

Company number: 3626335

FIELD SYSTEMS DESIGNS HOLDINGS PLC
GROUP AND COMPANY
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2023



DIRECTORS AND OFFICERS

DIRECTORS

D K Bird Non-executive chairman
D F Lower Non-executive
D Engler Non-executive
B D Smith
R M Hunter
N M Billings
N Smith
A Lloyd
G Hall

SECRETARY

B D Smith

REGISTERED OFFICE

Blackbrook House
Dorking Business Park
Station Road
Dorking
Surrey
RH4 1HJ

INDEPENDENT AUDITOR

Shipleys LLP
Chartered Accountants
5 Godalming Business Centre
Woolsack Way
Godalming
GU7 1XW

BANKERS

HSBC Bank Plc
168 High Street
Guildford
Surrey
GU1 3YU

CHAIRMAN'S STATEMENT

The Board presents the results of Field Systems Designs Holdings plc and its subsidiaries (FSD) for the year ended 31 May 2023.

I am pleased to report that FSD is finally returning to a more normalised period of trading. The disruption caused by the COVID-19 virus is behind us; the impact of Brexit is contained; and although global uncertainties such as the Ukrainian invasion remain of major concern, with its consequent inflationary issues, the future is looking more positive.

The pandemic was most difficult for FSD due to its effect on our clients' design and programming for their Asset Management Programme (AMP) and its consequential impact on our order placement.

The negative media publicity regarding the performance of the Water Industry continues, and there is mounting public and government pressure to push on with maintaining their water process infrastructure. Despite the pressure by OFWAT to resume their 2020-2025 spend budgets the framework expenditure plans by water utilities were still not being rolled forward into AMP7. However this is set to change as new orders are now forthcoming from the Water Industry, and there is more of an urgency in evidence as they seek to make investment decisions before inflationary pressures overtake them.

The improved current year's Group financial results support decisions made by management to retain our core skilled resource base across the Group, and consequently FSD can still present itself to its industry as a well-established Mechanical and Electrical contractor fully equipped to offer a high-quality delivery.

FSD is confident that a high quantum of order intake remains within the Water industry in which it operates and so it is expected that the quality of our track record, added to the reputation of our talented mechanical and electrical personnel leaves us in prime position to benefit from the resumption of a more normalised investment cycle. The Group is well-positioned with a strong cash balance and an experienced workforce to support the restart of AMP7 projects now so needed to protect the environment.

The Board expect business volumes to continue to grow, and whilst there will be battles ahead with inflation and competition for limited labour resources, there is now belief that a buoyant trading period lies ahead.

D K Bird
Chairman

5 October 2023

STRATEGIC REPORT

The directors present the Strategic Report for Field Systems Designs Holdings Plc ('the Company') and its subsidiary undertakings (together referred to as 'the Group') for the year ended 31 May 2023.

OPERATIONAL PERFORMANCE

The Group achieved a turnover of £13.8 million for the year to 31 May 2023, an improvement of 70% on last year. These results show significantly improved turnover and profitability, which reflect the reduced impact of COVID-19 on the business and an improvement in work from the UK Water Industry AMP7 delivery programme.

The Water Industry's seventh Asset Management Programme (AMP7) commenced in April 2020, and framework plans by water utilities were rolled forward. The impact of COVID-19, and conflicts between water utilities and OFWAT in challenging their 2020-2025 expenditure budgets, caused new orders expected by FSD under AMP7 to be delayed for three years, but now order intake and consequential turnover are improving rapidly.

Turnover was generated as follows:

	2023	2022
	£	£
Water and Sewerage treatment	13,750,687	7,279,719
Power generation and Energy from Waste	-	811,190
	-----	-----
	13,750,687	8,090,909
	=====	=====

Group revenues include transactions with three customers that amount to 10 per cent or more of the Group's total annual revenues; the total amount of revenues from those customers amounts to £7.9million from the Water and Sewerage treatment sector.

Trading conditions normalised this year bouncing back from the COVID-19 era with underlying gross margins improving in the year to 9.5% from a gross loss last year.

The Group made a gross profit of £1,307,256 compared to a gross loss last year of £(1,392,490). Overall these improved operating conditions left the Group with operating profits for the year of £258,037 (2022: loss £(1,905,277)).

The consolidated results show a group profit after tax of £353,073 (2022: £(1,818,860)).

STRATEGIC REPORT

BUSINESS REVIEW

The Field Systems Designs Group (FSD) focuses on delivering specialist mechanical and electrical design and installation works.

Water and Sewerage

FSD successfully secured, engineered, managed and installed a volume of Mechanical and Electrical (M&E) installation projects during the year across the sector as the Group strives to complete to budget a quality job in a safe working manner and maintain its reputation as a respected industry specialist.

Sales volumes in the Water Industry in 2023 provided 100% of group turnover (2022: 90%). The Group undertook a diversity of projects for a number of different Water Utilities in many regions of the United Kingdom, working for multiple Tier One contractors under AMP7 frameworks and supply-chain arrangements.

Power generation and Energy from Waste

In 2023 no turnover was derived from the Power sector (2022: 10%) as there were no power station outage maintenance works during the year.

Mechanical design, fabrication and installation

The pipework fabrication facility owned by the Group gives its mechanical subsidiary the flexibility to respond to customer's needs promptly when taking on the mechanical elements of M&E installation contracts, The Group has grown its client base by creating a reputation for quality in-house mechanical fabrication and site installation services.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The board regularly undertakes a review of business risks and uncertainties confronting the Group and evaluates the significant project risks affecting its business. The following issues are the principal risks and uncertainties faced by the Group.

Economic

The Group's business may be affected by market forces beyond its control. During a downturn all competing companies operating in the same industry sectors will be impacted by economic and political change that will alter the volume and value of available work.

World Markets

The impact on currency markets and businesses following Brexit continue to impact the business affecting both pricing and ease of supply. Similarly, the impact of commodity pricing and supply as a consequence of the war in Ukraine has affected the availability of commodity-derived products. The directors have reviewed these implications on our business as part of our risk management process. The short-term effects are inflationary, primarily on material pricing, and there has been additional care taken over tender pricing and duration of validity periods. The long-term relationships with our supply chain have aided our business to remain resilient under these circumstances. We also endeavour to advise customers to consider carefully the longer lead-times and volatile material prices as part of their order placement programming strategy.

COVID-19

The unpredictable nature of the Coronavirus pandemic and the timing of its cessation created uncertainty estimating the impact of future events which was highly challenging. The directors have reviewed the key areas of risk to the business and the potential negative impact of the residual effects of COVID-19 on the business, which includes determining the likelihood of customers to meet their debts as they fall due, the impact on supplier's performance and ability to supply goods, the impact on levels of human resources, and the difficulty in predicting the level of future order intake.

Cyclical trading

The Group is heavily reliant on the Water industry and its business is affected by the cyclical nature of the UK market caused by the 5-year Asset Management Programmes (AMPs) governed by OFWAT. At the beginning and the end of each AMP the water industry has historically suffered a downturn as competing companies are chasing a reduced volume of available work. This was exacerbated recently by the impact of COVID on client engineering, programming and resourcing. The mitigation of these uncertainties by continually monitoring changes in the sector has proved challenging, with accurate sales information proving difficult to obtain with any reliability.

Skilled personnel

The Group is dependent on the quality, attention and diligence of its personnel across the full spectrum of its skill disciplines. The Group's ability to attract, retain, train and motivate its skilled management and personnel will be reflected by business growth, profitability and a reputation for quality work. The Group offers 'added-value' to its customers by offering a superior quality of project management, engineering and supervisory resource to complement its installation services. It is this wealth of knowledge and experience that sets FSD aside from its competition.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)**Health and safety**

The board reviews personnel issues on a monthly basis and the Safety, Health, Environment and Quality manager (SHEQ) ensures there is investment in training programmes for site and management to broaden the competence, knowledge and experience of its employees. The Group continues to promote the further training and improvement of staff; benefitting where applicable from the introduction of the government Apprenticeship Levy.

The Group demands effective and successful management of health and safety risks by its supply-chain and similar demands are rightly made by its own customer base. Constant vigilance is paramount and any accident can have serious consequences. The commitment to enforcing safe working and adherence to regulation is strong at board level and flows through the organisation through qualified specialists, continual instruction and training. The Group is extremely aware of the potential for an 'incident' to damage the Group and gives constant attention to ensuring that this risk is kept to a minimum. The board, supported by a highly qualified health and safety specialist, endorses the importance of vigilant health and safety practices.

Long term contracts – bidding

The majority of Group turnover is from fixed price and target price contracts. The failure to adequately assess from client's specifications the full scope of works, the correct pricing of that work and the time required to complete the work may have serious ramifications on profitability. There are specific risk management procedures in place to ensure that prices estimated for fixed price contracts are accurate and to ensure the correct costing of successful bids as the work progresses. The Tender Approval Procedure (TAP) is a key risk management tool used to minimise these risks. The TAP completion process identifies tender project risks, assesses the probability of their occurrence, their impact if they do occur and actions necessary to manage them down to an acceptable level. This procedure is used to ensure that commercial and contractual risks are monitored and managed by the board.

Long term contracts – costing

Fixed price and target price contracts may also be subject to cost and time overruns, and the costs of additional work undertaken on variations may not be properly measured or fully recovered from the customer. The Project Summary Report (PSR) is a key risk management tool used to minimise these risks. The PSR completion process quantifies the value of project work undertaken after successful contract award, reviews the potential commercial risks and highlights any safety, technical, operational and environmental risks. This tool is used to ensure that commercial and contractual risks are monitored and managed by the board.

Competitiveness

The Group has a leading market position in sectors such as the water industry, and has also historically penetrated other sectors such as tunnelling, the power industry and energy from waste market. Nevertheless in an increasingly competitive environment and with cyclical volumes, accurate and competitive pricing is key to a successful contract award. The board constantly monitors the competitiveness of its cost base to ensure that its pricing remains competitive. Regular benchmarking and framework submissions also assist this process of review.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)**Financial instruments**

The Group uses financial instruments when required to provide a financing base for the Group's operations. The Group's financial instruments consist primarily of short-term debtors and creditors. The directors regularly review the Group's cash position to ensure that facilities exist for continuity of funding and effective cash management.

Cash flow

The Group has a strong balance sheet and access to additional debt funding, and trades comfortably within its current working capital. Customers may require additional project work to be undertaken and the Group may be required to fund this work for a period of time until the additional costs can be formally approved and funds received. The Group may also experience an increase in the level of credit given to customers as a consequence of a change in their financial status or payment systems. In such circumstances there are short-term cash-flow consequences which are managed carefully by the finance department and any consequences mitigated.

KEY PERFORMANCE INDICATORS (KPI's)

The board uses both financial and non-financial (operational) performance indicators in the analysis and management of the business. The indicators relate both to financial and contractual performance and to other non-financial areas, including but not limited to, employees, health and safety, quality assurance, customer satisfaction and the environment. KPI's are used by the management to run and monitor the business and many of the trends and results provide information which is commercially sensitive or is confidential in nature.

Financial

The main financial KPI used by the board is the measure of gross profit margin (being the gross project profit contribution as a percentage of turnover), as overheads can largely be controlled in line with budget, however margins on contractual activity are key to annual profitability. An overall target margin is set annually in advance after review of overhead structure and subsequently represents the average bid margin used in pricing projects. It is designed to cover Group overheads plus an element of profit. The gross profit margin used in the annual budgeting process is used to benchmark monthly performance and provides for a degree of margin erosion due to difficulties in fully recovering the value of additional works requested by customers. This varies according to market conditions.

The actual margin experience is reflected in the reported results and a detailed review is contained within the operational performance reported earlier in the Strategic Report.

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (KPI's) (continued)**Non-financial**

The board measures customer satisfaction using an independent on-line survey assessment. A rolling 12-month record is kept of customer feedback on project completion with charitable donations used to encourage participation. Customers are asked to complete answers to a number of questions regarding the performance of FSD as a whole and also at site level, on a scale of 1 (poor) to 5 (excellent) including such areas as the focus on Safety and the Environment, completion of site work to programme, contract financial management and standard of workmanship. The responses are used by the board as an independent confirmation of group performance levels and negative feedback is vigorously followed up and improvement measures implemented. The group targets an average score of 4.5 and the overall responses have been very close to this target with an average of 4.4 (2022: 4.5) during the year.

The ongoing independent assessments of the Group's Safety, Quality and Environmental Standards are key to it maintaining the efficiency of its operational performance and adherence to high levels of site safety and environmental awareness.

The FSD Group is approved to the Quality Management Standard ISO 9001:2015, has an environmental management system approved to ISO 14001:2015, and a safety management system approved to ISO 45001; the standard for Occupational Health & Safety. FSD has also achieved a BSI-accredited Building Information Modelling (BIM) Standard BS EN 19650-2:2018.

Achilles UVDB, the Utilities Sector Vendor Database performance assessor, regularly reviews the Group's processes for managing and installing electrical services, as well as its fault resolution procedures. The results of the 2023 Achilles audit were again excellent, reflecting 100% scores in all 4 areas of the Management System Evaluation and 100% in all 4 areas of the Onsite Assessment; these assessments look at areas of health & safety, environment, quality and social corporate responsibilities.

The Group board has both corporate and personal responsibility to ensure that its operations are managed in a safe and environmentally controlled manner.

In common with its industry the Group measures its record on Health & Safety using an annual Accident Frequency Rate (AFR) chart showing lost time accidents per 100,000 man-hours worked. The AFR is currently zero (2022: zero). The group has recently achieved over 1.92 million man-hours without a reportable incident.

PENSIONS

The FSD pension scheme's funding position, based on the year-end actuarial review, has reduced from a surplus of £639,000 at the start of the year to a surplus of £265,000 at the end of the year. The Group is not recognising the surplus and so the Group's defined benefit pension scheme funding position has been maintained at zero, a target reached in 2017. The scheme attempted to secure a buy-in where the assets of the scheme would be used to secure its' members' benefits with a reputable insurance company, however the valuation proposed to secure the scheme liabilities was excessively high due to the small size of the scheme, so the buy-in was not pursued.

STRATEGIC REPORT

QUALITY ASSURANCE

FSD is approved to the Quality Management Standard BS EN ISO 9001:2015. The British Standards Institute (BSI) and Achilles, the Utilities Sector procurement performance assessor, regularly review the group's processes for managing and installing electrical services, as well as its fault resolution procedures. Recent assessments have again been successfully completed with excellent results from the UVDB Verify audits. The Group is committed to a strategy that provides its clients with a high-quality service that conforms to the client's requirements. This strategy includes a strong management commitment to quality, the recruitment and retention of high calibre, experienced and well-trained staff, properly documented procedures, processes and controls, and compliance with all regulatory and legal requirements. Quality Audits continue to be carried out across group sites on a regular basis to ensure compliance and to improve the group's activities. The annual management review meeting assesses the group's performance against targets and sets new targets.

ENVIRONMENT

FSD has an environmental management system approved to the international environment standard, ISO 14001:2015. The BSI and Achilles regularly review the Group's processes for managing its impact on the environment. The Group achieved its Achilles (Carbon Reduction Certification) accreditation in 2020, as it strives to minimise harm to the environment, prevent pollution and use best practice environment solutions wherever possible to minimise its carbon foot-print. A risk assessment approach is used to manage environmental matters, and to identify and assess key environmental hazards arising from business activities and manage them appropriately. FSD continues to report under the Toitū carbon footprint reduction programme through Achilles. An absolute reduction in Category 1 and 2 emissions of 289.90 tCO₂e has been achieved against the base year. A reduction in emissions intensity (for Category 1, 2 and mandatory Category 3 and 4 emissions) of 0.79 tCO₂e/ £M turnover has been achieved based upon a 4-year rolling average, adjusted for inflation.

HEALTH AND SAFETY

A commitment to Health and Safety is the Group's number one priority. Every Board meeting starts by focusing on preserving high safety standards and promoting a positive safety culture within the Group, to ensure that our employees, customers, suppliers and the public are kept safe. FSD has a safety management system implemented across all sites that has successfully been approved to the Health and Safety Management System BS ISO 45001:2018 Occupational health and safety management systems (the internationally recognised standard for management of occupational health and safety risks). The Group achieved a ROSPA (Royal Society for the Prevention of Accidents) Gold award again this year, and we have achieved 9 consecutive Gold awards giving FSD Gold Medal Award status. FSD also gained Constructionline Platinum certification in 2023. There is a strong commitment at Board level, supported by a highly qualified health and safety specialist, which endorses the importance of vigilant health and safety practices and the investment in training for site and management to broaden the competence, knowledge and experience of its employees. This is supported by expert guidance provided by MAKEUK, ECA and CITB.

STRATEGIC REPORT

EMPLOYEES

Our employees are fundamental to the success of the Group and we aim to be a responsible employer in our approach to the provision of training and remuneration and by making the health, safety and well-being of our employees one of our primary considerations in the way we do business. We are pleased to place on record our appreciation of the efforts and expertise demonstrated by our employees, who continue to make a significant contribution to the Group. Employee numbers decreased during the year from an average of 134 in 2022 to 130 in 2023, reflecting a change in the mix of work scope during the year. Management disseminates information to staff within the bounds of commercial confidentiality and consults with them at all levels on matters that affect the progress of the Group and concerns them as employees.

CORPORATE GOVERNANCE AND s172 REPORTING

The Group recognises its responsibilities to the people it employs, its customers and suppliers, its shareholders, the wider community, and the environment. In accordance with section 172 of the Companies Act 2006 the directors undertake to act in a way most likely to promote the long-term success of the Group for the benefit of its stakeholders.

The preceding strategies outlined in this report demonstrate the Group's concern for the interests of its employees, its primary commitment to health and safety for its employees, customers, suppliers and the general public, and the instruments it uses to monitor the quality of its services and customer satisfaction. The Group has achieved accreditations, monitored externally, which are used to review the processes it operates to lessen its impact on the community and the environment.

The Board of directors meet quarterly to fulfil their duties and use bi-annual trading statements to communicate coherently the Group's performance to its members. Operational duties are delegated to an executive management team who meet monthly to review our complex business operations and are charged with maintaining the reputation of the Group for high standards of business conduct by identifying, evaluating, managing and mitigating the risks faced by the Group.

FSD are a well-managed, responsible and ethical Group and are determined to be widely recognised for our quality of installation, the skills of our people and the seriousness with which we take our corporate responsibilities.

OUTLOOK

The Group's principal source of revenue historically has been from the Water Industry. Sales volumes in the Water Industry finally started to grow this year as AMP7 expenditures eventually got underway, the programme having officially commenced in April 2020 with now only a few years remaining in line with OFWAT's business plan approval programme until 2025.

STRATEGIC REPORT

OUTLOOK (Continued)

FSD has prequalified on frameworks with multiple regional Utilities and their Tier 1 Contractors, and although slow to start all indications are that the release of works is now gaining pace.

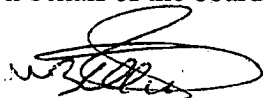
The delay in releasing projects until this late stage of the five-year cycle has cost those businesses like FSD that were anticipating an earlier step-up in investment and engineering activity. However, with the global Coronavirus crisis now easing, and the pressure from government agencies to solve environment problems increasing, it is anticipated that the water companies will now accelerate their expenditure under AMP7 for the remainder of the cycle until 2025. FSD expects to be a benefactor of this rapid growth and the Board look forward to better performance and trading results ahead.

Looking ahead, we have already secured more than £7.9million of revenue for 2023/24 and have entered the new financial year with good momentum. We acknowledge the current inflationary pressures in the UK economy and will continue to focus on maintaining margins from our operations, and mitigating increases in associated commodity and energy costs, as well as other challenges in our supply chain.

There are also early indications that the AMP7 to AMP8 transition will not create the traditional dip in activity, this being due to programmes being pushed out from the early part of AMP7 creating a potentially busy end to the Asset Management Period as it moves into AMP8.

The Board continues to react to customer demands and keep standards high, whilst creating operational efficiencies from improved turnover, and so leave the Group in prime condition for the longer-term opportunities ahead.

On behalf of the board



Nigel Billings
Managing Director

5 October 2023

DIRECTORS' REPORT

The directors present their report and the consolidated financial statements for the Group and the Company for the year ended 31 May 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries during the year were the design, project management, supply, installation, commissioning, servicing and maintenance of mechanical and electrical projects, including High Voltage (HV) and Low Voltage (LV) cabling with associated cable management systems, controls, instrumentation, pipework, steelwork and building services primarily in the power, energy from waste, water, waste and tunnelling industries.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Group achieved a turnover of £13.8 million for the year to 31 May 2023, an improvement of 70% on last year.. A detailed review of the Group's activities during the year and of its prospects is contained within the Chairman's Statement and the Strategic Report.

RESULTS AND DIVIDENDS

The consolidated profit for the year after taxation was £353,073 (2022: £(1,818,860)). The directors do not recommend the payment of a dividend. (2022: £Nil)

ORDINARY SHARES

The Group's shares have been quoted since December 1998 on the AQSE Growth Market (previously called the NEX/ISDX/PLUS/OFEX trading platforms) run by the Aquis Stock Exchange. They started the year at 42.5p, ending the year unchanged.

MAJOR SHAREHOLDERS

As at 31 May 2023 the company had the following significant voting interests in its ordinary share capital:

	Number of shares/voting rights	% voting rights
Lynchwood Nominees Ltd	1,972,600	34.7
M Haines	436,666	7.7
A Haines	436,666	7.7
D F Lower	873,332	15.3
B D Smith	703,336	12.4
Verwaltungs Und Privatbank AG	370,000	6.5
Smith & Williamson Nominees Ltd	297,500	5.2
Aurora Nominees Ltd	174,900	3.1

DIRECTORS' REPORT

AUDITORS

A resolution to confirm the appointment of Shipleys LLP will be put to the members at the annual general meeting. The directors confirm that so far as each director knows there is no relevant audit information of which the Group's auditor are unaware; and the directors have taken all the steps that they ought to have taken as directors in order to make the auditor aware of any relevant audit information.

MATTERS COVERED IN THE STRATEGIC REPORT

As permitted in paragraph 1A of Schedule 7 to Large and Medium-sized Companies and Groups (accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report. These matters relate to the review of the company's and group's business, principal risks and uncertainties facing the company and group, the position of the company's and group's business at the end of the year and future developments.

FINANCIAL INSTRUMENTS

The Group's financial instruments consist primarily of short term debtors and creditors. The directors regularly review the Group's cash position to ensure continuity of funding and effective cash management as this policy effectively manages the Group's price, credit, liquidity and cash flow risk to produce liquidity for foreseeable needs.

POST BALANCE SHEET EVENTS

There have been no post balance sheet events.

DIRECTORS

The following directors served during the year:

D K Bird	(Non-executive)
D Engler	(Non-executive)
D F Lower	(Non-executive)
B D Smith	
R M Hunter	
N Billings	
N C Smith	(Appointed 1 July 2022)
A Lloyd	(Appointed 1 July 2022)
G Hall	(Appointed 1 July 2022)

The directors are not required to retire by rotation and M Haines resigned on 1 July 2022. The directors' interests in shares are disclosed in the notes to the financial statements. There is appropriate directors' liability insurance in place in respect of all directors serving during the year.

DIRECTORS' REPORT

COVID-19

The unpredictable nature of the Coronavirus pandemic and the timing of its cessation created uncertainty estimating the impact of future events on the business which was highly challenging at the time. The directors continue to review areas of risk to the business and continue to manage and mitigate these risks where feasible.

CHARITABLE AND POLITICAL DONATIONS

The Group made no political donations but made donations to charitable institutions amounting to £1,740 during the year (2022: £1,600). The Group undertakes a number of initiatives to generate charitable donations including donations to encourage feedback from customers on tender proposals and anonymous feedback from site on safety issues.

RESEARCH AND DEVELOPMENT

The Group is involved in research and development in promoting and developing new ideas designed to improve the efficiency and effectiveness of the business. The Group's engineers and technical staff, supported by external computer programming specialists, develop and deliver technical advances, processes and innovations in order to achieve pragmatic solutions to issues experienced in providing the various services offered.

On behalf of the board



Nigel Billings – Director

5 October 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Group 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 (United Kingdom Accounting Standards and Applicable Laws) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Group 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 and profit or loss of the Group and Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Nigel Billings - Director

5 October 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FIELD SYSTEMS DESIGNS HOLDINGS PLC****Opinion**

We have audited the financial statements of Field Systems Designs Holdings Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 May 2023 which comprise the Group Income Statement, Group Statement of Comprehensive Income, the Statements of Changes in Equity, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 May 2023 and of the Group's loss 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance. Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FIELD SYSTEMS DESIGNS HOLDINGS PLC (continued)****Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 the 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 TO THE MEMBERS OF
FIELD SYSTEMS DESIGNS HOLDINGS PLC (continued)****Matters on which we are required to report by exception**

In 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 set out on page 15, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company's business, controls, legal and regulatory frameworks, laws and regulations and assessed the susceptibility of the company's financial statements to material misstatement from irregularities, including fraud and instances of non-compliance with laws and regulations.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FIELD SYSTEMS DESIGNS HOLDINGS PLC (continued)****Auditor's responsibilities for the audit of the financial statements (continued)**

- Based on this understanding we designed our audit procedures to detecting irregularities, including fraud. Testing undertaken included making enquiries on the management; journal entry testing; review of bank letters and any correspondence received from regulatory bodies; reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- We addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

An auditor conducting an audit in accordance with ISAs (UK) is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error and in our audit procedures described above. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FIELD SYSTEMS DESIGNS HOLDINGS PLC (continued)****Auditor's responsibilities for the audit of the financial statements (continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition on long term contracts***Key audit matter***

The accounting policy in respect of revenue recognition is set out in the accounting policy note on 'revenue recognition on long term contracts' on page 30. Under this policy, revenue from long term contracts is recognised on the percentage of completion basis. The recognition of revenue therefore relies on estimates in relation to the total estimated cost of each contract. Reflecting the potential to inappropriately shift the timing and basis of revenue recognition, we have identified revenue recognition on long term contracts as significant risk that requires special audit consideration.

Our response

Our audit procedures included, but were not limited to:

- enquiry of management to explain how project revenue is calculated and monitored, including how management estimate the total estimated cost of each contract.
- for a sample of contracts and agreeing contract values to supporting documentation, ensuring that high value and/or low margin contracts have been selected;
- agreeing a sample of contract expenditure incurred to date to supporting documentation; and
- corroboration of the stage completion of contracts through discussion and challenge of project managers.

Our observations

On the basis of our audit procedures, we have not identified any material misstatements in the level of revenue recognised in the financial statements and recognition of revenue is in line with the accounting policy

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FIELD SYSTEMS DESIGNS HOLDINGS PLC (continued)****Our application of materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

We determined materiality to be £120k, which is 1.5% of the Group's turnover. We believe that this materiality basis provides us with the best assessment of the requirements of the users of the financial statements. This is consistent with the approach taken in the prior period.

Performance materiality

Performance materiality reflects the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was approximately 75% (2022:75%) of our planning materiality, namely £90k (2022:£129k).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial. We set the threshold at 5% of planning materiality and therefore report to the Board all uncorrected audit differences in excess of £6k (2022: £9k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

For each component in the scope of the Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1k and £80k. The parent Company materiality was set at £4k. For all components across the Group performance materiality was set at 75%.

Use of the audit 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.

Steve Foster

Stephen Foster (Senior Statutory Auditor)
for and on behalf of Shipleys LLP
Chartered Accountants and Statutory Auditor
5 Godalming Business Centre
Woolsack Way
Godalming
Surrey
06 November 2023

GROUP INCOME STATEMENT
for the year ended 31 May 2023

	Notes	2023 £	2022 £
TURNOVER	1	13,750,687	8,090,909
Cost of sales		(12,443,431)	(9,483,399)
GROSS PROFIT/(LOSS)		<u>1,307,256</u>	<u>(1,392,490)</u>
Administrative expenses	2	(1,049,219)	(1,008,939)
Other operating income	2	-	496,202
GROUP OPERATING PROFIT/(LOSS)		<u>258,037</u>	<u>(1,905,227)</u>
Interest receivable and similar income	3	31,269	11,460
Interest payable and similar charges	4	(2,701)	(5,592)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>286,605</u>	<u>(1,899,359)</u>
Taxation	7	(66,468)	(80,499)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	18	<u><u>353,073</u></u>	<u><u>(1,818,860)</u></u>
EARNINGS PER SHARE			
Basic	17	<u>6.5p</u>	<u>(33.7)p</u>
Diluted	17	<u>6.5p</u>	<u>(33.6)p</u>

All operations are continuing.

The accompanying notes form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 May 2023

	Notes	2023 £	2022 £
Profit for the financial year	18	353,073	(1,818,860)
Remeasurement loss arising on defined benefit pension scheme	24	61,000	(6,000)
Deferred tax movement on remeasurement arising on defined benefit pension scheme	24	(15,000)	1,000
		<u>46,000</u>	<u>(5,000)</u>
Total comprehensive income for the year attributable to the owners of the parent company	19	<u>399,073</u>	<u>(1,823,860)</u>

The accompanying notes form part of these financial statements.

FIELD SYSTEMS DESIGNS HOLDINGS PLC
STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 May 2023

Page 24

GROUP	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total Shareholders' Funds
	£	£	£	£	£
At 1 June 2021	569,250	158,750	370,033	2,550,827	3,648,860
Loss for the year	-	-	-	(1,818,860)	(1,818,860)
Other comprehensive loss	-	-	-	(5,000)	(5,000)
At 31 May 2022	<u>569,250</u>	<u>158,750</u>	<u>370,033</u>	<u>726,967</u>	<u>1,825,000</u>
Profit for the year	-	-	-	353,073	353,073
Other comprehensive loss	-	-	-	46,000	46,000
At 31 May 2023	<u><u>569,250</u></u>	<u><u>158,750</u></u>	<u><u>370,033</u></u>	<u><u>1,126,040</u></u>	<u><u>2,224,073</u></u>
COMPANY	Called up share capital	Share premium account	Profit and loss account	Total Shareholders' Funds	
	£	£	£	£	
At 1 June 2021	569,250	158,750	(101,039)	626,961	
Loss for the year	-	-	(506,740)	(506,740)	
At 31 May 2022	<u>569,250</u>	<u>158,750</u>	<u>(607,779)</u>	<u>120,221</u>	
Profit for the year	-	-	95,924	95,924	
At 31 May 2023	<u><u>569,250</u></u>	<u><u>158,750</u></u>	<u><u>(511,855)</u></u>	<u><u>216,145</u></u>	

The accompanying notes form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 May 2023

	Notes	2023 £	2022 £
FIXED ASSETS			
Tangible assets	9	451,402	369,274
CURRENT ASSETS			
Stock – raw materials		66,035	95,083
Debtors	11	4,158,662	3,081,590
Cash at bank and in hand		2,262,025	3,163,271
		<u>6,486,722</u>	<u>6,339,944</u>
CREDITORS			
Amounts falling due within one year	12	4,701,925	4,867,073
NET CURRENT ASSETS		<u>1,784,797</u>	<u>1,472,871</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,236,199</u>	<u>1,842,145</u>
CREDITORS			
Amounts falling due after more than one year	12	12,126	17,145
PROVISIONS FOR LIABILITIES			
Deferred taxation	14	-	-
Post-employment employee benefits	24	-	-
NET ASSETS		<u>2,224,073</u>	<u>1,825,000</u>
CAPITAL AND RESERVES			
Called up share capital	16	569,250	569,250
Share premium account	18	158,750	158,750
Other reserves	18	370,033	370,033
Profit and loss account	18	1,126,040	726,967
TOTAL SHAREHOLDERS' FUNDS		<u>2,224,073</u>	<u>1,825,000</u>

Approved by the board and signed on behalf of the board and authorised for issue on
5 October 2023 by:

Bruce Smith  Director

Nigel Billings  Director

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 May 2023

Company number: 3626335

	Notes	2023	2022
		£	£
FIXED ASSETS			
Tangible assets	9	-	-
Investments in subsidiary undertakings	8	478,200	478,200
Investment property	10	650,000	650,000
		<u>1,128,200</u>	<u>1,128,200</u>
CURRENT ASSETS			
Debtors	11	1,041,607	777,270
Cash at bank and in hand		35,134	35,134
		<u>1,076,741</u>	<u>812,404</u>
CREDITORS			
Amounts falling due within one year	12	1,988,796	1,820,383
NET CURRENT ASSETS		<u>(912,055)</u>	<u>(1,007,979)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>216,145</u>	<u>120,221</u>
NET ASSETS		<u><u>216,145</u></u>	<u><u>120,221</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	569,250	569,250
Share premium account	18	158,750	158,750
Profit and loss account	18	(511,855)	(607,779)
TOTAL SHAREHOLDERS' FUNDS		<u><u>216,145</u></u>	<u><u>120,221</u></u>

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to present its own income statement. The Company's profit for the year was £95,924 (2022: £(506,740)).

Approved by the board and signed on behalf of the board and authorised for issue on 5 October 2023 by:

Bruce Smith  Director

Nigel Billings  Director

The accompanying notes form part of these financial statements.

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 May 2023

	2023	2022
	£	£
Operating profit/(loss)	258,037	(1,905,227)
Depreciation	82,370	126,481
Defined benefit scheme service cost	82,000	5,000
Profit on sale of fixed assets	(7,876)	(16,083)
(Increase) in debtors	(1,118,072)	(851,485)
Reduction/(increase) in stock	29,048	(15,067)
(Reduction) in creditors	(175,819)	(136,830)
Taxation repaid/(paid)	92,468	(52,558)
Net cash inflow from operating activities	<u>(757,843)</u>	<u>(2,845,769)</u>
INVESTING ACTIVITIES		
Interest received	31,269	11,460
Payments to acquire tangible fixed assets	(169,822)	(24,554)
Receipts from sales of fixed assets	13,199	16,083
Net cash inflow/(outflow) from investing activities	<u>(125,354)</u>	<u>2,989</u>
FINANCING ACTIVITIES		
Interest paid	(2,701)	(5,592)
Capital element of finance lease payments	(15,348)	(21,733)
Net cash (outflow) from financing activities	<u>(18,049)</u>	<u>(27,325)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(901,246)</u>	<u>(2,870,105)</u>
Cash and cash equivalents at the beginning of the year	<u>3,163,271</u>	<u>6,033,376</u>
Cash and cash equivalents at the end of the year	<u><u>2,262,025</u></u>	<u><u>3,163,271</u></u>
Cash and cash equivalents consist of:		
Cash at bank and in hand	<u><u>2,262,025</u></u>	<u><u>3,163,271</u></u>

Group financial statements for the year ended 31 May 2023**PRINCIPAL ACCOUNTING POLICIES**

GENERAL INFORMATION

Field Systems Designs Holdings PLC ('the Group') is a public limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Blackbrook House, Dorking Business Park, Station Road, Dorking, RH4 1HJ. The Group's functional currency is Pound Sterling, being the currency of the primary economic environment in which the Group operates.

BASIS OF PREPARATION

The Group and Company financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Company's (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention, except for investment properties which are stated at fair value.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Group's shareholders.

In preparing the Company individual financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 Related Party Disclosures;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 Statement of Financial Position; and
- from presenting a statement of cash flows, as required by Section 7 Statement of Cash Flows.

On the basis that equivalent disclosures are given in the consolidated financial statements, the Company has also taken advantage of the exemption not to provide certain disclosures as required by Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues.

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented an income statement or a statement of comprehensive income for the Company alone.

The principal accounting policies of the group are set out below.

Group financial statements for the year ended 31 May 2023**PRINCIPAL ACCOUNTING POLICIES**

GOING CONCERN

The directors have considered cash flow forecasts to November 2024 for the purposes of assessing going concern and have concluded that as there are no material uncertainties regarding the group's ability to continue trading, the financial statements have been prepared on the going concern basis. These forecasts take into consideration expected revenues and expenditures from existing contracts as well as from new contracts anticipated to be secured by the group subsequent to the year end. On the basis that the forecasts show improved performance, and given current banking facilities, the directors are of the opinion that the group will have sufficient cash to fund its operations for a period of at least 12 months following the date of approval of the financial statements.

BASIS OF CONSOLIDATION

Transactions with subsidiary companies have been eliminated on consolidation in the group accounts. All financial statements are made up to the year ended 31 May 2023. The consolidated financial statements account for business combinations using acquisition accounting. Accordingly, the identifiable assets and liabilities of companies acquired are included in the consolidated balance sheet at their fair value at the date of acquisition.

STOCK

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

OPERATING SEGMENTS

The Group applies IFRS 8 'Operating Segments'. Operating segments are revenue generating components of the group whose financial results are regularly reviewed by the Board of Directors, being the chief operating decision maker for strategic decision-making in order to allocate resources to the segment and to assess its performance. The Directors consider there to be only one operating segment, the design, management, supply, and installation of mechanical and electrical projects primarily in the power, waste and water industries.

Group financial statements for the year ended 31 May 2023**PRINCIPAL ACCOUNTING POLICIES**

TURNOVER AND REVENUE RECOGNITION

Revenue is recognised when control over the goods and services provided is transferred to the customer, and revenue is measured at the fair value of the consideration receivable, net of value added tax. Where the consideration is variable the amount recognised is an estimate of the value expected to be received.

Long-term contracts

Substantially all of the principal sources of the group's revenue arise under long-term contracts. These contracts derive from industries whose customers require delivery of products, provision of technical engineering support, and installation teams working at the customer's sites, often taking over a year to complete.

Most of these standard-form contracts are structured in a fixed-price or target-cost form in relation to a scope of works specified by the customer and usually procured in one complete package. Revenue from long-term contracts is assessed on a contract-by-contract basis where a contract comprises distinct performance obligations. The scope of works is often subject to change and these compensation events are considered separately to determine whether they are new separate performance obligations or part of the original works.

Revenue derives from the increase in the value of work performed and services provided on long-term projects during the year. Revenue is ascertained in a manner appropriate to the stage of completion of each contract, and credit taken for profit earned to date where the outcome of a contract can be estimated reliably, and it is probable that the contract will be profitable. Stage of completion is assessed by reference to the proportion of contract costs incurred for the work performed to date relative to the estimated total costs.

Compensation events, variations, claims and pain/gain arrangements are included in revenue where it is highly probable that the amount, which can be measured reliably, will be recovered from the customer.

When it is probable that total contract costs will exceed total revenue the expected loss is recognised immediately as an expense. Full provision is made for losses on all contracts in the year in which they are first foreseen. Where the outcome of long-term contracts cannot be assessed with reasonable certainty before the conclusion of the contract the profit on the contract is recognised on completion.

Contract work-in-progress is stated at cost plus attributable profit recognised to date, less any provision for foreseeable losses. The amount by which this revenue exceeds payments on account is classified as amounts recoverable on contracts and included in debtors; to the extent that payments on account exceed relevant revenue, the excess is included as a creditor.

Group financial statements for the year ended 31 May 2023

PRINCIPAL ACCOUNTING POLICIES

INVESTMENT PROPERTY

Freehold buildings are classified as investment property when the property is held to earn rentals or for capital appreciation or both. Investment property is initially measured at cost which comprises purchase price and any directly attributable expenditure. Investment property is subsequently remeasured to fair value at each reporting date with changes in fair value recognised in profit or loss. An investment property is derecognised upon disposal and any gain or loss on derecognition of the property is included in the profit or loss account in the period in which the property is derecognised. Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific investment property. If this information is not available, alternative valuation methods are used, such as recent prices on less active markets or discounted cash flow projections. Valuations may be performed by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations would then form the basis for the carrying values recognised in the financial statements. The directors also make use of recognised industry indices to estimate changes in valuation from one period to another.

RETIREMENT BENEFITS**Defined benefit scheme**

Scheme assets are measured at fair values. Scheme liabilities are assessed using the projected unit of credit method and reviewed annually by independent actuaries. Service costs are charged to profit or loss to spread the costs over the service lives of employees. Net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate, as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest is charged to the profit or loss in the period. Remeasurements of the net defined benefit liability are charged through other comprehensive income in the period in which they occur. Remeasurement of the net defined benefit liability recognised in other comprehensive income is not reclassified to profit or loss in a subsequent period. Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the defined benefit liability. If the defined benefit plan has been curtailed or settled during the year, the defined obligation is decreased or eliminated, and the Group recognises the resulting gain or loss in profit or loss in the current period. A surplus is recognised as a defined benefit scheme asset only when the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Defined contribution scheme

The Group pays fixed contributions into a separate entity and once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Group financial statements for the year ended 31 May 2023

PRINCIPAL ACCOUNTING POLICIES

OPERATING AND FINANCE LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases and hire purchase arrangements are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element represents a constant proportion of the capital balance outstanding and is charged to the Profit and loss account over the period of the lease.

All other leases are classified as operating leases and the payments made under them are charged to the Profit and loss account on a straight-line basis over the lease term.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when the group becomes party to the contractual provisions of the financial instrument. The group holds only basic financial instruments, which comprise cash and cash equivalents, trade and other debtors and trade and other creditors. The group has chosen to apply the measurement and recognition provisions of Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues in full.

Financial assets – classified as basic financial instruments

Cash and cash equivalents comprise cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest. At each reporting date, the group assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments

Trade and other creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the undiscounted amount expected to be payable. Where a financial liability constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

Group financial statements for the year ended 31 May 2023**PRINCIPAL ACCOUNTING POLICIES**

SHARE OPTIONS

The Group currently operates both an approved share option scheme and an unapproved share option scheme. Charges and related disclosures have not been made as the amounts are immaterial and no options have been exercised in the year.

TAXATION

The tax expense comprises current and deferred tax. Tax currently payable, relating to corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, and that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction, or other event, that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts, and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

EMPLOYEE BENEFIT TRUST

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the group accounts. Any assets held by the EBT cease to be recognised on the group balance sheet when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the group profit and loss account.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation and any accumulated impairment losses. Depreciation is provided on all tangible fixed assets (except freehold land) at rates calculated to write each asset down to its estimated residual value evenly over its expected useful economic life, as follows:

Plant and machinery	over 3 to 5 years
Freehold buildings	over 50 years

INVESTMENTS

Shares in group undertakings are stated at cost less any provision for impairment.

The Group assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Group makes an estimate of the recoverable amount and the investment is written down to its recoverable amount. An impairment loss is recognised immediately in the Profit and loss account.

GRANTS

Grants received by the UK government to reimburse the cost of staff furloughed under the Coronavirus Job Retention Scheme (CJRS) are released to the profit and loss in the same period as the costs incurred.

RESEARCH AND DEVELOPMENT

Research and development costs are directly attributable to specific research and development activities and are written off to the profit and loss account as they are incurred.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year and the nature of estimation means that outcomes could differ from estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition on long term contracts

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue from provision of services, material supply and installation of electrical and mechanical equipment is recognised by reference to the stage of completion of the project involved. Stage of completion (percentage complete) is measured by reference to material, labour and subcontractor costs incurred to date as a percentage of total estimated costs for each contract (cost to complete).

Revenue is assessed on a contract by contract basis and turnover and profit is recognised according to the stage of completion of each contract and when the outcome of the contract can be assessed with reasonable certainty. Group management exercise careful judgement in assessing the value of revenue recognised on each project. This process of judgement is aided by the suite of financial and non-financial tools available to project managers and senior management in mitigating risk. These tools have been previously highlighted in the principal risks and uncertainties section of the strategic report.

Pension and other post-employment benefits

The cost and valuation of the defined benefit pension plan is determined using an independent actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future pension increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, management considers the discount rate on high quality corporate bonds of the appropriate term and currency to the pension scheme liabilities. The discount rate is set with reference to the yield at the appropriate term on the Merrill Lynch AA Corporate Bond yield curve.

Future pension increases are based on expected future inflation rates using the Retail Prices Index (RPI) inflation assumption set with reference to the Bank of England implied inflation curve and the Consumer Prices Index (CPI) which historically has been lower than RPI inflation. Pension increases are paid in line with RPI inflation up to a maximum of 5% per annum. The pension increase assumption uses a standard financial model (Black-Scholes) which allows for the chosen inflation assumption, the relevant cap and assumed inflation volatility.

The mortality rate is based on publicly available mortality tables in line with those the trustees of the scheme adopted at the 2021 triannual actuarial valuation, namely the S2PA tables and the CMI_2017 model.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

1. TURNOVER

The group's turnover was derived from its principal activities undertaken primarily on long-term contracts providing goods and services in the United Kingdom. The group operates within a number of key industries, being power, waste, and water. Disclosure of turnover by industry has been made in the strategic report, but no additional disclosure of results and net assets has been made since, in the opinion of the directors, there is only one operating segment.

2. OPERATING EXPENSES	2023	2022
	£	£
Sales and marketing costs	152,667	146,684
Administrative expenses:		
- defined benefit pension costs	82,000	5,000
- other administrative expenses	814,552	857,255
Administrative Expenses	<u>1,049,219</u>	<u>1,008,939</u>
Government grants – CJRS	-	(496,202)
Net operating expenses/(income)	<u><u>1,049,219</u></u>	<u><u>512,737</u></u>
3. INTEREST RECEIVABLE AND SIMILAR INCOME	2023	2022
	£	£
Interest receivable from cash at bank	10,269	460
Net interest receivable on pension scheme	21,000	11,000
	<u>31,269</u>	<u>5,592</u>
4. INTEREST PAYABLE AND SIMILAR CHARGES	2023	2022
	£	£
Interest payable on finance lease obligations	2,701	2,891
Other interest payable	-	2,701
	<u>2,701</u>	<u>5,592</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

	2023	2022
	£	£
5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible assets - owned	73,061	86,859
Depreciation of tangible assets – held under finance lease obligations	9,309	39,622
Operating lease costs	102,144	123,943
Profit on sale of fixed assets	(7,875)	(16,083)
Fees payable for the Company audit	4,000	3,500
Fees payable for the subsidiaries’ audit	20,000	22,000
Fees payable to the auditors for taxation compliance services	4,000	4,000
Fees payable to the auditors for other services	1,000	1,000
	<u>=====</u>	<u>=====</u>
6. EMPLOYEES		
The average monthly number of persons employed by the group during the year was:	No.	No.
Operations	117	119
Administration and management	13	15
	<u>-----</u>	<u>-----</u>
	<u>=====</u>	<u>=====</u>
	2023	2022
	£	£
Staff costs for the above persons:		
Wages and salaries	5,517,950	5,216,070
Social security costs	620,594	565,841
Other pension costs	447,690	441,621
	<u>-----</u>	<u>-----</u>
	<u>=====</u>	<u>=====</u>

The group operates a funded pension scheme with defined benefits and also a defined contribution group personal pension plan. The assets of the schemes are held separately from those of the company in an independently administered fund. There were no contributions payable during the year to the defined benefits scheme (2022: £90,000) and contributions to defined contribution pension arrangements amounted to £447,690 (2022: £441,621). Contributions totalling £41,547 (2022: £34,675) were payable to the defined contribution plan at the reporting date and included in creditors.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

6. EMPLOYEES (Continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group. Those personnel are limited to the directors of the Group, as follows:

	2023	2022
	£	£
DIRECTORS' REMUNERATION		
Emoluments for qualifying services	376,602	353,082
Contributions to defined contribution pension	56,149	56,831
	=====	=====
HIGHEST PAID DIRECTOR		
Emoluments for qualifying services	126,592	111,833
Contributions to defined contribution pension	23,111	23,962
	=====	=====

Retirement benefits accrued to 6 directors under a defined contribution pension scheme, including the highest paid director (2022:4). Retirement benefits accrued to no directors under the defined benefit scheme (2022: 0).

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The directors' interests in the shares of the Company were as follows:-

Ordinary shares of 10p each	31 May 2023	1 June 2022
D K Bird	-	-
Executors of P J Haines	-	873,332
M Haines	436,666	-
A Haines	436,666	-
D F Lower	873,332	873,332
B D Smith	703,336	703,336
R M Hunter	50,000	50,000
N Billings	50,000	50,000

The directors' interests in the Company share option plan were as follows:

Ordinary shares of 10p	31 May 2023	1 June 2022
D K Bird	5,250	5,250
D F Lower	5,250	5,250
B D Smith	5,250	5,250
R M Hunter	5,250	5,250
N Billings	5,250	5,250

The directors were granted 31,500 options on 4 January 2000 under the unapproved company scheme mostly at a strike price of 10p per share which have been exercisable since 4 January 2003. No options have been exercised to date.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

7. TAXATION	2023	2022
	£	£
Based on the profit/(loss) for the year:		
UK Corporation tax at 25% (2022:19%)	-	(4,000)
Deferred tax at 25% (2022:19%)	(36,000)	(57,000)
Prior year tax	(15,468)	(20,499)
	<u>(51,468)</u>	<u>(81,499)</u>
Deferred tax adjustments relating to post-employment employee benefits (note 25)	(15,000)	1,000
	<u>(66,468)</u>	<u>(80,499)</u>
Factors affecting corporation tax charge for the year:-		
Profit/(Loss) on ordinary activities before tax	<u>286,605</u>	<u>(1,899,359)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax of 25% (2022: 19%)	72,000	(361,000)
Effects of:		
Origination and reversal of timing differences	17,000	57,000
Losses (recognised) / not recognised	(70,000)	300,000
Prior year over-provision	(15,468)	(20,499)
Deferred tax adjustments relating to:		
trading income (note 14)	(55,000)	(57,000)
Post-employment employee benefits (note 25)	(15,000)	1,000
	<u>(66,468)</u>	<u>(80,499)</u>
	<u>2023</u>	<u>2022</u>
	£	£

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Cost and carrying value as at 31 May 2023	<u>478,200</u>	<u>478,200</u>
---	----------------	----------------

At the reporting date the Company had the following investments in subsidiary undertakings whose registered office is situated at Blackbrook House Dorking Business Park Station Road, Dorking, RH4 1HJ:

Undertaking	Country of incorporation	Class of shares held	Proportion held	Nature of business
Field Systems Designs Ltd	England	Ordinary	100%	Electrical contracting
FSD Electrical Services Ltd	England	Ordinary	100%	Electrical services
FSD Mech Ltd	England	Ordinary	100%	Mechanical services

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

9. TANGIBLE FIXED ASSETS

Group	Freehold Property	Plant and machinery	Total
	£	£	£
Cost:			
1 June 2022	271,819	1,272,624	1,544,443
Additions	-	169,822	169,822
Disposals	-	(49,837)	(49,837)
31 May 2023	<u>271,819</u>	<u>1,392,609</u>	<u>1,664,428</u>
Depreciation:			
1 June 2022	48,291	1,126,878	1,175,169
Charge in the year	5,436	76,934	82,370
Disposals	-	(44,513)	(44,513)
31 May 2023	<u>53,727</u>	<u>1,159,299</u>	<u>1,213,026</u>
Net book value:			
31 May 2023	<u>218,092</u>	<u>233,310</u>	<u>451,402</u>
31 May 2022	<u>223,528</u>	<u>145,746</u>	<u>369,274</u>

Included within plant and machinery are assets held under finance leases with a net book value of £9,309 (2022: £29,691). Depreciation charged in the year was £9,309 (2022: £39,622).

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

9. TANGIBLE FIXED ASSETS
(Continued)

Company	Plant and machinery £
Cost:	
1 June 2022	117,106
Disposals	-
31 May 2023	<u>117,106</u>
Depreciation:	
1 June 2022	117,106
Charge in the year	-
Disposals	-
31 May 2023	<u>117,106</u>
Net book value:	
31 May 2023	- =====
Net book value:	
31 May 2022	- =====

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

10. INVESTMENT PROPERTY

Company	Freehold Property £
At fair value: 1 June 2022	650,000
Additions	-
Revaluation	
Fair value: 31 May 2023	<u>650,000</u>
Fair value: 31 May 2022	<u>650,000</u>

The investment property was valued by independent third-party professional valuers Sellers Chartered Surveyors in May 2022.

Had the investment property been measured at historical cost then the amounts would be as follows:

	2023	2022
	£	£
Cost: 31 May	271,819	271,819
Accumulated depreciation: 31 May	53,727	48,291
Carrying value: 31 May	<u>218,092</u>	<u>223,528</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

11. DEBTORS	2023	2022
	£	£
Group		
Due within one year:		
Trade debtors	3,199,894	2,526,972
Amounts recoverable on contracts	550,202	212,170
Corporation tax	-	96,000
Other debtors	190,687	94,245
Prepayments and accrued income	138,879	128,203
	<u>4,079,662</u>	<u>3,057,590</u>
Due after one year:		
Deferred tax	79,000	24,000
	<u>4,158,662</u>	<u>3,081,590</u>
	<u><u>4,158,662</u></u>	<u><u>3,081,590</u></u>
Company		
Due within one year:		
Other debtors	9,600	9,400
Amount due from subsidiary undertakings	1,032,007	767,870
	<u>1,041,607</u>	<u>777,270</u>
	<u><u>1,041,607</u></u>	<u><u>777,270</u></u>

Interest is receivable from subsidiary undertakings at an agreed annual rate based on the Bank of England base rate plus 2.5%, receivable monthly calculated on the previous month's closing balance.

12. CREDITORS	2023	2022
	£	£
Amounts falling due within one year:		
Group		
Trade creditors	2,415,202	2,390,508
Payments received in advance	1,434,295	1,421,584
Other taxation and social security costs	184,889	190,177
Other creditors	446,007	664,836
Accruals and deferred income	216,514	184,621
Obligations under finance leases	5,018	15,347
	<u>4,701,925</u>	<u>4,867,073</u>
	<u><u>4,701,925</u></u>	<u><u>4,867,073</u></u>

The finance leases are secured on the fixed assets to which they relate.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

12. CREDITORS (continued)	2023	2022
Amounts falling due within one year:	£	£
Company		
Amounts falling due within one year:		
Corporation tax	20,000	15,000
Other creditors	197	197
Amount due to subsidiary undertaking	1,968,599	1,805,1869
	<u>1,988,796</u>	<u>1,820,383</u>
	=====	=====

Interest is payable by subsidiary undertakings at an agreed annual rate based on the Bank of England base rate plus 2.5%, payable monthly calculated on the previous month's closing balance.

CREDITORS

Amounts falling due after more than one year:

Group

Obligations under finance leases	12,126	17,145
	=====	=====

13. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS	2023	2022
	£	£

The group uses finance leases and hire purchase contracts to acquire plant and machinery. These leases have purchase options but no other punitive clauses.

The future minimum lease payments due are as disclosed below:

Group

Amounts payable		
- within 1 year	5,552	15,347
- in 2 and 5 years	13,418	20,340
	<u>18,970</u>	<u>35,687</u>
Finance charges allocated to future periods	(1,826)	(3,195)
	<u>17,144</u>	<u>32,492</u>
	=====	=====

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

13. OBLIGATIONS UNDER LEASES AND HIRE	2023	2022
PURCHASE CONTRACTS (continued)		
	£	£
Operating lease arrangements where the Group is lessee		
Total future minimum lease rentals, payable under non-cancellable operating leases, over the lease term with payments aged by the bandings below based on when payments are due, as follows:		
Total future minimum lease rentals, payable under non-cancellable operating leases, over the lease term with payments aged by the bandings below based on when payments are due, as follows:		
Amounts payable		
- within 1 year	72,088	72,088
- in 2 and 5 years	24,029	96,117
	<u>96,117</u>	<u>168,205</u>
	<u><u>96,117</u></u>	<u><u>168,205</u></u>

14. PROVISIONS FOR LIABILITIES

DEFERRED TAX

Group

	2023	2022
	£	£
Accelerated capital allowances	45,000	25,000
On losses	(114,000)	(42,000)
Other timing differences	(10,000)	(7,000)
Taken to debtors (note 12)	79,000	24,000
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

The deferred tax liability relating to plant and machinery is expected to reverse over the useful economic life of the related assets. The deferred tax asset relating to timing differences on pension payments is unlikely to reverse as the payments are replaced by a subsequent payment every month.

	2023	2022
	£	£
Group		
1 June	(24,000)	33,000
Charged to profit and loss in the year:		
- On trading income (note 10)	(55,000)	(57,000)
- On pension benefits (note 20)	(15,000)	1,000
Taken to statement of comprehensive income	15,000	(1,000)
31 May	<u>(79,000)</u>	<u>(24,000)</u>
	<u><u>(79,000)</u></u>	<u><u>(24,000)</u></u>

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

15. FINANCIAL INSTRUMENTS	2023	2022
Group	£	£
Financial assets that are debt instruments measured at amortised cost	5,461,919	5,690,243
Financial liabilities measured at amortised cost	(2,432,346)	(2,423,305)
	<u>3,029,573</u>	<u>3,266,938</u>
	=====	=====
Company	£	£
Financial assets that are debt instruments measured at amortised cost	1,067,141	803,004
Financial liabilities measured at amortised cost	(1,968,599)	(1,805,186)
	<u>(901,458)</u>	<u>(1,002,182)</u>
	=====	=====

Financial Assets and Liabilities

Financial assets measured at amortised cost comprise of trade debtors and cash at bank and in hand. Financial liabilities measured at amortised cost comprise of trade creditors and finance leases. The group uses financial instruments when required to provide a financing base for the group's operations. The market risks arising from financial instruments relate mainly to fluctuating interest rates, liquidity risk and on occasion foreign exchange risk.

Financial risks and capital management

The group finances its operations through a mixture of share capital and reserves and has access to bank borrowings if required. The group currently has positive cash balances which are used to finance the group's working capital requirements. The group seeks to ensure continuity of funding and manage operational cash flows to produce sufficient liquidity to meet foreseeable needs.

Interest rate

The directors do not consider that the group is exposed to material interest rate risk. The group finances its operations through cash reserves. The cash reserves held by the group are with a major bank and have negated the need to use significant interest-bearing short-term borrowings. The finance lease obligations have fixed interest rates.

Currency risk

The directors do not consider that the group is exposed to material exchange rate risk. The company conducted minimal transactions in foreign currencies during the year. Foreign exchange differences on retranslation of the assets and liabilities are taken to the profit and loss account of the group.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

15. FINANCIAL INSTRUMENTS (Continued)

Maturity

The group financial assets and liabilities are payable on demand except as disclosed below:

	2023	2022
Group	£	£
Trade debtors - due within 1 year	3,199,894	2,526,972
Trade debtors - due between 2 and 5 years	79,000	24,000
Obligations under finance leases		
- due within 1 year	5,018	15,347
Obligations under finance leases		
- due between 2 and 5 years	12,126	17,145

Finance leases are secured on plant and machinery over periods of 3 years at an interest rate of 6% flat.

Credit risk

The maximum exposure to credit risk is the carrying amount of the financial instruments.

The credit quality of financial assets that are neither past due nor impaired is considered of high quality. Trade debtors are made up of both invoices for completed work and applications made for stage payments against work-in-progress. Provision is made against trade debtors that are past due or impaired. The group has a policy of undertaking regular credit checks prior to approving credit facilities and insures its debtors and work-in-progress with a reputable credit insurer. Cash balances are held with a recognised financial institution of a reputable standing.

16. SHARE CAPITAL	2023	2022
	£	£
Authorised:		
50,000,000 ordinary shares of 10p each	5,000,000	5,000,000
	=====	=====
Allotted, issued and fully paid:		
5,692,500 ordinary shares of 10p each	569,250	569,250
	=====	=====

The Company has one class of ordinary shares; each share carries one voting right per share but no right to fixed income.

17. EARNINGS PER SHARE

The earnings per share disclosure on the face of the income statement is calculated using a profit on ordinary activities after taxation of £353,073 (2022: £(1,818,860)). The basic earnings per share is calculated using the weighted average number of shares of 5,395,000 (2022: 5,395,000), being the ordinary shares in issue, less shares held by the Field Systems Designs Holdings plc Employee Benefit Trust. The diluted earnings per share disclosure on the face of the income statement is calculated using the weighted average number of shares of 5,417,081 (2022: 5,417,081) taking into account the dilutive impact of the employee share options and the weighted average number of shares held by the Employee Benefit Trust.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

18.	RESERVES	2023	2022
		£	£
	SHARE PREMIUM ACCOUNT		
	Company & Group		
	At 1 June 2022 and 31 May 2023	158,750	158,750
		<u>=====</u>	<u>=====</u>
	PROFIT & LOSS ACCOUNT		
	Group		
		2023	2022
		£	£
	At 1 June	726,967	2,550,827
	Profit/(loss) for the year	353,073	(1,818,860)
	Other recognised gains and losses	46,000	(5,000)
	At 31 May	<u>1,126,040</u>	<u>726,967</u>
		<u>=====</u>	<u>=====</u>
	OTHER RESERVES		
		2023	2022
		£	£
	Merger reserve	408,033	408,033
	Employee Benefit Trust	(38,000)	(38,000)
	At 31 May	<u>370,033</u>	<u>370,033</u>
		<u>=====</u>	<u>=====</u>

A contribution was made to the Employee Benefit Trust by the Group in 2006 to purchase shares in the company and was offset against the merger reserve. The merger reserve arose on consolidation of the 1998 financial statements.

	PROFIT & LOSS ACCOUNT		
	Company		
		2023	2022
		£	£
	At 1 June	(607,779)	(101,039)
	Profit/(loss) for the year	95,924	(506,740)
	At 31 May	<u>(511,855)</u>	<u>(607,779)</u>
		<u>=====</u>	<u>=====</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

GROUP	2023	2022
	£	£
Opening shareholders' funds	1,825,000	3,648,860
Total recognised gains and losses for the year	399,073	(1,823,860)
Closing shareholders' funds	<u>2,224,073</u>	<u>1,825,000</u>

20. ULTIMATE CONTROLLING PARTY

The Group is quoted on the AQSE Growth Market and its shares are held by a number of independent investors and consequently there is no single controlling party.

21. SHARE BASED PAYMENTS

Employee benefit trust

There were 297,500 (5%) ordinary 10p shares held by Smith & Williamson Nominees Ltd as nominee of the Field Systems Designs Holdings PLC Employee Benefit Trust as at 31 May 2023 and 31 May 2022 for the benefit of employees.

Company share option plans

There are 57,750 (2022: 57,750) ordinary 10p shares held under option for employee share option schemes.

There have been no options granted, forfeited, or exercised during the year, however some shares have expired. Qualifying staff were granted share options which entitle them to acquire shares at a pre-determined price. There are 57,750 options vested and exercisable under the approved and unapproved Group schemes at prices ranging from 10p to 68p. The options expire when employees leave the employment of the group.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

22. CONTINGENT LIABILITIES

The group has no bonding facilities outstanding in respect of performance as at 31 May 2023 (2022: £Nil) with all previously issued bonds having expired

23. RELATED PARTY TRANSACTIONS

There were no material related party transactions undertaken during the year.

24. POST-EMPLOYMENT EMPLOYEE BENEFITS

The group operates a funded pension scheme with defined benefits. Membership of the defined benefit scheme was offered to all permanent employees including executive directors until 31 March 1999 when it was closed to new entrants. The scheme was closed to future service accrual on 8 April 2002 when contributions ceased and liabilities for future service ceased to accrue. The assets of the scheme are held separately from those of the group. Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method to meet the cost of employees' future service benefits.

The group now offers employees entry to defined contribution personal pension plans which are open to all eligible employees.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

24. POST-EMPLOYMENT EMPLOYEE BENEFITS (continued)

DEFINED BENEFIT PENSION COST

The Scheme's FRS102 funding position has reduced from a surplus of £639,000 at the start of the year to a surplus of £265,000 at the end of the year. The scheme funding surplus will not be recognised until such time as its' members' benefits have been formally secured with a reputable insurance company.

The assumptions used to value the liabilities as at 31 May 2023 have again weakened compared to those used last year. The change in market conditions and weakening of assumptions has served to decrease the liabilities of the Scheme by £349,000 (2022: £493,000). The reduction in the liability position was offset by investment returns being lower than the interest on the scheme's assets by £662,000 (2022: £422,000).

The current service costs this year reflect one-off charges relating to a failed 'buy-in' pursued by the scheme during the year. The scheme undertook a data-cleansing process during the year to ensure that its legal and financial records were accurate. It then approached the market for a formal valuation of its' members' benefits. The scheme found that due to its small size it was not an attractive proposition and consequently the valuation did not meet the expectations of its trustees and advisors.

	2023 £	2022 £
Surplus at 1 June	(639,000)	(562,000)
Current service cost	82,000	5,000
Other finance costs	(21,000)	(11,000)
Actuarial (gain)/loss	313,000	(71,000)
Provision against surplus	265,000	639,000
Balance at 31 May	<u>-</u>	<u>-</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

24. POST-EMPLOYMENT EMPLOYEE BENEFITS (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2023 £	2022 £
Benefit obligation at beginning of year	2,625,000	3,177,000
Other finance costs	89,000	59,000
Actuarial (gain)/loss	(349,000)	(493,000)
Benefits paid	(173,000)	(118,000)
Past service cost	-	-
Benefit obligation at end of year	<u>2,192,000</u>	<u>2,625,000</u>

Reconciliation of opening and closing balances of the of the fair value of scheme assets

	2023 £	2022 £
Fair value of Scheme assets at beginning of year	3,264,000	3,739,000
Other finance costs	110,000	70,000
Actuarial (gain)/loss	(662,000)	(422,000)
Contributions by employers	-	-
Benefits paid	(173,000)	(118,000)
Administration costs	(82,000)	(5,000)
Fair value of Scheme assets at end of year	<u>2,457,000</u>	<u>3,264,000</u>

FRS 102 Valuation

Financial Reporting Standard 102 (FRS102) has been used to assess the liabilities of the company's defined benefit scheme as at 31 May 2023. The assumptions made were as follows:

Valuation Assumptions	2023	2012
Increase for pensions in payment	3.2%	3.6%
Discount rate	5.3%	3.5%
Inflation assumption - RPI	3.3%	3.8%
Inflation assumption - CPI	2.3%	2.8%
Mortality Assumptions		
Current pensioners at 65 - male	22.0	22.0
Current pensioners at 65 - female	24.0	23.9
Future pensioners at 65 - male	23.2	23.1
Future pensioners at 65 - female	25.2	25.1

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

24. POST-EMPLOYMENT EMPLOYEE BENEFITS (continued)

Mortality

The above life expectancy assumptions for current pensioners are for a person reaching age 65 in 2023. For scheme members who have not reached pensionable age, the rates are adjusted to reflect changes in mortality rates that are expected to arise over the period to pensionable age. The above life expectancy assumptions for future pensioners are for those reaching age 65 in 20 years' time. The post-retirement mortality assumptions used to value the benefit obligation at 31 May 2023 are based on 101% (male) / 104% (female) S3PA YOB with standard CMI 2020 projections and a long-term annual improvement rate of 1.0%, an initial addition of 0.2% p.a. and the core w2020 weighting of 0%.

	2023	2022
Scheme assets were distributed as follows:		
Scheme Assets (£)		
Equities	308,000	269,000
Bonds	2,078,000	2,875,000
Other assets	71,000	120,000
	2,457,000	3,264,000
Scheme Assets	2023	2022
Equities	13%	8%
Bonds	84%	88%
Other assets	3%	4%

The funded status of the scheme as at 31 May 2023 was as follows:

Funded Status (£)	2023	2022	2019	2018	2017
Market value of assets	2,457,000	3,264,000	3,739,000	3,760,000	3,437,000
Scheme liabilities	2,192,000	2,625,000	3,177,000	3,313,000	3,184,000
Surplus	265,000	639,000	562,000	447,000	253,000

Deferred tax movements were as follows:

Deferred tax asset (£)	2023	2022
Balance at 1 June 2022	-	-
Profit and loss charge	15,000	(1,000)
Taken to statement of comprehensive income	(15,000)	1,000
Balance at 31 May 2023	-	-

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2023

24. POST-EMPLOYMENT EMPLOYEE BENEFITS (continued)

The amount recognised in the profit and loss account and in the statement of other comprehensive income is set out below:

Profit and loss account (£)	2023	2022
Past service cost	-	-
Current service cost	(82,000)	(5,000)
Net interest on defined benefit liability	21,000	11,000
	<u>(61,000)</u>	<u>6,000</u>

FRS102 states that if part of a defined benefit plan has been settled (the relevant part of the employer's obligation is completely discharged) in the current period then the defined benefit obligation shall be decreased, and the entity shall recognise the resulting settlement gain in profit or loss in the current period.

Other comprehensive income (OCI) (£)	2023	2022
Actual loss/(return) on scheme assets	662,000	422,000
Actuarial (gain)/loss on liabilities	(349,000)	(493,000)
Increase in provision against surplus	(374,000)	77,000
Increase in liability	<u>(61,000)</u>	<u>6,000</u>

Triennial actuarial valuation

The last triannual actuarial valuation for the fund was as at 31 March 2021 and the main findings of the actuarial valuation of the Scheme as at 31 March 2021 were that the Scheme was 106% (2018:109%) funded on the assumptions used to calculate the technical provisions.

The actuarial valuation of the scheme's assets as at 31 March 2021 was £3,647,000 (2018: £3,467,000) which was 106% (2018: 109%) of the benefits that had accrued to members at the valuation date leaving a surplus of assets over past service liabilities amounting to £195,000 (2018: £279,000).

Following consideration of the recommendations of the actuary, given the surplus in the scheme on an ongoing basis, the board agreed to only make additional contributions to the scheme in the future on an ad-hoc basis. There was no actual annual contribution payment made by the company this year (2022: £Nil).

The scheme was preparing in December 2022 for a 'buy-in' where the assets of the scheme would be used to secure its' members' benefits with a reputable insurance company, but due to the high valuation of its liabilities proposed by the insurance company this has been postponed.