statutory auditor)

**for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

Gateway House
Tollgate
Eastleigh

SO53 3TG

Date: 5th February 2024

ROKE MANOR RESEARCH LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2023**

	Note	2023 £000	2022 £000
Revenue	2	159,406	110,708
Cost of sales		(101,181)	(67,993)
Gross profit		58,225	42,715
Administrative expenses		(33,486)	(23,085)
Operating profit	3	24,739	19,630
Finance expense	7	(80)	(17)
Profit before tax		24,659	19,613
Taxation	8	(5,802)	(2,283)
Profit for the financial year		18,857	17,330

All results for the year derive from continuing operations.

There were no recognised gains and losses other than those included in the income statement, therefore no statement of other comprehensive income has been presented.

ROKE MANOR RESEARCH LIMITED
REGISTERED NUMBER:267550

BALANCE SHEET
AS AT 31 OCTOBER 2023

	Note	2023 £000	2022 £000
Non-current assets			
Intangible assets	9	5,470	5,648
Property, plant and equipment	10	25,885	16,621
		<u>31,355</u>	<u>22,269</u>
Current assets			
Inventory	11	4,670	2,068
Trade and other receivables	12	35,497	31,525
Cash and cash equivalents		145	1,505
		<u>40,312</u>	<u>35,098</u>
Current liabilities			
Trade and other payables	13	(24,779)	(24,179)
		<u>15,533</u>	<u>10,919</u>
Net current assets			
		<u>46,888</u>	<u>33,188</u>
Total assets less current liabilities			
Non-current liabilities			
Trade and other payables	14	(4,913)	(3,694)
Deferred tax	15	(4,959)	(3,978)
		<u>37,016</u>	<u>25,516</u>
Net assets			
		<u><u>37,016</u></u>	<u><u>25,516</u></u>

ROKE MANOR RESEARCH LIMITED
REGISTERED NUMBER:267550

BALANCE SHEET (CONTINUED)
AS AT 31 OCTOBER 2023

	Note	2023 £000	2022 £000
Equity			
Share capital	17	1,036	1,036
Share premium account		19,103	19,103
Retained earnings		16,877	5,377
		<u>37,016</u>	<u>25,516</u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on *5 February* 2024.


J. Mortensen
Director

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

ROKE MANOR RESEARCH LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2023**

	Share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 November 2021	1,036	19,103	7,319	27,458
Profit for the year	-	-	17,330	17,330
Dividends	-	-	(19,272)	(19,272)
At 1 November 2022	1,036	19,103	5,377	25,516
Profit for the year	-	-	18,857	18,857
Dividends	-	-	(7,357)	(7,357)
At 31 October 2023	1,036	19,103	16,877	37,016

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

See note 17 for details on share capital.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies

1.1 Basis of preparation of financial statements

Roke Manor Research Limited is a private company limited by shares incorporated and registered in England and Wales. Its registered office address is included on the company information page.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies. In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies (continued)

1.2 Financial Reporting Standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the effects of new but not yet effective IFRSs.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies (continued)

1.3 Going concern

As part of a regular assessment of the company's financial performance and position, the directors have prepared a detailed bottom-up budget and cashflow forecast for the period through to October 2025, being at least twelve months after the date of approval of the financial statements.

The directors have considered the potential impacts on the forecast prepared of a severe but plausible downside scenario being a significant reduction in revenue without any controllable mitigating actions taken.

As at 31 October 2023 the company has net current assets of £15,533,000 (2022: £10,919,000) and generated a profit for the year of £18,857,000 (2022: £17,330,000). Moreover, the company has the ability to draw down on Chemring Group PLC's revolving credit facility of £150m. £130m of this facility runs to December 2026, with an option to extend for a further year at the lender's discretion, and the remainder runs to December 2025. This provides further liquidity in the event of any severe downside scenario.

The directors, having considered the current financial position and forecast including a severe but plausible downside scenario, believe the company is well placed to manage its risks and have assessed that there is a reasonable expectation that adequate financial resources will continue to be available for the foreseeable future. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023

1. Accounting policies (continued)

1.4 Revenue recognition

Rendering of services

The majority of the company's revenue arises from the rendering of services. Revenue from a contract to provide services, including customer-funded research and development, is recognised by reference to the stage of completion of the contract. Stage of completion is typically estimated by either the proportion of contract costs incurred for work performed to date or completion of relevant milestones where this faithfully depicts the transfer of control of the goods and services to the customer and does not significantly differ from using the proportion of contract costs incurred basis.

Another significant source of revenue arises from time and materials contracts, where revenue is typically accrued and billed in the following month based on work performed to date, following which payment is typically promptly received.

Milestone contracts

In a smaller number of cases, revenue also arises from milestone contracts that contain multiple performance obligations. Often these contracts are already divided into milestones for payment purposes, but judgement is required when assessing the way the contract is divided up to ensure that each element is a separate and valid performance obligation. If they are not, the relevant revenue amount is allocated across the other obligations as appropriate. In some cases milestones are achieved in one period but not billed until the next period, leading to a timing difference with the recognition of revenue in advance of customer billing. In this instance accrued income is recognised.

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. This is based on the agreed contract price, with no material claims and incentive payment terms, and therefore significant judgement to determine the transaction price is not required. Typically the company's contracts do not have any material variable consideration and no significant judgement has been required around the extent to which this ought to be recognised. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices, where stand-alone selling prices are typically estimated based on expected costs plus contract margin.

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has identified a sales contract with a customer;
- the performance obligations within this contract have been identified;
- the transaction price has been determined;
- this transaction price has been allocated to the performance obligations in the contract; and
- revenue is recognised as or when each performance obligation is satisfied.

Performance obligations are satisfied when the customer gains control of promised goods or services from the contract. Customers do not typically gain a right of return of goods.

Agent versus principal

The company operates a number of framework agreements involving the use of sub-contractors or other suppliers for a large proportion of the total contract value. Where this is the case, management determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). When acting as a principal, such revenue is accounted for on a gross basis; when acting as an agent such revenue is accounted for on a net basis by removing "pass through" sub-contractor or supplier revenue leaving revenue

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies (continued)

earned as commission for agency services.

1.5 Research and development expenditure

Research expenditure is charged to the income statement as incurred. Development, patent and licence costs are also charged to the income statement, as incurred, except where a major project is undertaken and it is reasonably anticipated that costs will be recovered through future commercial activity.

1.6 Intangible assets

Development, patent and licence costs are charged to the income statement, as incurred, except where a major project is undertaken and it is reasonably anticipated that costs will be recovered through future commercial activity. Such costs are written off over the life of the project subject to a maximum of five years.

1.7 Plant, property and equipment

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

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

Land and buildings	- Up to 50 years
Plant & machinery	- Up to 10 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.8 Inventory

Inventory consists of raw materials, work in progress and finished goods. Valuation is at the lower of cost and net realisable value. Cost represents materials, direct labour, other direct costs and related overheads, and is determined using the "first-in, first-out" ("FIFO") method. Work in progress and finished goods comprise the cost of materials, labour and overheads applicable to the stage of production. Provision is made for obsolete, slow moving or defective items where appropriate.

1.9 Current tax

Current tax, including UK corporation tax and foreign tax, is provided for at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies (continued)

1.10 Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding obligation to sell the asset or unremitted earnings where there is no binding obligation to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.11 Foreign currency

The financial statements are presented in the company's functional currency, pounds sterling, being the currency of the primary economic environment in which it operates.

Transactions denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Translation differences are dealt with in the income statement.

1.12 Financial Instruments

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

1.13 Financial assets

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies (continued)

1.14 Financial liabilities

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into.

Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value.

Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accruals basis in the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The company enters into a variety of derivative financial instruments with its parent company to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts and cross currency swaps. Further details of derivative financial instruments are disclosed in note 16.

Derivatives are recognised at fair value on the date the derivative contract is entered into and are revalued to fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately.

1.15 Pensions

The company utilises the Group's UK defined contribution pension scheme. The amount charged to the income statement is the contributions payable in the year. Differences between amounts payable and actually paid are shown as accruals or prepayments in the balance sheet.

1.16 Leases

At the lease commencement date (i.e. the date the underlying asset is available for use), the company recognises a right-of-use asset and a lease liability on the balance sheet. The lease liability is initially measured at the present value of future lease payments, discounted using the company's incremental borrowing rate.

The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made before commencement of the lease, any initial direct costs and any restoration costs. The asset is recorded as property, plant and equipment, and is depreciated over the shorter of its estimated useful economic life and the lease term on a straight-line basis.

The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the lease liability. The lease payment is allocated between repayment of the lease liability and finance cost.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies (continued)

1.17 Impairment of fixed and intangible assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1.19 Share-based payment compensation

Certain employees participate in equity settled share-based compensation schemes operated by the parent company, Chemring Group PLC.

For grants made under the Group's share-based compensation schemes, the fair value is remeasured at each balance sheet date, with changes in the fair value recognised in the income statement on a straight-line basis over the vesting period, based on the estimate of the shares that will eventually vest.

For equity settled share-based grants, the total amount recognised is based on the fair value of the equity instrument measured at the date of the award is made, which is recharged from the parent company. At each balance sheet date the impact of any revision to vesting estimates is recognised in the income statement over the vesting period.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

1. Accounting policies (continued)

1.20 Judgements in applying accounting policies and key sources of estimation uncertainty

When applying the company's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenue and expenses recognised during the period. Such assumptions and estimates are based upon factors including historical experience, the observance of trends in the industries in which the company operates, and information available from the company's customers and other external sources.

Accounting judgements

Revenue recognition

Following IFRS 15 Revenue from Contracts with Customers, the company recognises revenue on the basis of the satisfaction of performance obligations.

Management has to consider whether performance obligations should be recognised at a single point in time, which is generally the case for the sale of products by the company, or over a period of time, which is more common for certain service contracts.

In making its judgement about obligations that are satisfied at a point in time, management has to consider at what point control has passed to the customer, allowing revenue to be recognised. This is typically determined through a consideration of customer acceptance testing, stage of completion, contract terms and delivery arrangements.

Management also has to consider whether the company is acting as a principal or as an agent on framework agreements involving the use of sub-contractors or other suppliers for a large proportion of the total contract value. Where this is the case, management determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent).

In making its judgement about whether the company is acting as a principal or as an agent, management assess each arrangement on an individual basis and consider the below three indicators:

- Who has responsibility for fulfilling the promise?
- Inventory risk
- Price discretion

There are no other critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

2. Revenue

An analysis of revenue by destination is as follows:

	2023	2022
	£000	£000
UK	141,851	100,371
Export	17,555	10,337
	159,406	110,708

An analysis of export revenue is not presented as in the opinion of the directors this information would be seriously prejudicial to the commercial interests of the company.

Revenue principally originates from cyber consultancy and research, as well as the delivery of goods. During the year the company recognised revenue of £15,393,000 (2022: £9,685,000) from the sale of goods and £144,013,000 (2022: £101,023,000) from the provision of services.

3. Operating profit

The operating profit is stated after charging:

	2023	2022
	£000	£000
Research and development charged as an expense	101,181	67,993
Depreciation of property, plant and equipment	2,334	1,458
Amortisation of intangible assets	608	-
Impairment of intangible assets	-	2,179
Impairment of amounts owed by Group undertakings	444	-
Exchange losses	181	761
Defined contribution pension cost	3,713	2,979

Amortisation and impairment of intangible assets has been charged through administrative expenses.

The remaining items within operating profit predominantly relate to general and administrative expenses and production overheads, and includes £8,969,000 (2022: £11,317,000) of other income.

4. Auditor's remuneration

	2023	2022
	£000	£000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	222	143

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

5. Employees

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

	2023	2022
	£000	£000
Wages and salaries	58,706	46,784
Social security costs	7,154	5,105
Share-based payments	429	659
Cost of defined contribution scheme	3,713	2,979
	70,002	55,527

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

	2023	2022
	No.	No.
Direct	714	538
Indirect	204	189
	918	727

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

6. Directors' remuneration

	2023	2022
	£000	£000
Directors' emoluments	819	847
Company contributions to defined contribution pension schemes	30	25
	849	872

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

The highest paid director received remuneration of £502,000 (2022: £522,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,000 (2022: £14,000).

During the year two directors received shares under the Group's long term incentive scheme (2022: two).

The emoluments of A G Lewis, S L Ellard and M Ord were borne by Chemring Group PLC. Their services as directors of the company were considered insignificant in the context of their overall services to the Group and therefore no allocation of remuneration to this subsidiary was made. Details of their total remuneration are publicly available in the financial statements of Chemring Group PLC.

7. Finance expense

	2023	2022
	£000	£000
Loan interest receivable from Group undertakings	(31)	-
Lease liability interest payable	111	17
	80	17

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

8. Taxation

	2023	2022
	£000	£000
Corporation tax		
Current tax on profits for the year	5,101	2,128
Adjustments in respect of previous periods	(280)	(731)
Total current tax	4,821	1,397
Deferred tax		
Origination and reversal of timing differences	1,397	740
Adjustment in respect of prior periods	(416)	146
Total deferred tax	981	886
Taxation on profit	5,802	2,283

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK of 22.5% (2022: 19.0%). The differences are explained below:

	2023	2022
	£000	£000
Profit before tax	24,659	19,613
Profit multiplied by standard rate of corporation tax in the UK of 22.5% (2022: 19.0%)	5,548	3,726
Effects of:		
Expenses not deductible for tax purposes	1,025	135
Adjustments to tax charge in respect of prior periods	(696)	(585)
Non-taxable income	(75)	-
Group relief	-	(993)
Total tax charge for the year	5,802	2,283

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

8. Taxation (continued)

The UK Finance Bill 2021 was published on 11 March 2021 and substantively enacted on 24 May 2021. The Bill provided for an increase in the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

The closing UK deferred tax asset as at 31 October 2023 has been calculated at the rates which will be in force when the assets and liabilities are expected to reverse.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

9. Intangible assets

	Development costs £000
Cost	
At 1 November 2022	15,072
Additions	430
At 31 October 2023	<u>15,502</u>
Amortisation	
At 1 November 2022	9,424
Charge for the year	608
At 31 October 2023	<u>10,032</u>
Net book value	
At 31 October 2023	<u>5,470</u>
At 31 October 2022	<u>5,648</u>

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

10. Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 November 2022	16,961	18,625	35,586
Additions	4,860	6,738	11,598
Disposals	(64)	(962)	(1,026)
At 31 October 2023	<u>21,757</u>	<u>24,401</u>	<u>46,158</u>
Depreciation			
At 1 November 2022	7,067	11,898	18,965
Charge for the year	491	1,843	2,334
Disposals	(64)	(962)	(1,026)
At 31 October 2023	<u>7,494</u>	<u>12,779</u>	<u>20,273</u>
Net book value			
At 31 October 2023	<u>14,263</u>	<u>11,622</u>	<u>25,885</u>
At 31 October 2022	<u>9,894</u>	<u>6,727</u>	<u>16,621</u>

Right-of-use assets

Included within land and buildings is a carrying amount of £4,902,000 relating to right-of-use assets (2022: £3,274,000). The additions value includes £2,021,000 relating to right-of-use assets. Depreciation of £393,000 (2022: £86,000) was charged during the year on these assets. The expense relating to short-term and low-value leases in the year was £68,000 (2022: £80,000).

11. Inventory

	2023 £000	2022 £000
Raw materials and consumables	3,725	1,307
Work in progress	945	761
	<u>4,670</u>	<u>2,068</u>

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

12. Trade and other receivables

	2023	2022
	£000	£000
Trade receivables	11,058	4,076
Amounts owed by Group undertakings	387	10,022
Other receivables	8,936	4,798
Prepayments and accrued income	15,116	12,598
Derivative financial instruments	-	31
	<u>35,497</u>	<u>31,525</u>

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest is charged on these amounts at a rate of 2.2% (2022: 2.2%).

13. Trade and other payables: amounts falling due within one year

	2023	2022
	£000	£000
Advance receipts from customers	2,855	6,025
Trade payables	6,064	3,184
Amounts owed to Group undertakings	5	50
Corporation tax	1,651	2,071
Other taxation and social security	5,859	4,385
Lease liabilities	16	32
Accruals	5,967	7,587
Deferred income	2,361	845
Derivative financial instruments	1	-
	<u>24,779</u>	<u>24,179</u>

Amounts owed to Group undertakings are unsecured and repayable on demand. No interest is charged on these amounts.

14. Trade and other payables: Amounts falling due after more than one year

	2023	2022
	£000	£000
Lease liabilities	4,913	3,060
Amounts owed to Group undertakings	-	634
	<u>4,913</u>	<u>3,694</u>

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

15. Deferred tax

	2023	2022
	£000	£000
At beginning of year	(3,978)	(3,092)
Charged to the income statement	(981)	(886)
At end of year	(4,959)	(3,978)

The provision for deferred taxation is made up as follows:

	2023	2022
	£000	£000
Accelerated capital allowances	(5,035)	(4,073)
Short-term timing differences	76	95
	(4,959)	(3,978)

16. Financial instruments

	2023	2022
	£000	£000
Included in current assets	-	31
Included in current liabilities	(1)	-
Forward foreign exchange contracts	(1)	31

Forward foreign exchange contracts

The company has forward foreign exchange contracts with fair values of £1,000 liability (2022: £nil liability) and £nil asset (2022: £31,000 asset). The net value of these derivative financial instruments is a liability of £1,000 (2022: £31,000 asset).

The gain on the movement in fair value of the derivative financial instruments recognised in the income statement is £32,000 (2022: £149,000 loss).

Fair value hierarchy

At 31 October 2023, all derivatives were held at level 2 (2022: level 2). There were no transfers between level 1 and 2 during the current or prior year, and no transfers to or from the fair value reserve during the financial year.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

17. Share capital

	2023	2022
	£000	£000
Allotted, called up and fully paid		
10,361,725 (2022 : 10,361,725) ordinary shares of 10.00p each	1,036	1,036

18. Dividends

	2023	2022
	£000	£000
Interim dividends paid	7,357	19,272

19. Pension commitments

During the year the parent company, Chemring Group PLC, operated a defined contribution pension scheme, The Chemring Group UK Retirement Savings Plan, in the UK. The company contributed £3,713,000 (2022: £2,979,000) to this scheme during the year, with £772,000 (2022: £641,000) payable to the scheme as at 31 October 2023.

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

20. Chemring Group Performance Share Plan

The company participates in share-based compensation arrangements in the form of the Chemring Group Performance Share Plan ("PSP"), which provides incentives to the Group's senior management and other eligible employees, the cost of which is recharged to the company. Under the PSP, conditional awards of ordinary shares are made at nil cost to employees. Awards ordinarily vest on the third anniversary of the award date, subject to satisfaction of performance conditions. The scheme commenced in March 2016.

The company has applied a discount to the share-based awards, to reflect the anticipated achievement of the stipulated targets for each PSP award, based on the predicted figures within the Group's strategic plan as well as the expected number of leavers over the life of the PSP awards.

	2023 No.	2022 No.
Number of conditional awards:		
Outstanding at the beginning of the year	621,510	600,337
Awarded	319,603	234,476
Vested	(219,743)	(273,317)
Lapsed	(80,573)	-
Transferred	-	60,014
Outstanding at the year end	640,797	621,510

The PSP awards made in the year ended 31 October 2023 contained performance conditions based partially on earnings per share (EPS) growth targets, partially on total shareholder return (TSR) ratios and partially on ESG-related targets.

The company recognised a total expense of £429,000 (2022: £659,000) relating to equity-settled share-based payment transactions in the year. Details of the valuation of the PSP can be found in the accounts of Chemring Group PLC.

21. Acquisition of trade and assets

On 31 October 2023, the company acquired certain business and assets of a fellow Group company, Geollect Limited, including related intellectual property and staff. The assets and assumed liabilities were transferred at book value of £358,000.

22. Capital commitments

At 31 October 2023 the company had contracted for, but not provided in the financial statements, amounts totalling £523,000 (2022: £1,029,000) for the acquisition of property, plant and equipment

ROKE MANOR RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

23. Related party transactions

During the year ended 31 October 2023 the company entered into transactions with the following related parties:

~~Vigil AI Limited - subsidiary undertaking of Chemring Group PLC~~

The company provided services for the value of £27,000 (2022: £65,000). As at 31 October 2023, £99,000 was receivable from Vigil AI Limited (2022: £10,000).

24. Ultimate parent undertaking and controlling party

In the opinion of the directors, the company's ultimate parent company and controlling party is Chemring Group PLC, a company incorporated in England and Wales. Copies of the Group financial statements of Chemring Group PLC are available at the Group website (www.chemring.com) or by contacting the registered office, the address of which is set out on the company information page at the start of these financial statements. Chemring Group PLC is the largest and smallest group of which the company is a member and for which consolidated financial statements are prepared.