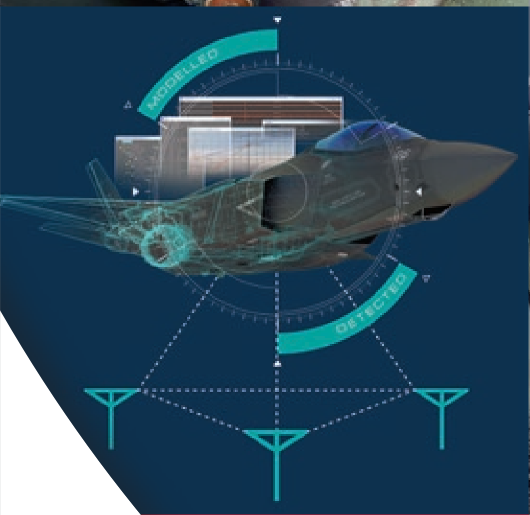
Cohort plc



Applying advanced technology
to protect and secure.

Supporting entrepreneurial businesses to grow and innovate in defence technology, products & services.

We support the businesses within our Group to grow. With a focus on entrepreneurialism, we foster agility and promote innovation. Our strong balance sheet provides a stable financial foundation. We create an environment of trust where our businesses share knowledge to widen market access and through partnership to open doors globally.

Cohort plc

mass EID MCL sea

Contents

Strategic report

Corporate governance

Financial statements

Operational highlights

- Another strong performance from EID
- Return to growth at MASS
- Flat performance at MCL
- Weaker performance at SEA. Restructuring in 2018/19 to improve its performance going forward
- Adjusted operating profit increased 8% and equivalent earnings per share increased 7%
- Order intake for the year of £76.6m (2017: £108.6m)
- Dividend increased by 15%
- Further 23% of EID acquired taking holding to 80%
- Net funds, higher than last year at £11.3m

Financial highlights

Adjusted operating profit (£m)[1]

£15.6m

+8%

18	15.6
17	14.5
16	11.9
15	10.1
14	8.2

Order intake (£m)

£76.6m

-30%

18	76.6
17	108.6
16	94.8
15	114.3
14	69.1

Net funds (£m)

£11.3m

+33%

18	11.3
17	8.5
16	19.8
15	19.7
14	16.3

1 Excludes exceptional items, amortisation of other intangible assets and non-trading exchange differences, including marking forward exchange contracts to market.

Stay up to date
Visit our website at **cohortplc.com** for the latest news, announcements and investor information.

Our engagement principles

We hold innovation at our core

Breaking new ground reverberates through the core of our business. It is fundamental, constant and a critical resource for our customers. We dedicate the equivalent of over 50% of our profits to innovation and we employ and develop the best minds in the business to stay at the forefront of defence and security technology solutions.

We nurture agile partnerships

Direct access to specialist expertise, underpinned by deep operational experience. With short decision-making chains, managed risk and a culture of openness and support, we are easy to do business with.

We commit to mission critical effectiveness

We are committed to developing purposeful technology that is driven by our customers and their agenda. Inspired and motivated by solving real problems, we move quickly and act effectively.

Our mission is clear:

To build and operate a group of companies applying advanced technology in defence, security and related markets and combining the innovation and responsiveness of smaller, independent businesses with the stability, shared knowledge, wider market access and lower funding costs of a listed group to provide enduring benefits to customers, employees and shareholders.

Our businesses

EID

eid.pt

Revenue share (£m)

£19.1m

+19%

EID is a Portuguese high tech company with deep know-how and vast experience in the fields of electronics, tactical and naval communications, command and control.

The company focuses on the design, manufacture and supply of advanced, high performance equipment and systems, mainly for the worldwide defence community. EID is active globally, with customers in Europe, Africa, the Middle East, Asia Pacific and South America.

EID was founded in 1983 and is led by its Managing Director, António Marcos Lopes.

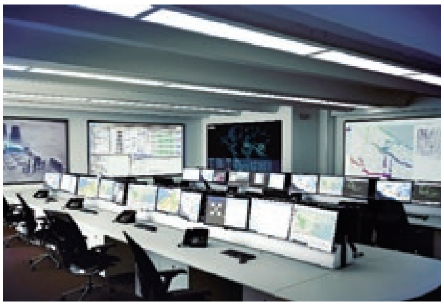
Business areas

- Tactical communications
- Naval communications

Read more on **page 15**

MASS

mass.co.uk



Revenue share (£m)

£37.5m

+15%

MASS is an electronic warfare operational support, cyber security, secure ICT networks, law enforcement and support to military operations business serving customers primarily in defence and security markets.

MASS delivers tailored, integrated solutions that are critical to customers' ability to deliver effective operations. An intrinsic expertise in system engineering and project management enables delivery of through-life capability in the form of high technology solutions, training and trusted managed services, underpinned by a contract research and development capability. MASS also utilises these capabilities to serve the government, business and education markets.

MASS was founded in 1983 and is led by its Managing Director, Chris Stanley.

Business areas

- Electronic warfare operational support
- Information management as a service
- Cyber security including digital forensics
- Training support
- Strategic systems

Read more on **page 16**

MCL

marlboroughcomms.com

Revenue share (£m)

£17.4m

+18%

MCL is a supplier of advanced electronic communications, information systems and signals intelligence technology to the defence and security sectors.

Working with partners, prime contractors and directly with the customer, MCL utilises an international network of specialist technology providers, combined with its own bespoke design, engineering and integration skills, to supply and support a diverse portfolio of C4IS and ISTAR capabilities.

MCL was founded in 1980 and is led by its Managing Director, Darren Allery.

Business areas

- Command, control, communications and information systems
- Intelligence, surveillance and reconnaissance

Read more on **page 16**

sea.co.uk

Revenue share (£m)

£37.8m
-15%

SEA is a major supplier of applied research, technology development, systems integration, specialist electronic systems, engineering and software design services to the defence and security markets.

Its engineering and project management skills include naval communications systems, maritime combat systems, through-life support, dismounted soldier systems, subsea engineering and traffic enforcement. Complementing its work for the UK Ministry of Defence, SEA is growing its business overseas and extending its expertise into adjacent markets, including offshore, railways and roads.

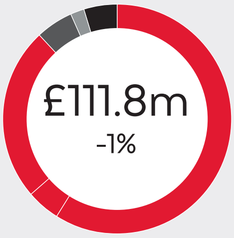
SEA was founded in 1988 and is led by its Managing Director, Steve Hill.

Business areas

- Maritime defence software solutions and products
- Simulation and training
- Research and technical support
- Transport software solutions and products
- Subsea engineering

Read more on **page 17**

Total revenue by sector (£m)



- £99.3m Defence & Security
  - £67.9m UK defence and security
  - £5.2m Portugal defence and security
  - £26.2m Export defence customers
- £5.4m Transport
- £2.1m Offshore energy
- £5.0m Other commercial

Total revenue by market segment (£m)

2018 | 2017

Maritime combat systems
EID MASS MCL SEA

Naval command, control and communications systems, sonar products and systems and launcher systems.

C4ISTAR
EID MASS MCL SEA

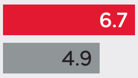
Tactical communication systems, SIGINT and COMINT, electronic warfare operational support, small unmanned air systems and counter unmanned air systems.

Cyber security and secure networks
EID MASS MCL SEA

Information assurance, cyber security, secure networks and digital forensics.

Research, advice and support
EID MASS MCL SEA

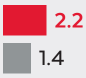
Contract R&D, research management, technical advice and support, soldier systems, human factors and strategic advice.



Simulation and training
EID MASS MCL SEA

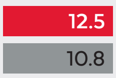
Simulation applications, procedural training systems, EW and cyber training and support to exercises and operations.

Other defence and security
EID MASS MCL SEA



Non-defence
EID MASS MCL SEA

Offshore energy subsea engineering, traffic enforcement systems and other commercial applications.



Profit progress in a challenging market

MASS, EID and MCL are all in discussions with customers about large orders, and a reasonable measure of success in relation to these prospects is important for our future performance.

2018 highlights

- Cohort achieved a record adjusted operating profit of £15.6m (2017: £14.5m)
- We acquired a further 23% of EID taking our ownership to 80%
- EID, MASS and MCL achieved growth in revenue
- Weaker SEA performance, restructuring underway to improve future performance
- The Board is recommending a final dividend of 5.65 pence per ordinary share (2017: 4.90 pence)

Cohort achieved a record adjusted operating profit of £15.6m in 2018 (2017: £14.5m). This result was driven by a strong performance from EID, a return to growth at MASS and the elimination of SCS's losses. These all offset a decline in both revenue and profit at SEA.

In the course of the year, we acquired a further 23% of EID taking our ownership to 80%, the Portuguese Government retaining the remaining 20%. We welcome the Portuguese Government's continued involvement in EID and expect this ownership structure to remain in place for the foreseeable future.

The Portuguese market has shown signs of returning to growth and is supported by a planned budget increase in the coming year of 9% in defence equipment spend.

Our main domestic market, in the UK, remains tight, with spending on, for example, support, research and development, and the commencement of new projects being constrained by the scale of commitments to existing projects. MASS and MCL have achieved growth in their UK MOD business, but at SEA, the continuing hiatus in research expenditure and re-scheduling of expenditure on the UK submarine programme have resulted in a weaker year.

Our current expectation is that the UK market for SEA will remain tight in the near term, pending commencement of our main activity on the new Dreadnought submarines. As a result, we have carried out, at the start of 2018/19, a restructuring exercise at SEA to align its cost base with its expected revenue stream.

Order intake of £76.6m (2017: £108.6m) was below last year. The reduction was mostly at EID and MCL, where significant orders for naval communications systems and hearing protection respectively were secured in 2016/17 and repetition was not expected in 2017/18. MASS and SEA also saw lower order intake, the former due to slippage of some long-term renewals, now expected in 2018/19. At SEA, the shortfall arose from lower levels of submarine related orders.

Key financials

In the year ended 30 April 2018, Cohort achieved revenue of £111.8m (2017: £112.7m), including £37.5m (2017: £32.5m) from MASS Consultants Limited (MASS), £37.8m (2017: £44.4m) from SEA (Group) Limited (SEA), £17.4m (2017: £14.8m) from Marlborough Communications Limited (MCL) and £19.1m from EID (2017: £16.0m for ten months).

The Group's adjusted operating profit was £15.6m (2017: £14.5m). This included contributions from MASS of £7.1m (2017: £5.9m), SEA £4.4m (2017: £5.3m), MCL £2.1m (2017: £2.1m) and £4.7m from EID (2017: £4.2m for ten months).

Cohort Group overheads were £2.7m (2017: £2.5m).

MASS, which remains the Group's largest contributor to adjusted operating profit, delivered an increase of over 20% on a revenue increase of 15%. This result came from a combination of improved mix in terms of margin and a full year contribution of the former SCS division that was incorporated into MASS (2017: six months only).

MCL delivered profit in line with last year on higher revenue, the revenue growth mostly driven by delivery of hearing protection systems for the UK MOD. The net margin for MCL is lower than last year due to an increased level of bought-in product compared with support work.

EID produced a very good performance. As expected, its net margin was lower than last year's unusually high return, although only slightly, and with growth in its revenue was able to deliver a result 12% above last year.

SEA fell short of its previous year's profit performance, a result of falling revenue and cost increases on certain maritime technology development projects.

The Group operating profit of £10.0m (2017: £1.0m) is stated after recognising amortisation of intangible assets of £5.3m (2017: £11.3m) and exceptional items of less than £0.1m (2017: £2.7m). Net foreign exchange losses of £0.4m (2017: net gain of £0.4m) were also recognised. Profit before tax was £9.9m (2017: £1.0m) and profit after tax was £8.5m (2017: £2.1m).

Adjusted earnings per share (EPS) were 30.0 pence (2017: 27.93 pence). The adjusted EPS figure was based upon profit after tax, excluding amortisation of other intangible assets, net foreign exchange movements and exceptional items. Basic EPS was 19.87 pence (2017: 9.09 pence). The adjusted EPS included the benefit of releasing some tax contingency in respect of prior years, which are now closed out. A similar tax impact was seen last year. When comparing the adjusted EPS with the one-off tax effects removed, the figure is 29.41 pence against 26.63 pence in 2017, an increase of 10%.

The net funds at the year end were, as expected, higher than in 2017 at £11.3m (2017: £8.5m).

Dividends

The Board is recommending a final dividend of 5.65 pence per ordinary share (2017: 4.90 pence), making a total dividend of 8.20 pence per ordinary share (2017: 7.10 pence) for the year, a 15% increase. This will be payable on 19 September 2018 to shareholders on the register at 24 August 2018, subject to approval at the Annual General Meeting on 11 September 2018.

> The responsibility of the Cohort Board is to manage our affairs so that our businesses prosper whatever the political and economic backdrop.
>
> Our collective experience of defence business, our size and our decentralised management structure, which together enables us to make quick decisions, and our focus on niche product and service offerings, for which demand is increasing both domestically and internationally, are the keys to this.

EID

EID made a very good contribution in its first full year in the Cohort Group following a strong initial contribution for ten months in 2016/17. An adjusted operating profit of £4.7m (2017: £4.2m for ten months) on £19.1m of revenue produced a net margin of 24.5% (2017: 26.3%). The currency impact was immaterial.

The slightly weaker net margin compared to last year was a result of a change in mix with lower levels of naval support work, but was much better than our expectations for the year, which were nearer 20%.

EID's closing order book of £18.2m provides a reasonable underpinning for the coming year, which, along with some strong order prospects, give us an expectation that EID will continue to grow its revenue whilst its net margin returns to a more historically normal level of around 20%.

We completed the final stage of the EID acquisition at a cost of £3.5m for a further 23% shareholding on 24 November 2017. The Group now holds 80% of EID and the Portuguese Government the minority 20%.

A shareholders' agreement giving the Portuguese Government certain rights, most of which are typical for a minority shareholding, whilst ensuring Cohort has day-to-day management control over EID, has been agreed between the two parties. The shareholders' agreement also puts in place an assignment by the Government of its dividend rights of up to €3m or six years, whichever is reached sooner, to Cohort plc.

MASS

MASS's adjusted operating profit of £7.1m (2017: £5.9m) was ahead of last year. Its net margin increased slightly from 18.2% to 18.9% on higher revenue of £37.5m (2017: £32.5m).

Of the revenue growth, £2m was due to a full year contribution from the former SCS business. The revenue was further boosted by a large UK joint forces exercise towards the end of the financial year. The underlying MASS business saw growth in cyber, with commencement of the delivery of digital forensics systems for the Metropolitan Police and new work in cyber vulnerability investigations. In EWOS, for export customers, MASS completed the delivery of a countermeasures project early in the year, and expects to start on delivering support for the Typhoon fighter plane this coming year.

As expected, MASS's order book decreased during the year. Order intake of £29.1m included significant order wins from the UK MOD for renewal of MASS's exercise support to the Joint Forces Command (£10.5m) for another two years; the Group has now supported this exercise work for over 15 years. Other orders included further renewals and new wins in its Cyber division for cyber vulnerability investigations. Its closing order book of £40.9m (2017: £49.3m) provides a good underpinning for 2018/19. MASS expects to secure renewals or replacements of several long-term EWOS contracts this year. This, together with recently secured orders, gives us confidence that MASS will make progress this year.

MASS is competing this year to renew a long-term support contract for the UK MOD, a service MASS has provided for many years for a critical part of the UK's strategic defence. We expect the result of the competition to be announced in the autumn, and the new contract is expected to take effect in March 2019.

MCL

MCL's adjusted operating profit was in line with last year at £2.1m (2017: £2.1m) on higher revenue of £17.4m (2017: £14.8m). This level performance was a result of higher revenue offset by a weaker mix with increased delivery of hearing protection systems containing a higher proportion of bought-in content. Most of this was delivered in the second half of the year.

On 22 August 2017 we settled the final earn-out payment for MCL for a consideration of £2.5m.

MCL's order intake of over £12.1m included nearly £6m of hearing protection orders. Its closing order book of £10.3m (2017: £15.5m) along with some good prospects, including a number of renewals and extensions, should enable MCL to make further progress this year.

SEA

SEA's performance for the year was weaker, with lower revenue and trading profit.

SEA's adjusted operating profit of £4.4m (2017: £5.3m), which included a full year contribution from the former SCS businesses, was on revenue of £37.8m (2017: £44.4m), with a weaker net margin of 11.7% (2017: 11.9%). The slight deterioration in net margin is a result of a weaker revenue not matched by lower overhead. The mix of work, in terms of gross margin, has improved due to higher export defence sales and product sales in transport, offsetting the reduction in submarine activity.

SEA's divisions saw a mixed performance.

In defence, SEA won an important research order to continue its work on future soldier systems but, despite this, the level of research work continues to be at a much lower level than we saw only a few years ago.

SEA continued

SEA made progress on delivering torpedo launch systems to overseas customers, completing one project altogether and winning a new customer in Southeast Asia for delivery in the next few years.

Elsewhere, SEA delivered the final systems on a maritime technology development contract which has suffered cost overruns arising from delays and technical issues. We anticipate no further loss on this in the future.

> As always, my thanks go to all staff within the businesses. Their hard work, skill and ability to deliver what the customer needs are what continues to drive the performance of our Group.

We had expected the level of submarine communications system work to fall in 2018, although this drop-off was greater than we anticipated, due to delays to the Dreadnought programme.

SEA's transport activity in 2018 included completion of an upgrade of its bus lane enforcement system for Transport for London and provision of a new mobile phone app for London's traffic enforcement officers, activities which started in 2017. Overall, transport revenue fell slightly, but ROADflow sales rose again with £3.4m (2017: £2.8m) of revenue derived from its various product range and services.

SEA's oil and gas business, based in Aberdeen, continued to be profitable despite a challenging market environment.

Because of the reduction in research and its lower current submarine activity, we do not expect SEA's revenue to grow in the near term. As a result, we have taken steps to adjust its cost base to align more closely with its expected revenue level. The cost of this restructuring (estimated at £0.5m) will be recognised as an exceptional item in 2018/19 and will realise an annual saving of £1.0m, most of which should be achieved in the coming financial year.

SEA secured £27.1m (2017: £33.1m) of orders in the year. The fall in order intake was mainly in submarines with a slowing of activity on the Astute class and a delay to the Dreadnought class. The order intake for the year included nearly £5m in transport and a similar sized order for torpedo launch systems to an export customer.

SEA's year-end order book of £33.1m (2017: £44.0m), along with recent wins in May and June, underpins over half of SEA's expected revenue for 2018/19. This position, along with good prospects and the restructuring of the business, gives us reasonable confidence that SEA will increase its profitability in the coming year, although its revenue is expected to remain relatively flat.

Cash

As expected, the net funds of the Group grew this year from £8.5m to £11.3m. The £15.6m (2017: £14.5m) of adjusted operating profit and a small working capital outflow resulted in £15.1m of operating cash inflow (2017: £3.3m inflow). This stronger cash performance was achieved despite the weaker performance at SEA and some significant receipts slipping into 2018/19, especially at EID.

The operating cash inflow was utilised in paying tax, dividends and capital investment, a total outflow of £5.5m (2017: £6.0m), as well as acquiring 23.09% of EID (£3.5m) and paying the earn-out for MCL (£2.5m).

Looking forward, we expect net funds to remain flat over the coming year as we build working capital for contracted and expected projects. We expect the Group's net funds to grow strongly again in 2019/20 as the growth in working capital over the current year unwinds.

Board, management and staff

As always, my thanks go to all staff within the businesses. Their hard work, skill and ability to deliver what the customer needs are what continues to drive the performance of our Group.

Andy Thomis and his senior executive colleagues have continued the dedicated and skilful work which has helped the Group to progress in the face of challenging trading conditions in parts of the defence market.

Outlook

The political and economic context within which Cohort operates has not changed appreciably since last year. On the one hand the international and domestic security environment calls for greater resources to be devoted to defence and counter-terrorism in the UK and many other countries. On the other hand, the pressures on public expenditure in the UK are strong and this applies in varying degrees in many other markets, although in Portugal we are seeing some growth.

Our values are integral in uniting our business

We believe in playing our part

We believe in being results driven

We believe in independent thinking

Read more about our values and how we put them into action on **page 26**

Although the UK defence market remains tight, the Cohort businesses have strong and relevant capabilities, established positions on some key long-term UK MOD programmes, and a good pipeline of new opportunities. Export prospects continue to develop although their timing is always unpredictable. Outside defence, MASS continues to make progress with its cyber capability and SEA with its ROADflow product range. We have begun to introduce our wider product range in the new markets brought to the Group by EID, and EID's products and technology to our UK and other customers. We expect, in due course, to convert some of these introductions into orders.

Our business from the UK into EU countries remains small (£1.4m in 2018; £3.7m in 2017), and consequently we do not expect any direct effects upon Cohort from the Brexit process. In the longer term there could be indirect effects, resulting from the broad economic and political consequences of Brexit, and the future defence and security relationship that develops between the UK and the EU. Whether these will be favourable or unfavourable is not possible to say. The responsibility of the Cohort Board is to manage our affairs so that our businesses prosper whatever the political and economic backdrop.

Our collective experience of defence business, our size and our decentralised management structure, which together enables us to make quick decisions, and our focus on niche product and service offerings, for which demand is increasing both domestically and internationally, are the keys to this.

We continue to look for opportunities to augment organic growth through targeted acquisitions.

The closing order book of £102.5m, together with recent contract wins, provides a reasonable underpinning for the current year.

Lower order intake in 2017/18 was substantially due to delays rather than losses or a lack of opportunities, and there is a larger than normal concentration of opportunities in 2018/19.

MASS, EID and MCL are all in discussions with customers about large orders, and a reasonable measure of success in relation to these prospects is important for our future performance.

Nick Prest CBE
Chairman

We hold innovation at our core

mass
sea

Working together to deliver the latest and best technologies to the UK MOD

MASS and SEA have been selected to join a UK Defence Science and Technology Laboratory programme looking at new technology in the maritime defence environment.

The contract, being managed by defence technology company QinetiQ, brings together specialists in information warfare and maritime combat systems who will focus on keeping the Royal Navy at the forefront of defence capability. MASS brings its expertise in innovative electronic warfare (EW), cyber and information management technology. SEA will make a strong contribution in sub-surface communications, sonar, self-defence weapons and autonomous technologies.

Innovative, responsive and independent businesses combined with the benefits of a listed group

Our business model

Autonomous, agile businesses combining niche technology with highly skilled and flexible people:

Significant competitive advantages

Being part of the Cohort Group brings significant advantages to our businesses compared with operating independently:

Agility

Cohort's management approach is to allow its subsidiary businesses a significant degree of operational autonomy in order to develop their potential fully, while providing light-touch but rigorous financial and strategic controls at Group level. Our experience is that our customers prefer to work with businesses where decision making is streamlined and focused on solving their immediate problems.

Market access

The Group's Directors have long experience of operating in the defence sector and have contacts and working relationships with senior customers in the UK and internationally which would be hard for independent smaller businesses to establish.

Strength

The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are technically well able to execute but which might otherwise be perceived as risky. Our operating businesses, while remaining operationally independent, have close working relationships and are able to benefit from each other's technical capabilities, customer relationships and market knowledge.

Cohort plc

Focus on core capabilities in defence and security, underpinned by long-term contracts and a strong pipeline of opportunities

Our engagement principles:

We hold innovation at our core

We nurture agile partnerships

We commit to mission critical effectiveness

Delivering shareholder returns

We are committed to delivering value to shareholders and ensuring they benefit from our success in the form of dividend growth

Standalone acquisitions

Relate to businesses that have reached a stage of development where there will be mutual benefit in joining Cohort as a subsidiary.

Bolt-in acquisitions

Businesses with capabilities and/or customer relationships that are closely aligned with and can be integrated into one of our existing subsidiaries.

We believe that there are good businesses in the UK and overseas that would thrive under Cohort ownership, whether as standalone members of the Group or as bolt-in acquisitions to our existing subsidiaries.

A clear acquisition approach

Our strategy

Three key strategic objectives form a strong base on which the Group seeks to improve profitability year on year whilst maintaining good shareholder relations:

1

Organic growth

Consistently grow profits and cash generation organically through our subsidiaries.

Delivered through

- A focus on trusted delivery to our customers.
- Encouraging innovation and responsiveness.
- Identifying and pursuing growth opportunities.
- Developing high quality leadership teams and a high performance culture.

What we did in 2017/18

- Adjusted operating profit of the Group increased by 8% to £15.6m.
- Net funds increased by £2.8m to £11.3m.
- Continued Leadership Development programme for future leaders of the Group and completed first technical development programme for our high potential engineers and technical staff.

Our priorities for 2018/19

- Continue organic growth through pursuing identified opportunities in UK and export defence and other market areas.
- Invest in current and future market growth opportunities including new naval sensors, electronic warfare software and military communication systems.
- Restructuring of SEA to align its cost base with expected revenue levels in the near term and improve its performance.
- Continue development activities for high potential employees and prepare for the next Leadership Development programme.
- Invest in improved internal and external communications at Group level.

2

Acquisitions

Increase the profitability of the Group and access new markets through selective acquisitions.

Delivered through

- Proactive engagement with businesses that can add value to the Group.
- Maintaining a strong acquisition team.
- Demonstrating a structure and culture that is attractive to potential sellers.

What we did in 2017/18

- A further 23% of EID acquired (completed 24 November 2017), bringing the Group's holding to 80%.
- Final earn-out for the MCL acquisition paid.

Our priorities for 2018/19

- Group's bank facility to be renewed on similar terms.
- Continue active search for value-adding acquisitions.

3

Maintain confidence

Ensure good corporate governance and sound risk management and communicate what we are doing to investors.

Delivered through

- A framework of financial control, strategy review, performance management and leadership development.
- Clear and consistent communication.
- An ability to act fast if problems arise.

What we did in 2017/18

- Board self-assessment exercise with focus on corporate governance.
- Launched revised and improved Group anti-bribery policy.
- J+S integration within SEA completed.
- New QCA Corporate Governance Code applied by Cohort.

Our priorities for 2018/19

- SEA reporting system to be replaced.
- Major website refresh with enhanced investor section.
- MASS's reporting system to be assessed for replacement.

Measuring our progress

Change in revenue

Changes in total Group revenue compared to the prior year.

(1)%

Why is it measured?

Revenue growth gives a quantified indication of the rate at which the Group's business activity is expanding over time.

Comment

The Group revenue decreased slightly on last year. Growth from EID, MASS and MCL was offset by a reduction in SEA's submarine activity. The Group's revenue has remained broadly flat over the last three years. We have seen increased revenue from our new acquisitions, and strong organic growth this year at MASS, but these have been balanced by falls elsewhere. SEA's research and submarine activities with the UK MOD have dropped from around £30m per annum in 2015/16 to £10m in 2017/18, and SCS's manpower provision revenue was lost when that business was restructured in 2016.

Change in adjusted operating profit

Change in Group operating profit before exceptional items, amortisation of other intangible assets and non-trading exchange differences including marking forward exchange contracts to market.

8%

Why is it measured?

The adjusted operating profit trend provides an indication of whether additional revenue is being gained without profit margins being compromised and whether any acquisitions are value enhancing.

Comment

The increase in 2018 was a result of improvement at EID and MASS and the non-repetition of SCS's losses following its closure in October 2016. MCL, despite higher revenue, delivered profit in line with last year with its mix of work delivering a lower margin due to more bought-in content. SEA's profit contribution was lower, a result of reducing revenue and increased cost in relation to certain projects.

Order book visibility

Orders for next financial year expected to be delivered as revenue, presented as a percentage of consensus market revenue forecasts for the year.

44%

Why is it measured?

Order book visibility, based upon expected revenue during the year to come, provides a measure of confidence in the likelihood of achievement of future forecasts.

Comment

The order book cover for the coming year is lower than last year and reflects the unwinding of a number of long-term support contracts to be renewed or replaced in the coming year.

Change in adjusted earnings per share

Annual change in earnings per share, before exceptional items, amortisation of other intangible assets and non-trading exchange differences including marking forward exchange contracts to market, all net of tax.

7%

Why is it measured?

Change in adjusted earnings per share is an absolute measure of the Board's management of the Group's return to shareholders net of tax and interest.

Comment

The increase in the adjusted earnings per share is similar with the growth in the adjusted operating profit.

Excluding one-off tax items of just over £0.2m, the underlying adjusted earnings per share are 29.41 pence, 10% higher than the equivalent figure for 2017 of 26.63 pence (which excluded one-off tax items of £0.5m).

1 Cover on consensus market forecast 2019 revenue of £118m at 30 April 2018.

2 Cover on consensus market forecast 2018 revenue of £127.5m at 30 April 2017.

3 Cover on consensus market forecast 2017 revenue of £120m at 30 April 2016.

Operating cash conversion

Net cash generated from operations (net of interest and net capital expenditure) before tax as compared to the profit before tax and interest, excluding amortisation of other intangible assets over a rolling four-year period.

90%

Why is it measured?

Operating cash conversion measures the ability of the Group to convert profit into cash.

Comment

As expected, the Group's operating cash conversion was better than last year. This was due to the high working capital position at the end of last year unwinding in the first part of this year.

The Group does see year to year fluctuations depending on working capital levels at the end of its reporting periods, but in general cash conversion has been strong and it is for this reason that a longer-term (four years) operating cash conversion performance indicator is used.

Looking forward to the coming financial year, our expectation is for the Group's operating cash flow to be weaker as the timing of working capital build on known and expected projects will peak in the final quarter of this financial year and into the first half of 2019/20.

We hold innovation at our core

Royal Norwegian Navy utilises latest portable DECKsim trainer

The Royal Norwegian Navy has become the first customer to utilise SEA's upgraded portable DECKsim virtual reality trainer.

The Norwegians have used SEA's fully integrated Flight Deck Officer simulator, DECKsim, at their naval training establishment in Bergen for the past five years. Utilising the latest developments in VR technology, the new portable solution will enable them to take the training platform to individuals on board any ship or land facility. DECKsim, also used by several other navies around the world, replicates ship flight decks and land airfield environments for training aircraft handling procedures. It reduces the need for live flying hours by up to 50%, significantly lowering training costs, and it can also enable training in emergency scenarios which are difficult to replicate with live flying.

Andrew Thomis, Chief Executive, and Simon Walther, Finance Director

2017/18 has been another year of progress for Cohort, with a record level of adjusted operating profit.

We see several important long-term opportunities that are likely to be decided in 2018/19 which will have a major impact on our prospects for organic growth over the next few years.

2018 highlights

- The Group's adjusted operating profit of £15.6m (2017: £14.5m) on revenue of £111.8m (2017: £112.7m) was a net return of 14.0% (2017: 12.9%)
- MASS remains the strongest contributor to the Group's adjusted operating profit and saw a welcome return to growth
- Further 23% of EID acquired. Group now owns 80%. Another strong performance from EID
- Flat performance at MCL
- Weaker SEA performance in tight market. Restructuring commenced in 2018/19 to improve performance

Operating review

2017/18 has been another year of progress for Cohort, with a record level of adjusted operating profit. Revenue was slightly down on last year, reflecting tight market conditions for SEA offset by stronger performances at EID, MASS and MCL. The closing order book of £102.5m, along with a good pipeline of prospects, provides a basis for further progress in the coming financial year.

The Group's adjusted operating profit grew by nearly 8% to £15.6m (2017: £14.5m) on revenue of £111.8m (2017: £112.7m), a net return of just under 14.0% (2017: 12.9%). The Group's operating profit of £10.0m (2017: £1.0m) is significantly impacted by the level of amortisation of other intangible assets, a £5.3m charge in 2018 (2017: £11.3m charge). In this review, therefore, the focus is on the adjusted operating profit of each business, which we consider to be a more appropriate measure of performance year on year. The adjusted operating profit is reconciled to the operating profit in the Consolidated income statement on page 54 and by business in note 1 on pages 60 to 62.

Adjusted operating profit by subsidiary

	Adjusted operating profit			Adjusted operating margin	
	2018 £m	2017 £m	Change %	**2018 %**	2017 %
EID	**4.7**	4.2	12	**24.5**	26.3
MASS	**7.1**	5.9	20	**18.9**	18.2
MCL	**2.1**	2.1	—	**11.9**	13.9
SCS	**—**	(0.5)	n/a	**—**	—
SEA	**4.4**	5.3	(17)	**11.7**	11.9
Central costs	**(2.7)**	(2.5)	(8)	**—**	—
	15.6	14.5	8	**14.0**	12.9

The 2017/18 result included a contribution from EID for the full year (2016/17: ten months).

MASS and SEA reported results include a full year (six months for 2016/17) contribution from the former operating divisions of SCS, which transferred to these businesses on 1 November 2016 when the SCS business was reorganised and its headquarters and support functions closed.

Elsewhere in this review, we comment on the reported result of each of the Group's businesses.

As expected, MASS remains the strongest contributor to the Group's adjusted operating profit. The inclusion of the full year of the former SCS division, Training Support, added £2m of the £5m growth in revenue. The remainder of the growth at MASS was due to a large joint forces training exercise during March and April 2018, these usually being held every other year, and growth in MASS's cyber activity with the commencement of work on its digital forensics service for the Metropolitan Police.

Growth in these areas was partly offset by a drop in electronic warfare operational support (EWOS) activity with the provision of countermeasures to an overseas customer ending in the early part of 2017/18.

Excluding the contribution of the former SCS businesses (approximately £1m of revenue), SEA's revenue fell by £7m. Almost all of this was due to the contraction in its UK submarine activity, partly offset by growth in export deliveries and a modest recovery in its research activity. Much of the deterioration in SEA's submarine activity was expected, with our major design work on the Royal Navy's existing submarine platforms coming to an end. The business also experienced some unforeseen contraction, the result of a delay to work on the Dreadnought class, probably slipping into 2020.

As a consequence of the reduced revenue, SEA's adjusted operating profit was down 17%. Gross margin as a percentage showed an increase, the result of an improved revenue mix, but after overheads the net return percentage was also slightly down.

SEA's revenue in the near term is expected to remain relatively flat and we have acted to reduce its cost base accordingly. The restructuring will be completed by the end of July 2018 and a net cost reduction of £1m per annum will be seen from the second half of 2018/19.

MCL's adjusted operating profit was flat on an 18% increase in revenue. The revenue growth was from higher volumes of hearing protection systems which have greater bought-in content, and hence lower gross margin, compared to the support and engineering work which made up a greater proportion of 2016/17 revenue.

Following the acquisition by Cohort of the management's minority interest in MCL in January 2017, the final earn-out (£2.5m) was paid in August 2017.

Following an unusually strong performance in 2017, we had expected EID's operating margin to fall, but in the event, at 24.5% (2017: 26.3%), it was higher than forecast. The proportion of naval work was, as expected, higher, although the content of naval support work within this was lower, accounting for the slightly weaker margin. EID's contribution to the Group was for a full 12 months in 2017/18 (2016/17: ten months).

Our current expectation is that EID's operating margin for the coming few years will be lower, at around 20%, with the levels of intercom and radio deliveries, in which the bought-in content is higher, rising significantly.

The increase in central costs was as expected. It reflects the addition of some central marketing and human resources expertise to improve the Group's ability to add value to its operating businesses.

Operating strategy

Cohort currently operates as a group of four medium-sized businesses, operating primarily in defence and security markets, and with a strong emphasis on technology, innovation and specialist expertise:

- EID is a high tech company with 35 years' experience in the design, manufacture and support of advanced, high performance command, control and communications equipment for the global defence and security market. The Royal Navy is amongst the customers for its naval communications systems, as are the navies of Portugal, the Netherlands, Spain and Belgium, and many other export customers. In total its maritime products equip over 120 warships worldwide, and its army products have also enjoyed wide domestic and export success.

  EID operates through two market-facing divisions:

  - Naval Communications: integrated command, control and communications systems for warships and submarines; and
  - Tactical Communications: tactical radio, vehicle intercoms, field communications and networking equipment.

  These divisions are supported by an internal production and logistics unit. EID operates from an engineering facility near Lisbon and has a regional office in Indonesia. It is led by its Managing Director, António Marcos Lopes.

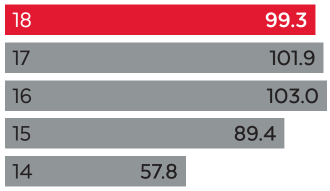
- MASS is a business which enables customers to better protect, analyse and interpret data to provide valuable information. It is a leading international provider in the fields of electronic warfare (EW) and secure communications, including cyber security. Its products include the THURBON™ EW database and it provides EW operational support services to customers in the UK and overseas. MASS has some unique capabilities that have enabled it to establish strong niche positions in these important areas. It also has an increasing reputation as a leading provider of secure networks, cyber protection and analysis (including digital forensics) to defence and other security customers. MASS provides training support and simulation to the UK's Joint Forces Command, a service the Group has provided for over 15 years. MASS was founded in 1983 and is led by its Managing Director, Chris Stanley.

Revenue share

Defence & Security (£m)

£99.3m

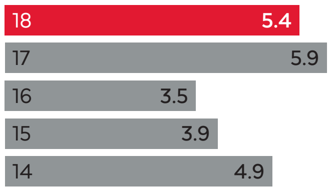
-3%



Transport (£m)

£5.4m

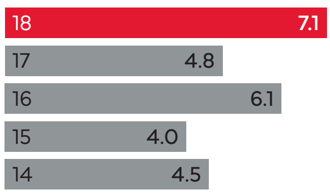
-8%



Other commercial (including offshore energy) (£m)

£7.1m

+48%



Operating review continued

Operating strategy continued

- MCL is a supplier of advanced electronic warfare, surveillance technologies and communications equipment, including hearing protection systems, to defence and security customers. It sources technologies from a global supplier network as well as developing and supplying its own solutions. MCL has a reputation for being flexible and agile in creating effective, mission deployable solutions for customers in the most challenging of timeframes. MCL was founded in 1980 and is led by its Managing Director, Darren Allery.
- SEA specialises in providing advanced technology systems and specialist services to government and industry. Its External Communications System (ECS) is being provided for the Royal Navy's Astute and Vanguard class submarines and will ultimately be fitted to all the Royal Navy's underwater fleet. Its products include sonar systems, torpedo launchers and a range of simulation-based training solutions and middleware that provide realistic training for complex environments. It offers military airworthiness, defence technology research and technical support services. It also provides software and systems for the transport market, including the successful ROADflow range of traffic enforcement products, and services for the offshore energy market. SEA was founded in 1988 and is led by its Managing Director, Steve Hill.

Cohort's management approach is to allow its subsidiary businesses a significant degree of operational autonomy in order to develop their potential fully, while providing light-touch but rigorous financial and strategic controls at Group level. Our experience is that our customers prefer to work with businesses where decision making is streamlined and focused on solving their immediate problems. This model provides us with a degree of competitive advantage over some larger rivals where the decision-making process can be more extended. It is also cost effective as it avoids the need for additional layers of management involved in coordination activities and for a large headquarters team. High calibre employees find our business model attractive and more rewarding as it allows them to be involved in decisions affecting the business, even at a relatively junior level, rather than being constrained to a narrow or purely technical role. This positions us well with customers where such attributes are highly valued.

Although the degree of autonomy our subsidiary businesses enjoy is high, and we believe that this is an effective operational strategy, we take a practical view of the best way forward when circumstances change. When the operational situation is such that a merger, restructuring or even sale is necessitated, we will act and have acted in the best interests of the wider Group and its shareholders. The reorganisation of SCS in late 2016 was such a case.

Within our markets we have sought to use our agility and innovation to identify niches where prospects are attractive and where we have some sustainable competitive advantage. These can be for products, services or high value one-off projects to design bespoke equipment or software. Examples include MASS's electronic warfare operational support offerings, SEA's ECS for submarines and MCL's range of hearing protection systems. We have also been active in finding new customers for the capabilities we have developed, both in export markets and for non-defence purposes. During the recent year we have continued to widen the customer base for our hearing protection system, our digital forensics offering and our torpedo launch system.

Being part of the Cohort Group brings advantages to our businesses compared with operating independently. The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are technically well able to execute but which might otherwise be perceived as risky. One example is a £50m in-service support contract awarded to MASS in 2010, and where we are strong contenders for the follow-on contract that is expected to be awarded this year. Others include approximately £75m of contracts awarded to SEA so far for ECS across the UK's submarine platforms, and nearly £30m of orders won by MCL to date for supply and support of hearing protection systems across a range of UK military users.

The Group's Directors have long experience of operating in the defence sector and have contacts and working relationships with senior customers in the UK and internationally which would be hard for independent smaller businesses to establish. Our current three UK operating businesses, while remaining operationally independent, have close working relationships and benefit from each other's technical capabilities, customer relationships and market knowledge. We have made further progress in the year on ensuring that EID fully participates in this collaborative approach. We will continue to work to promote all of the Group's services and products in wider markets, including through business development visits. In the past year, Andy Thomis has led visits of both UK and Portuguese teams to Malaysia, Indonesia and Chile.

Cooperation between the Group businesses has extended to the sharing of technology. For example, SEA and EID are working together on developing a secure communication system for the Royal Navy's new Type 31 Frigate, bringing together EID's expertise in surface ship communications with SEA's knowledge of the UK and especially its security requirements.

These strategies have allowed us to grow our profit at a time when UK defence expenditure, our largest source of revenue, has been tightly constrained. They have also generated long-term customer relationships and good opportunities that give us confidence that we can continue to prosper, despite the current difficult and unpredictable market conditions.

Acquisitions

Alongside our organic growth strategy, we continue to see opportunities to accelerate our growth by making further targeted acquisitions. We believe that there are good businesses in the UK and overseas that would thrive under Cohort ownership, whether as standalone members of the Group or as "bolt-in" acquisitions to our existing subsidiaries.

The most likely candidates for bolt-in acquisitions are businesses with capabilities and/or customer relationships that are closely linked to one of our existing subsidiaries. We would expect to integrate an acquired business of this nature fully within the relevant subsidiary. This could lead to both cost savings and benefits from shared access to markets and technologies. The J+S acquisition by SEA in 2014/15 is a good example of this.

For standalone acquisitions we are looking for agile, innovative businesses that have reached a stage of development where there will be mutual benefit in joining Cohort. It is likely that candidates will be operating in the defence and security markets either in the UK or internationally as that is where the Group can add most value. Growth prospects, sustainable competitive advantage and the ability to operate as part of a publicly quoted UK group will all be important. The acquisition of just over 50% of MCL in 2014/15 met these criteria, with the remainder of MCL (just under 50%) acquired for a further consideration of £5.1m on 31 January 2017, with a final earn-out paid in August 2017.

In November 2017 we completed the acquisition of a further stake of 23% in EID, taking our holding to 80%, the Portuguese Government retaining the other 20%. As part of this transaction, the parties entered into an agreement which gives certain rights and protections to the Portuguese Government as a minority shareholder. The agreement also provides that the Portuguese Government assigns to Cohort its dividend rights up to a value of €3m or for six years, whichever is the sooner. After this arrangement expires, the Government will be entitled to 20% of any future dividend declared by EID.

Divisional review

EID

	2018 £m	2017 £m
Revenue	**19.1**	16.0
Adjusted operating profit	**4.7**	4.2
Operating cash flow	**1.9**	4.1

Above figures are for 100% of EID for the year ended 30 April 2018 (ten months ended 30 April 2017).

EID provided another strong contribution to the Group in 2017/18 following its very good initial result last year. This again exceeded our expectations. The average weighted exchange rate for 2017/18 was €1.13:£1 (2016/17: €1.12:£1). The impact of exchange in the reported results in sterling was minimal.

EID's performance in 2017/18 saw, as we expected, more naval activity with around 60% of the total revenue from this division, compared with 30% in 2016/17.

Although we expected the net margin of EID to fall in 2017/18 from 2016/17, driven by less naval support work, the outcome for this year was better than we expected with some higher margin research and development projects. The net margin of 24.5% was only slightly below the 26.3% achieved in 2016/17.

EID's order intake of £8.9m included a significant order for upgrading a class of Portuguese patrol vessels. The order intake was lower than we expected with some important orders for the Portuguese Army slipping into the coming year.

The closing order book of EID of £18.2m provides good underpinning to the coming financial year in its Naval division and some very good prospects, especially in its Tactical Systems division. We expect EID's revenue to grow in the coming year.

The mix of work at EID is expected to change in the coming few years with lower levels of naval support activity and increased deliveries of intercom and radio products. The latter generate a lower margin, since they contain a higher proportion of bought-in material. As a result, the net margin is expected to return to more historically normal levels of around 20%.

We nurture agile partnerships

EID

EID Directors receive prestigious Portuguese Navy Award

EID Managing Director, Engineer António Sérgio Marcos Lopes, and Director of the Naval Communications business unit, Engineer Manuel Matos Luís, were awarded the Naval Cross 1st Class by His Excellency the Chief of Staff of the Portuguese Navy, Admiral Silva Ribeiro.

The award took place in November 2017, in recognition of the services that they and EID have provided to the Portuguese Navy over the past 35 years.

The Naval Cross is a medal awarded to members of the Portuguese armed forces and civilians, national or foreign, who, as technical or professional specialists, demonstrate abilities, performance and personal qualities that contribute to the efficiency, reputation and mission success of the Portuguese Navy.

Divisional review

mass

	2018 £m	2017 £m
Revenue	**37.5**	32.5
Adjusted operating profit	**7.1**	5.9
Operating cash flow	**7.1**	4.5

MASS had a welcome return to growth with adjusted operating profit rising 20% on revenue that grew 15% compared to 2016/17.

The inclusion of the Training Support division for a full year (six months in 2017 following transfer from SCS in November 2016) contributed £2m to MASS's revenue. In April 2018 the division completed a large biennial joint forces exercise, further increasing revenue and margin for the year. The other main growth driver was the higher level of cyber activity, including initial deliveries of the digital forensics service to the Metropolitan Police Service and the completion of several cyber vulnerability investigations.

The above positive variances offset a decline in MASS's EWOS work. A countermeasure project for an export client concluded in early 2017/18, and the SHEPHERD development project also came to an end in the year. SHEPHERD is now entering its five-year support phase, and we expect to secure extra tasking in the coming years. Some long-term export EWOS activities continued to be funded on short-term, lower value rolling purchase orders, while the prime contractor worked to conclude the lead contract. We expect to see these support contracts secured at their full, long-term value in the coming year.

MASS's net margin increased to 18.9% (2016/17: 18.2%). Although EWOS activity was lower, the training support margin was good and the higher volume in cyber drove both higher margin and improved utilisation. MASS overheads only slightly increased.

MASS's order intake of £29.1m was slightly lower than last year (£32.0m). 2016/17 order intake included two long-term contracts, valued at nearly £20m and deliverable over nine to ten years, which were not repeated. The most significant order secured in the year was a two-year extension of the Joint Forces Command support for £10.5m. Other orders included £6m in cyber and £10m in EWOS.

MASS's operating cash flow this year was stronger than last year with the build-up of working capital at the end of the 2016/17 financial year unwinding in the first half of 2017/18. Looking forward, we expect MASS's operating cash flow to be broadly in line with its profitability.

MASS operated through the year with five divisions. The EWOS division includes the THURBON™ EW database, SHEPHERD (the provision of a system embodying THURBON™ to the UK MOD) and MASS's EW managed service offerings in the UK and elsewhere. The Cyber Security division includes MASS's offerings of solutions and training to government security customers, including now the Metropolitan Police. This division also delivers secure network design, delivery and support and information assurance services to commercial, defence and educational customers. The Strategic Systems division provides certain managed service and niche technical offerings to the UK MOD. The Training Support division provides training simulation and support to the UK's Joint Warfare Centre as well as similar high level command training to other UK and overseas customers. Finally, MASS's Information as a Service division supports a key UK military intelligence platform as well as providing similar information services to other defence and commercial customers.

MASS enters the current year with a strong order book and pipeline of opportunities, including exports and renewals, though these are always unpredictable in terms of timing. MASS will see the conclusion of its current long-term contract with the UK MOD, supporting the UK's strategic defence capability. The UK MOD is holding a competition for the follow-on contract, with a decision expected in the autumn for the new contract to commence in April 2019.

Divisional review

MCL

	2018 £m	2017 £m
Revenue	**17.4**	14.8
Adjusted operating profit	**2.1**	2.1
Operating cash flow	**5.9**	0.5

The above figures are for 100% of MCL in both years.

MCL's revenue grew 18% compared to last year, mostly from increased deliveries of hearing protection systems to the UK MOD. The bought-in content for these items is much higher and as a result, although the absolute gross margin increased, the gross margin percentage fell.

The overall profitability of MCL was flat with the increased volume and margin offset by slightly higher overheads. The latter was the result of MCL adding to its headcount, which increased from 28 to 30, and costs associated with higher levels of overseas supplier activity.

MCL secured several key contracts in the year including a further £6m of orders for hearing protection systems and other equipment development, production and support for specialist military users.

When we acquired MCL, back in July 2014, one of the primary objectives was to support it in building an order book and business with greater longevity and visibility. This was achieved last year when the order book grew from £7.0m (April 2016) to £15.5m (April 2017). This objective is a long-term one and, although the order book has fallen back to £10.3m at April 2018, the level of sustainable support work at MCL continues to grow. The visibility of MCL's revenue remains, on average, in the three to six-month range.

The very strong operating cash flow was better than expected and reflected MCL's peak of activity at the end of the financial year, with supplier payments slipping into early 2018/19.

Divisional review

SEA

	2018 £m	2017 £m
Revenue	**37.8**	44.4
Adjusted operating profit	**4.4**	5.3
Operating cash flow	**4.0**	(5.5)

SEA has had another challenging year with growth in its maritime export deliveries and a return to growth of its research activity, albeit very small, offset by a significant contraction in its submarine activity.

The change in SEA's business over the last few years is analysed as follows:

	2016 £m	2017 £m	2018 £m
Submarines	21.1	16.9	**7.3**
Research	8.1	2.1	**2.3**
Other	19.6	25.4	**28.2**
SEA total revenue	48.8	44.4	**37.8**

The submarine and research activities are exclusively for the UK MOD.

Despite the reduced revenue, SEA's net margin has increased from 11.1% in 2016 to 11.7% in 2018. This is a result of the trend of the business towards more product sales, particularly in export markets, and a proportionate reduction in customer-funded research work and submarine activity, the latter of which is subject to contractual limitations on margin.

This trend has been accompanied by reduced revenue predictability, as the revenue generated by long-term contracts has declined compared to other areas. For instance, SEA's Software Solutions and Product (SSP) division has a timeframe from order win to delivery that is usually a few weeks to months. We expect to see this unpredictability continue in the medium term whilst we await the next major ECS contract, which will be to provide the system for the new Dreadnought class of ballistic missile submarines. In the meantime, SEA is actively seeking to expand its export business, especially in maritime markets, but this is also unpredictable in terms of timing.

In SEA's Maritime division the UK submarine communications work moved in 2016/17 from design and testing of systems to delivery. During 2017/18, the level of work dropped further with minimal deliveries of systems and the ongoing design work now mainly in respect of technical developments and upgrades. Activity is expected to remain at this low level for the coming 18-24 months until significant Dreadnought class work commences, which we currently expect in 2020. Good progress on the communications system development work has significantly de-risked the programme, allowing contingency to be released.

Excluding submarines, SEA's maritime business grew. The level of torpedo launch systems was, as expected, above that in 2016/17, with delivery completed for one customer, continuing for a second and starting for a new third customer. We expect a marked increase in this work in the coming year as two customers receive systems.

Within the Maritime division, SEA suffered further losses on a one-off development project for a specialist sonar array, a contract inherited with the J+S business acquired in 2014. This programme is now almost complete, and no further loss is expected.

SEA's SSP division, which is dominated by our offering to the transport market, increased its revenue from just under £9m in 2016/17 to over £9m this year. This growth was mostly from increased orders for traffic enforcement systems in the UK and overseas, and other defence products. Total transport revenue dropped slightly, as the delivery of the upgrade to Transport for London for its digital traffic enforcement systems (DTES) fell following peak activity in the second half of last year.

Improved margins in the Maritime, Research and SSP divisions, along with volume increases, partly offset the marked deterioration in SEA's submarine activity.

Following the fall in activity at the Research division over the last two years, SEA secured a new contract to carry out research into soldier systems, the Future Individual Lethality System (FILS). As a result, revenue has stabilised in this division and we expect it to increase in 2018/19, although not back to the peak levels of two to three years ago.

SEA's Subsea division saw its revenue increase by around 5% and its profitability maintained, despite the low oil price holding back spending by oil producers in the North Sea. The division's gross margin stayed high due to the proportion of refurbishment and repair activity, reflecting the cost-conscious approach in the oil and gas sector. Much of this work is done by SEA's staff, with lower bought-in content.

SEA absorbed the former SCS divisions of Capability Development and Air Systems in November 2016. A full year of their contribution in 2017/18 (compared to six months in 2016/17) added £1m to SEA's revenue.

SEA's closing order book of £33.1m includes nearly £16m of revenue to be delivered in the coming financial year.

SEA conducted its business in 2017/18 through three market-facing divisions:

- Maritime division, including design, development, production and support of its naval communication systems, sonar, torpedo launch and other naval systems.
- Software Solutions and Product division, including SEA's transport work in the UK and overseas as well as other civil and non-maritime products, its training and simulation capabilities, other information systems and the Air Systems division (formerly of SCS). This division absorbed SEA's Research and Technical Support division from 1 September 2017, which includes SEA's capabilities in the land and research markets of defence and Capability Development division (formerly of SCS).
- Subsea Engineering division, developing and delivering SEA's activities in the offshore energy market, primarily oil and gas.

These three business development and delivery divisions have been supported by a single production facility at its Barnstaple site.

Following two years of declining revenue and profitability, and in the expectation that SEA's submarine activity will remain low for the next two years, we have acted to reduce the cost base of SEA by approximately £1m per annum. This restructuring, costing about £0.5m, has already commenced and will complete in the first half of 2018/19, delivering an expected saving in 2018/19 of £0.8m.

The restructuring will involve a reduction in both direct and indirect headcount. Back-office services at SEA, including finance and purchasing, will be concentrated at Barnstaple. The Maritime and SSP divisions described above will be reorganised as follows:

- Communications (from the Maritime division), Research and Technical Support and Software Solutions and Products divisions to be merged under a single manager based at Beckington.
- The remainder of the Maritime division, Launchers and Advanced Technologies along with Production to be merged under a single manager based at Barnstaple.

These changes will allow the management structure to be streamlined and will allow greater focus on improving project delivery. The Subsea division is unaffected.

During 2018/19, SEA will complete the final integration of SEA and J+S by implementing a single management and reporting system.

Operating review continued
Revenue by sector and business

	EID		MASS		MCL		SCS		SEA	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Defence and security	**17.2**	16.0	**34.6**	30.7	**17.4**	14.7	**–**	4.9	**30.1**	35.6
Transport	**–**	–	**–**	–	**–**	–	**–**	–	**5.4**	5.9
Offshore energy	**–**	–	**–**	–	**–**	–	**–**	–	**2.1**	2.0
Other commercial	**1.9**	–	**2.9**	1.8	**–**	0.1	**–**	0.1	**0.2**	0.9
	19.1	16.0	**37.5**	32.5	**17.4**	14.8	**–**	5.0	**37.8**	44.4

The defence and security revenue is further broken down as follows:

	EID		MASS		MCL		SCS		SEA	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Direct to UK MOD	**–**	–	**20.1**	14.4	**15.7**	12.5	**–**	2.4	**7.0**	5.8
Indirect to UK MOD where the Group acts as a subcontractor or partner	**0.4**	–	**4.2**	5.5	**0.3**	0.5	**–**	1.1	**16.0**	23.7
Total to UK MOD	**0.4**	–	**24.3**	19.9	**16.0**	13.0	**–**	3.5	**23.0**	29.5
Portuguese MOD	**5.2**	2.4	**–**	–	**–**	–	**–**	–	**–**	–
Security	**–**	–	**3.3**	0.8	**0.9**	0.7	**–**	0.2	**–**	–
Export defence	**11.6**	13.6	**7.0**	10.0	**0.5**	1.0	**–**	1.2	**7.1**	6.1
	16.8	16.0	**10.3**	10.8	**1.4**	1.7	**–**	1.4	**7.1**	6.1
	17.2	16.0	**34.6**	30.7	**17.4**	14.7	**–**	4.9	**30.1**	35.6

Defence and security revenue is categorised into market segments as follows:

	Year ended 30 April 2018		Year ended 30 April 2017	
	£m	**%**	£m	%
By market segment				
Maritime combat systems	**31.4**	**28**	32.9	29
C4ISTAR	**34.0**	**30**	39.8	35
Cyber security and secure networks	**15.6**	**14**	13.7	12
Simulation and training	**9.4**	**9**	9.2	8
Research, advice and support	**6.7**	**6**	4.9	5
Other	**2.2**	**2**	1.4	1
Total defence and security revenue	**99.3**	**89**	101.9	90

The Group's total revenue, broken down by type of deliverable is as follows:

	Year ended 30 April 2018		Year ended 30 April 2017	
	£m	**%**	£m	%
Product (hardware and/or software)	**32.0**	**29**	32.8	29
Customised systems or sub-systems (hardware and/or software)	**29.9**	**27**	31.9	28
Services	**49.9**	**44**	48.0	43
Total revenue	**111.8**	**100**	112.7	100

Group			
2018 £m	%	2017 £m	%
99.3	89	101.9	90
5.4	5	5.9	5
2.1	2	2.0	2
5.0	4	2.9	3
111.8	100	112.7	100

Group			
2018 £m	%	2017 £m	%
42.8	38	35.1	31
20.9	19	30.8	27
63.7	57	65.9	58
5.2	5	2.4	2
4.2	4	1.7	2
26.2	23	31.9	28
35.6	32	36.0	32
99.3	89	101.9	90

Revenue analysis

As we signalled last year, with the Group's focus moving towards more product and software, we have changed the revenue analysis as shown above. With the growth of our offering to security customers, including the security services and police forces, we have split these out as a separate customer group called security. This revenue was previously included within the Export and Other category. The comparatives have been restated accordingly.

Overall, the pattern of sales in 2017/18 was very similar to that in 2016/17. The proportion of sales directly to the UK MOD increased, though the total level of sales to the UK MOD as an ultimate customer remained very similar. Sales to security customers and the Portuguese MOD grew. Export sales fell, as did sales in the C4ISTAR area.

Growth in the work for Joint Forces Command at MASS along with the boost in hearing protection sales by MCL account for the increase in sales direct to the UK MOD. The expected growth in Portuguese MOD sales at EID arose from naval work and we expect another strong year as deliveries to the Portuguese Army commence.

The indirect sales to the UK MOD, via other contractors has fallen, as has our work in the C4ISTAR area and customised systems. This is mostly due to the decline in our submarine activity at SEA.

We nurture agile partnerships

mass

Continued support to NATO Joint Electronic Warfare Core Staff

MASS has provided support to the NATO Joint Electronic Warfare Core Staff (JEWCS) since 2014; the customer has recently extended this contract to the end of 2018, with options for a further two years.

A total of 15 MASS employees work at JEWCS in technical, mission planning, logistic and administrative roles, with the value of the contract around £1m per annum. Support includes electronic, software and mechanical engineering as well as EW operations analysis. The technicians are responsible for the in-depth maintenance of the NATO JEWCS fleet of EW training assets in the land, maritime and air domains. The operations analyst generates the data libraries to programme these assets in support of 25–30 NATO and national EW exercises a year.

Operating review continued

Revenue analysis continued

Excluding EID, export sales in 2017/18 were nearly £14.6m (2017: £18.3m), 20% lower than last year. This was due to completion of a specific countermeasures contract at MASS early this year, much of the work having been done in 2016/17, and delayed renewals and extensions to some of MASS's export support contracts. SEA's export business did show growth with deliveries to three separate export customers for its torpedo launch system in 2017/18. Including EID, defence export sales (excluding EID's domestic market of Portugal) were £26.2m (2017: £31.9m) of Group revenue. The fall in overall export revenue was, in addition to the MASS change above, a reflection of completion of a large intercom delivery to Egypt in 2016/17. Further work with this customer is expected in the coming few years.

The Group's defence and security business is, and is expected to remain, the largest part of our business, supplying 89% of revenue this year (2017: 90%). Nevertheless, the Group's non-defence revenue was up by nearly 16% compared to last year, with growth coming from EID's work on the Azores air traffic control system upgrade and a small increase in MASS's education activity. SEA's transport activity saw a small decline. The sale of ROADflow and its variants, including to export customers, increased, but this was offset by a fall in activity for Transport for London's DTES (bus lane enforcement) system and its new traffic enforcement officer app (PES), both of which saw peak activity last year. The oil and gas market continued to be difficult but did achieve a small increase (5%) in revenue and maintained its profitability.

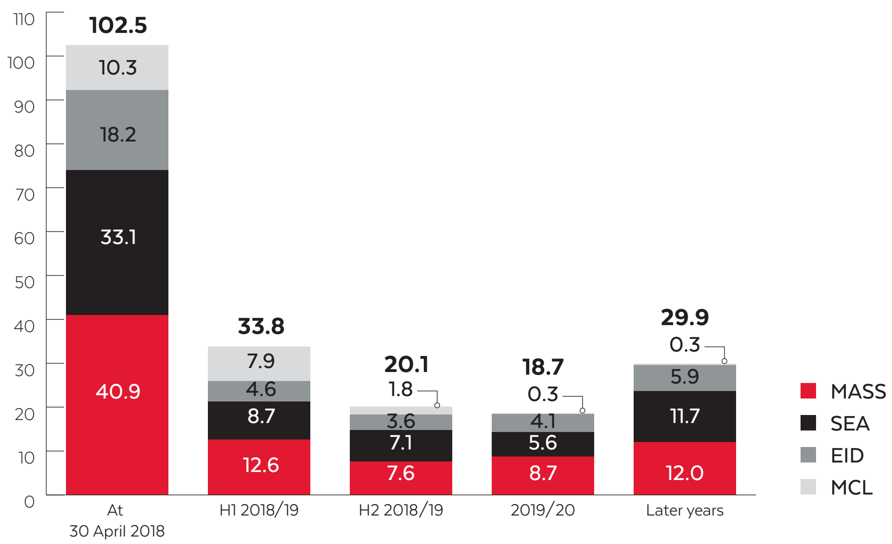
Operational outlook

Order intake and order book

	Order intake		Order book	
	2018 £m	2017 £m	**2018 £m**	2017 £m
EID	**8.4**	18.9	**18.2**	27.6
MASS	**29.1**	32.0	**40.9**	49.4
MCL	**12.1**	23.3	**10.3**	15.5
SCS	**–**	3.0	**–**	–
SEA	**27.0**	31.4	**33.1**	44.0
	76.6	108.6	**102.5**	136.5

The decrease in the Group's order intake was across the Group. This was partly due to slippage of some significant renewals into the current year, especially at MASS. The falls at EID and MCL were to some extent expected, with large orders for naval systems (EID) and hearing protection (MCL) having been received in 2016/17. SEA's order intake was also down, primarily in submarine activity, but we did see another good export win for its torpedo launch system.

Delivery of the Group's order book into revenue



The above table shows the underpinning of future revenue from the current order book (all figures are £m).

EID's order intake for this year was just over £8m compared with nearly £19m last year. 2016/17 saw nearly £9m of orders for the Portuguese MOD, delivery of which began in 2017/18. The main item of order intake for EID in 2017/18 was an upgrade to Portuguese offshore patrol vessels. EID's order book of £18.2m gives reasonable underpinning for the year ahead, especially in its Naval division. The Tactical division has, as is typical, a lower level of work on order, but it has good prospects, mostly for extensions and re-orders of work from existing customers.

MASS's order intake of £29.1m included a renewal for two years (£10.5m) for supporting the UK's Joint Forces Command exercise programme. Despite this, overall MASS's order intake was down compared to last year, which included £20m of long-term support orders. In cyber, MASS secured more work on various UK government cyber frameworks and on cyber vulnerability investigations. In EWOS, we saw the renewal of several UK and export support contracts for one year, following the completion of longer-term contracts. Some of these contracts should be renewed for longer durations in the coming year. MASS's closing order book of £41m provides good underpinning for the coming year and, with several important renewals scheduled, we are optimistic that MASS's order book will grow.

At MCL, order intake of £12.1m was lower than 2016/17's very strong performance of £23.3m. Two hearing protection orders totalling nearly £6m were received, one an extension to an existing customer and the other for a new customer, RAF aircrew. The closing order book and prospects, including some recent wins in unmanned air vehicles and hearing protection, give us confidence that MCL should continue to grow in the coming year. Our long-term strategy remains to try and strengthen MCL's order book and prospects to give it more visibility of future work flows.

SEA's order intake of £27.0m was slightly lower than last year (£31.4m) which did include a £9m ten-year development and support order for DTES from Transport for London. In other areas, submarine related orders were down at below £5m. Research and related areas were steady, but in torpedo launch and other naval systems the order intake was much stronger, driven by a new customer for the torpedo launch system in Southeast Asia, the third such customer.

The Subsea Engineering division of SEA continued to suffer from a tight market in 2017/18 with order intake down from £2.1m in 2016/17 to £1.6m in 2017/18, although it did pick up in the second half.

SEA's closing order book of £33.1m provides reasonable underpinning for the coming year and, along with recent wins and some good prospects, provides us with a reasonable expectation that SEA should be steady in the coming year.

In the near term, the majority of Cohort's business will continue to be derived from the UK MOD, either directly or indirectly. The Government's Strategic Defence Review published in November 2015 gave high priority to a number of areas where the Group's capabilities are strong, including submarines, special forces, cyber and secure communications. It also brought a welcome increase in planned defence equipment spending originally set to begin in 2017/18. We do expect to see opportunities arising from this increase, but it is also clear that delays and cost growth are limiting the freedom of movement of the UK MOD and armed forces in acquiring new equipment. As we predicted last year, this tightness, coupled to a shortage of commercial staff, has resulted in unpredictable fluctuations between purchase commitments and cash controls in 2017/18. We expect these adverse conditions to continue in 2018/19. The new review, Defence Modernisation Programme, is expected to be published this summer. We await its outcome but do not expect a major change from what was the focus of 2015's Strategic Defence Review.

We commit to mission critical effectiveness

mass

MASS supporting the UK MOD's EW capability

MASS has won a contract to provide the Defence School of Communications and Information Systems (DSCIS) at Blandford with a classroom simulator to support the UK MOD's EW capability.

The EW simulator will become an integral part of the EW training process at the DSCIS. Using software developed by MASS, it will enable instructional staff to deliver EW training under realistic physical, functional and environmental conditions with true-to-life scenarios. This capability will ensure students are able to plan the deployment of EW sensors, analyse signals generated by hostile systems, and identify threats and targets for attack or exploitation.

Operational outlook continued
Order intake and order book continued

Even after taking account of the run-off of long-term orders, the Group's order book is reduced compared to the position last year. We see several important long-term opportunities that are likely to be decided in 2018/19 which will have a major impact on our prospects for organic growth over the next few years. These include:

- the renewal of a major support contract for MASS. The UK MOD is conducting a competition to select the supplier, and this is likely to be decided this autumn;
- further export EWOS contracts for MASS, particularly for the supply of countermeasures and the provision of local support in the Middle East;
- a large opportunity for EID to supply vehicle intercom systems to a customer in the Middle East;
- an extension of MCL's contract to provide tactical intelligence-gathering equipment to the Royal Navy; and
- several competitive opportunities for SEA to provide its torpedo launch system for export customers, and, working with EID, to supply communications equipment for the Royal Navy's new Type 31 Frigate.

A reasonable measure of success in relation to these prospects is important for our future performance.

Funding resource and policy

The Group retains a robust financial position and continues to be cash generative enabling it to continue to invest in internal R&D and other value-adding projects on a carefully considered basis as well as maintaining its progressive dividend policy.

The Group's cash position and its banking facility provide it with the resources to conduct its acquisition strategy.

NatWest is the Group's primary bank, especially for clearing purposes and day-to-day transactions. In November 2015 the Group completed a tri-bank facility with Barclays, Lloyds and NatWest.

> The Group retains a robust financial position and continues to be cash generative enabling it to continue to invest in internal R&D and other value-adding projects on a carefully considered basis as well as maintaining its progressive dividend policy.

The current facility is a revolving credit facility for three years with an option to extend for up to a further two years. The amount is £25m with an option to extend by a further £10m to £35m.

The facility itself provides the Group with a flexible arrangement to draw down for acquisitions and trading activities and as at 30 April 2018 the facility was drawn as follows:

	Facility £m	Drawn £m
M&A loan	15	9.2
Overdraft	3	—
FX, bonding and other trade instruments	7	2.0
	25	11.2

The above segmenting of the facility is approximate and there is scope to reallocate elements of the undrawn facility as necessary.

The three banks participate equally in the facility and it is the role of the Group treasury function to ensure that at any time the Group has available to it sufficient facilities to enable it to meet its requirements flexibly and efficiently.

This facility is expected to be renewed on or before November 2018, discussions with our banks having already commenced. At this stage, we have every expectation that the facility will be renewed on broadly similar terms to the existing facility but with only two banks participating, NatWest and Lloyds.

The Group takes a prudent approach to treasury policy with its overriding objective being protection of capital. In implementing this policy, deposits are usually held with institutions with credit ratings of at least Baa2. Deposits are generally held on short (less than three months) duration to maturity on commencement. This matches the Group's cash resources with its internal 13-week cash forecasts, retaining flexibility whilst trying to ensure an acceptable return on its cash. Most of the Group's UK cash (that is not on short-term deposit) is managed through a set-off arrangement, enabling the most efficient use of the Group's cash from day to day, under the supervision of the Group's finance function.

EID's bank facilities are managed locally with banks in Portugal. The cash is spread across a number of institutions to mitigate risk to the capital.

EID provides no security over its assets and its wide range of banks enable it to be well supported in executing export business.

The Group regularly reviews the ratings of the institutions with which it holds cash and always considers this when placing a new deposit.

The Group's return on net funds during the period was 0.00% to 0.15% (2017: 0.00% to 0.75%).

In addition to its cash resources, the Group has in issue 41.0m ordinary shares of 10 pence each. Of these shares 0.3m (2017: 0.3m) are owned by the Cohort plc Employee Benefit Trust (EBT), which waives its rights to dividends. In addition, the Group has issued options over ordinary shares through Key Employee Share Option and SAYE schemes to the level of 1.7m at 30 April 2018 (2017: 1.7m).

The Group's exposure to foreign exchange risk arises from two sources:

1. the reporting of overseas subsidiaries' earnings (currently only EID) and net assets in sterling; and
2. transactions in currencies other than our Group reporting currency (£) or subsidiary reporting currency where different (currently € at EID).

The first risk is a reporting rather than cash risk and we do not hedge the reporting of earnings.

In terms of reporting the assets, we have in place a natural hedge of borrowing in euros to acquire a euro asset (EID) but over time as the asset grows and the loan diminishes, this hedge will naturally wane.

We take a prudent approach to transactional foreign exchange risk requiring all significant sales and purchases to be hedged at the point in time when we consider the likelihood of the transaction to be certain, usually on contract award. We do not hedge account and mark these forward contracts to market at each reporting date, recognising any gain or loss in the income statement.

The Group, as in the past, has maintained its progressive dividend policy, increasing its dividend this year by 15% to a total dividend paid and payable of 8.20 pence per share (2017: 7.10 pence).

The last five years' annual dividends, growth rate, earnings and cash cover are as follows:

Year ended 30 April	Dividend paid and proposed Pence	Growth over previous year %	Earnings cover (based upon adjusted earnings per share)	Cash cover (based upon net cash generated from operations)
2018	**8.2**	**15**	**3.7**	**4.0**
2017	7.1	18	3.9	0.2
2016	6.0	20	4.5	2.8
2015	5.0	19	4.1	9.2
2014	4.2	20	4.6	1.5

The growth over recent years has moved the dividend from a relatively low base to a more normal level for an established cash-generative business.

Looking forward the Group plans to maintain a policy of growing its dividend each year but we expect the rate of growth to reduce over the coming years to align more closely with the earnings growth of the Group.

The Group's cash generation in 2018 was, as had been expected, stronger than last year. In summary, the Group's cash performance was as follows:

	2018 £m	2017 £m
Adjusted operating profit	**15.6**	14.5
Depreciation and other non-cash operating movements	**1.2**	1.4
Working capital movement	**(1.7)**	(11.2)
	15.1	4.7
Acquisition of EID: 23% in 2018 (57% in 2017, net of cash acquired)	**(3.5)**	(4.0)
Payment of final earn-out in 2018 (acquisition of the minority of MCL in 2017)	**(2.5)**	(5.1)
Reorganisation of SCS	**(0.6)**	(1.3)
Tax, dividends, capital expenditure, interest, loans and investments	**(5.7)**	(5.6)
Increase/(decrease) in net funds	**2.8**	(11.3)

The slightly higher cash outflow in tax, dividends, etc. was mostly due to higher investment in Cohort's own shares by the EBT, a net outflow of £0.8m (2017: inflow of £0.5m) offset by lower tax payments. Looking forward, we retain the flexibility to use newly issued shares as well as EBT shares to satisfy employee share options.

The Group's customer base of governments, major prime contractors and international agencies make its debtor risk low. The year-end debtor days in sales were 24 days (2017: 42 days). This calculation is based upon dividing the revenue by month, working backwards from April, into the trade debtor's balance (excluding unbilled income and work in progress) at the year end. This is a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year.
The decrease in debtor days is a reflection of invoicing revenue, especially at SEA and MCL, earlier in the final quarter than last year, enabling more receipts to be collected in the financial year.

Tax

The Group's tax charge for the year ended 30 April 2018 of £1,395,000 (2017: credit of £1,144,000) was at an effective rate of 14.1% (2017: credit rate of 119%) of profit before tax. This includes a current year corporation tax charge of £2,869,000 (2017: £2,445,000), a prior year corporation tax credit of £631,000 (2017: credit of £845,000) and a deferred tax credit of £843,000 (2016: £2,744,000).

The current UK tax rate (including deferred tax) on profit before tax is lower than the standard rate (calculated at 19.00%; 2017: 19.92%), primarily due to recognition of research and development (R&D) credits in the current year (£0.5m) and statutory deductions on the exercise of share options by employees (£0.1m). The Group will continue to recognise its R&D tax credit in the tax line, in accordance with IAS 12, whilst its subsidiary statutory accounts now make use of the R&D expenditure credit (RDEC), recognising the tax credit in their operating costs.

The Group's overall tax rate was below the standard corporation tax rate of 19.00% (2017: 19.92%). The reduction is due to the reasons given above for the current year's rate, and, in addition, a prior year tax credit in respect of the release of earlier year R&D tax credit provisions where tax years have now closed. Looking forward, the Group's effective current tax rate for both 2018/19 and 2019/20 is estimated at 16%. This takes account of the expected reduction in headline tax rates in the UK and assuming that the R&D tax credit regime remains unchanged from its current level and scope offset by an increased proportion of profit before tax from EID at higher Portuguese tax rates. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2016/17 and 2017/18.

Exceptional items

The small exceptional item was in respect of the acquisition of a further 23.09% of EID, taking the Group to its final position of 80% ownership.

Adjusted earnings per share

The adjusted earnings per share (EPS) of 30.00 pence (2017: 27.93 pence) is reported in addition to the basic earnings per share and excludes the effect of exceptional items, amortisation of intangible assets and exchange movement on marking forward exchange contracts to market, all net of tax.

The adjusted earnings per share exclude the non-controlling interest of EID, 43%, up to 24 November 2017 and 20% thereafter.

The reconciliation is as follows:

	Adjusted operating profit £m	Adjusted earnings per share Pence
Year ended 30 April 2017	14.5	27.93
EID adjusted operating profit and earnings impact (57% owned for period from 1 May to 24 November 2017 and 80% owned from 24 November 2017 to 30 April 2018)	0.5	0.80
100% owned businesses throughout the year ended 30 April 2018	0.6	1.47
Dilution from higher weighted average number of shares (due to option exercises)	–	(0.20)
Year ended 30 April 2018	**15.6**	**30.00**
Increase from 2017 to 2018	8%	7%

The adjustments to the basic EPS in respect of exceptional items, exchange movements and other intangible asset amortisation of EID only reflect that proportion of the adjustment that is applicable to the equity holders of the parent, analysed as follows:

	Adjustment to adjusted operating profit £000	Applicable tax adjustment £000	Adjustment to adjusted earnings per share (net of tax) £000	
Exceptional items	50	–	50	
Exchange gain on marking forward contracts to market value	280	(53)	227	
Amortisation of other intangible assets:				
J+S	1,320	(251)	1,069	
MCL	2,430	(461)	1,969	
EID	1,039	(233)	806	*note 1*
	5,119	(998)	4,121	

Note 1: This adjustment is at 56.91% up to 24 November and 80.00% thereafter of the adjustment to the adjusted operating profit, reflecting the share appropriate to the equity holding of the parent.

As reported in the Chairman's statement, the adjusted earnings per share includes some one-off tax credits of £0.2m (2017: £0.5m) which when taken into account reduces the adjusted earnings per share by 0.59 pence to 29.41 pence (2017: 26.63 pence), 10% higher than last year's equivalent figure.

Financial estimates and judgements

In preparing the Annual Report and Accounts of Cohort plc for 2018, a number of financial estimates and judgements have been made which are explained in the Audit Committee report on pages 35 to 36.

Accounting policies

The changes in respect of accounting policies are explained in the Audit Committee report on pages 35 to 36.

Additional financial reporting disclosure

The Group makes reference to additional financial reporting over and above that required by the IFRS. These alternative performance measures are explained in the Audit Committee report on pages 35 to 36.

Our people

All of the Group's capabilities and customer relationships ultimately derive from our people, and such success as we have enjoyed is a result of their efforts. We would like to take this opportunity to express our thanks to all employees of Cohort and its businesses.

Andy Thomis
Chief Executive Officer

Simon Walther
Finance Director

We commit to mission critical effectiveness

EID

Strengthening relationship with Bangladeshi Army

EID further strengthened its relationship with the Bangladeshi Army through the award of a new €1m contract for the supply of tactical field switchboards.

EID has supplied CD-116 switchboards and provided customer support services to the Bangladeshi Army since 2011, with the latest being the seventh order of field communications equipment from the customer.

The CD-116/IP offers interfaces for analogue and VoIP telephones, data terminals and combat net radios. It offers multiple solutions for networking, from IP to ISDN and analogue alternatives, via radio relay, optical fibre, satellite and others.

All of the Group's capabilities and customer relationships ultimately derive from our people

Our core values are integral in uniting our business

We believe in playing our part
We dedicate our expertise to advancing defence technology. It is our contribution to national interest and security, protecting people and keeping them safe. It is our way of making a difference. We work at the highest levels of strategic capability and take great pride in our collective expertise. We operate with uncompromising ethics and offer up our talent and resources for the greater good of nations.

We believe in being results driven
If we say we will do something, then we will do it. By being an agile group of smart thinkers, with the ability to create solutions and the tenacity to see things through. We are interested, committed and personally invested in purposeful technology that delivers and makes good commercial sense.

We believe in independent thinking
Small teams do big things when they have the autonomy to think and to see the bigger picture. When they are given the space and encouragement to explore, free of unnecessary process.

Independent thinking and an entrepreneurial spirit help us inspire each other to find better ways of working and create the conditions for new ideas to unfold. It is how we come to better understand the challenges before us and adapt swiftly to reach the most effective solution.

At the year end the Group had 790 (2017: 811) permanent employees. Many of these are highly qualified engineers, mathematicians and scientists. The Group also retained the services of 55 engineers and production staff in 2018 (2017: 54) on fixed-term or task-specific contracts.

The Group operated its Business Excellence Awards Scheme again in 2018, with the Gold Award this year going to the Protect Development team at MASS. This team developed, in a very short timescale, a set of electronic warfare countermeasures simulation tools collectively known as CounterWorx. These are already being used as part of MASS's EWOS offering for various customers. They allow the simulation of threats and their response to countermeasures, and they assist in optimising countermeasures to enhance their effectiveness and the range of circumstances in which they work. Other winners included a SEA team for its work on a technically challenging aspect of submarine communication, and the team that delivered a very successful DSEI exhibition for the Group last September.

We completed the Group's second Leadership Development Scheme last year. The scheme is intended to hone the skills of the next generation of our senior leaders and is supported by the top management of both the operating businesses and the headquarters team. As well as developing individual skills and encouraging people to achieve their full potential we see this as being a way to encourage the growth of informal networks across the Group, improving our ability to share information and work together more effectively. In addition, a scheme to broaden the skills of some of our most able technical people was also completed in the year. We intend to run these schemes again in the future, building on the experience gained so far. We have also commenced graduate training schemes at MASS and SEA. As part of these, the graduates are deployed at various times to other members of the Group, including Cohort plc, to widen their business knowledge and contacts.

Cohort's largest customers are the UK's armed forces, and the work we do helps them to carry out their vital tasks more effectively. This is a significant motivating factor for our people, many of whom are current reservists or former members of the armed forces themselves. Cohort is proud to have been an early signatory of the UK Armed Forces Corporate Covenant and as a Group we currently hold two Silver Awards under the Defence Employer Recognition Scheme, Cohort's award having been renewed last year.

The Portuguese armed forces are also an important customer for the Group. In November 2017, two members of EID, its Managing Director, António Marcos Lopes and the Head of its Naval Communications business, Manuel Matos Luís, both received the Naval Cross 1st Class military medal from the Portuguese Navy's Chief of Staff. We and they are very proud of this strong endorsement of our people's value to our customers.

Our people are frequently involved in fundraising for armed forces charities, activities which we are pleased to support, in a modest way, corporately, either directly or through matching employee efforts. The Group donated nearly £38,000 in 2017/18 (2016/17: £34,000), the majority to military charities, including SSAFA and charities local to our businesses.

All of the Group's capabilities and customer relationships ultimately derive from our people, and such success as we have enjoyed is a result of their efforts. We would like to take this opportunity to express our thanks to all employees of Cohort and its businesses.

MEMBER OF The 5% Club APPRENTICES AND GRADUATES INVESTING IN A GENERATION

MASS commits to "earn and learn" by joining the 5% Club

MASS has confirmed its commitment to developing its people by joining the 5% Club, an industry-led initiative focused on driving momentum into the recruitment of apprentices, graduates and sponsored students.

The 5% Club, initiated by Leo Quinn, CEO of Balfour Beatty, in 2013, is a movement of more than 250 employers providing "earn and learn" opportunities to develop their employees' skills. Member companies strive to increase the number of apprentices, sponsored students and graduates on formal programmes to 5% of their total workforce within five years. The existing membership ranges from small and medium-sized enterprises to companies in the FTSE 100, and covers a diversity of business sectors from engineering through to legal.

MASS has already created opportunities through its successful new graduate scheme, with the first software engineers joining in 2017.

SEA apprentice rewarded with accolade

Jasmine Coaker, a second-year mechanical engineering apprentice with SEA, has been named as the Apprentice of the Year at the 2018 North Devon Manufacturer's Association Awards. Jasmine is part of a successful apprenticeship programme that has been running at SEA's Barnstaple facility for over 30 years, welcoming students from a multitude of engineering disciplines. The company supports apprentices through each stage of the four-year scheme and is delighted Jasmine has won the award.

Permanent employees

790

-3%

18	790
17	811
16	648

Funds raised for charity

£38,000

+12%

18	38,000
17	34,000
16	36,000

ARMED FORCES COVENANT

EMPLOYER RECOGNITION SCHEME

SILVER AWARD

2017

Cohort's Silver Award was re-awarded for another three years

Board of Directors

Nick Prest CBE ■■
Chairman

Term of office
Nick became Chairman of Cohort on flotation in March 2006.

Background and experience
After graduating from Oxford in 1974 Nick joined the UK MOD. In 1982 Nick moved to Alvis, the defence contractor, undertaking a variety of roles before becoming Chief Executive in 1989 and Chairman and Chief Executive in 1996. Nick left Alvis following its acquisition by BAE Systems in 2004, by which time the company had become a leading international business in military land systems.

Nick was also Chairman of Aveva Group plc from 2006 until 2012.

External appointments
In addition to being Chairman of Cohort, Nick is also Chairman of Shephard Group, a privately owned media company specialising in defence and aerospace.

Andrew Thomis ■
Chief Executive

Term of office
Andrew took over as Chief Executive of Cohort in May 2009.

Background and experience
Andrew graduated with an MEng degree in Electrical and Electronic Engineering from Imperial College London in 1987. He spent nine years in science, technology and policy roles in the UK MOD. He left in 1996 and, after a period working with public and private sector clients at Capita plc's management consultancy arm, he joined Alvis in a role covering strategy, M&A and business development. Following the acquisition of Alvis by BAE Systems in 2004, he worked with Nick Prest and Stanley Carter on the creation of Cohort plc, acting as Finance Director during the flotation and subsequently Corporate Development Director. From 2007 to 2009 he was Managing Director of MASS.

Simon Walther ■
Finance Director and Company Secretary

Term of office
Simon joined Cohort as Finance Director in May 2006.

Background and experience
After graduating with a BSc in Toxicology and Pharmacology from University College London, Simon went on to qualify as a Chartered Accountant with Touche Ross in 1992. Simon moved to the Peninsular and Oriental Steam Navigation Company (P&O) in 1993 where he was appointed a Chief Accountant for P&O European Ferries in 1995. He has 20 years' industry-relevant experience, with previous senior finance roles at Alvis and BAE Systems.

■ Member of the Board of Directors
■ Member of the Remuneration and Appointments Committee
■ Member of the Audit Committee

António Marcos Lopes
Managing Director of EID

Term of office
António was appointed as Managing Director of EID in July 2016.

Chris Stanley
Managing Director of MASS

Term of office
Chris was appointed as Managing Director of MASS in April 2017.

Executive Management Team

Background and experience
António graduated from the University of Lisbon as an electronics and telecommunications engineer in 1977, immediately joining the Portuguese Navy as an officer. At the same time, he was Assistant Professor of Mathematics at the University of Economics in Lisbon. António joined EID 35 years ago, as a research and development engineer. He assumed the leadership of the Naval Communications division in 1996 and was appointed to the board of directors in 2000 as an Executive Director of the company. He was appointed Managing Director in July 2016 following Cohort's acquisition of EID.

From 2001 to 2003 António was a Non-executive Director of STE, Serviços de Telecomunicações e Electrónica, S.A. and from 2001 to 2010 he was a member of the board of directors of NEC Portugal – Telecomunicações e Sistemas S.A.

Background and experience
After graduating from the University of Leicester with a BSc in Astrophysics and obtaining a master's degree in Microwave Solid State Physics from the University of Portsmouth, Chris started his career designing radar systems and antennas for Racal Defence before spending six years developing radar and IR countermeasures for the RAF at the Electronic Warfare Operational Support Establishment. Chris then spent four years as the Mathematical Modelling Group Manager at GEC Avionics, designing and developing advanced radar systems. During this time he also gained an MBA from Henley Management College.

Chris managed and directed the Technical Services business unit within the VT Group before moving to MASS in December 2007 as Director of the EWOS division.



Stanley Carter
Non-executive Director
Term of office
Stanley has been with Cohort since its formation, initially as its Chief Executive before becoming Co-Chairman in 2009. In 2015, Stanley stepped down from Co-Chairman to become a Non-executive Director.

Background and experience
Stanley jointly founded Cohort with Nick Prest in 2006 with SCS as the launch vehicle on flotation. Prior to that he was Managing Director of SCS, which he founded in 1992 on leaving the Regular Army. During his military service as a Royal Artillery Officer he held a wide range of posts in the MOD, including with the central staff, in procurement and at government research establishments, as well as representing the UK on NATO technical committees. He received an award for the invention of a missile launcher from the UK MOD. He has degrees in Technology and Behavioural Science from Loughborough University and the Open University respectively, and an MSc in Information Systems from the Royal Military College of Science as well as having held a number of technology directorships.

Jeff Perrin
Independent Non-executive Director
Term of office
Jeff joined the Board of Cohort on 1 July 2015 and became Chairman of the Audit Committee following the AGM on 22 September 2015.

Background and experience
A Chartered Certified Accountant, Jeff has held a number of senior financial positions including roles within Unilever, Oriflame, and the defence businesses of GEC and Radstone Technology Plc. In the latter company, he was also Chief Executive for four years until his departure a year after its acquisition by the General Electric Company in 2006.

External appointments
Jeff is also Chairman of the private equity-backed defence company Chess Technologies Ltd, a position he has held since 2008.

Sir Robert Walmsley KCB, FREng
Independent Non-executive Director and Senior Independent Director
Term of office
Sir Robert joined the Board of Cohort on flotation in March 2006. He is Chairman of the Remuneration & Appointments Committee.

Background and experience
Sir Robert served in the Royal Navy from leaving school until his final appointment as a Vice Admiral. After retiring from the Navy, he was appointed as Chief of Defence Procurement for the UK MOD, occupying that position from 1996 until 2003. He served on the British Energy board from 2003 until 2009 and until 2012 was a senior adviser at Morgan Stanley International and Chairman of the Major Projects Association. From 2004 until 2015, he served on the board of General Dynamics Corporation in the United States.

External appointments
Sir Robert is on the board of Ultra Electronic Holdings plc and holds a number of other advisory roles in the defence and energy sectors. Since 2013 he has been the independent Chairman of the Department for Work and Pensions' Universal Credit programme and since 2014 he has been a Crown Representative within the Crown Commercial Service.

Darren Allery
Managing Director of MCL
Term of office
Darren became Managing Director of MCL in March 2009.

Background and experience
Darren has over ten years' senior managerial experience in the international defence sector. He began his career in 1985 at MEL as an Electronics Engineer. In 1990, he moved to MCL as a Support Engineer, primarily supporting electronic warfare equipment, specialising in ELINT. His roles at MCL have included Support Engineer, Support Manager, EW Sales Manager and Business Development Director.

Stephen Hill
Managing Director of SEA
Term of office
Stephen was appointed as Managing Director of SEA in March 2011.

Background and experience
Stephen has over 15 years' senior managerial experience, predominantly in the international aerospace and defence sector. He began his career in 1983 at GEC-Marconi as an Electronics Engineer, eventually becoming Business Director, with responsibility for the Land Systems electro-optics business at Basildon. In 2000, he moved to Thales, where his roles included Managing Director of the Air Operations business at Wells and Vice President with responsibility for the UK Air Systems division. Prior to joining the Cohort Group, he was Chief Executive of CircleBath, a venture capital-backed private hospital in Bath. Stephen has a first class honours degree in Electrical and Electronic Engineering and a master's in Engineering Project Management, and is a qualified Chartered Director.

As Chairman, I am responsible for leading the Board so as to ensure that Cohort has in place the strategy, people, structure and culture to deliver value to shareholders and other stakeholders of the Group, as a whole, over the medium to long term.

Introduction

Until this year, Cohort has modelled its corporate governance, as far as practicable, on the 2013 Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-Size Quoted Companies, although we were not formally required under AIM Rules to do so.

On 8 March 2018, the London Stock Exchange issued revised rules for AIM-listed companies, within which was a requirement (Rule 26) for AIM companies to apply a recognised corporate governance code from 28 September 2018.

Cohort plc has chosen to apply the recently published (April 2018) QCA Corporate Governance Code (the Code) with immediate effect and this Corporate governance report for the year ended 30 April 2018 is based upon the Code.

The principal means of communicating our application of the Code are this Annual Report and our website (www.cohortplc.com).

Overview

As the Chairman of Cohort plc, I welcome the new QCA Corporate Governance Code as a useful guide to assist me and the Board of Cohort plc in articulating how we, at Cohort plc, approach and apply good corporate governance.

As Chairman, I am responsible for leading the Board so as to ensure that Cohort has in place the strategy, people, structure and culture to deliver value to shareholders and other stakeholders of the Group, as a whole, over the medium to long term.

In the remainder of this report, I have set out the Group's application of the Code, including, where appropriate, cross reference to other sections of the Annual Report.

Where our practices depart from the expectations of the Code, I have clearly highlighted these and given an explanation as to why, at this time, it is appropriate for the Group to depart from the Code.

The Code sets out ten principles in three broad categories, as follows:

Deliver growth

1. Establish a strategy and business model which promote long-term value for our shareholders.
2. Seek to understand and meet our shareholders' needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for our long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the Group.

Maintain a dynamic management framework

5. Maintain the Board as a well-functioning, balanced team led by the Chair.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.

Governance structure

Corporate structure

The Board

Audit Committee

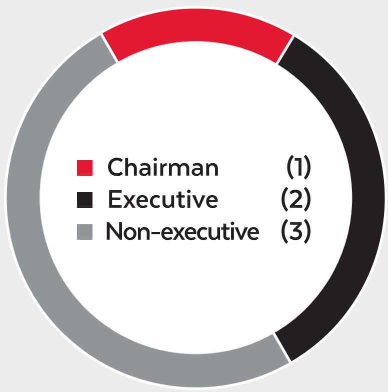
Jeff Perrin (Chairman)
Stanley Carter[1]
Sir Robert Walmsley

1 Stanley Carter stepped down from the Audit Committee on 27 June 2018.

Remuneration & Appointments Committee

Sir Robert Walmsley (Chairman)
Stanley Carter
Jeff Perrin
Nick Prest CBE

Board composition



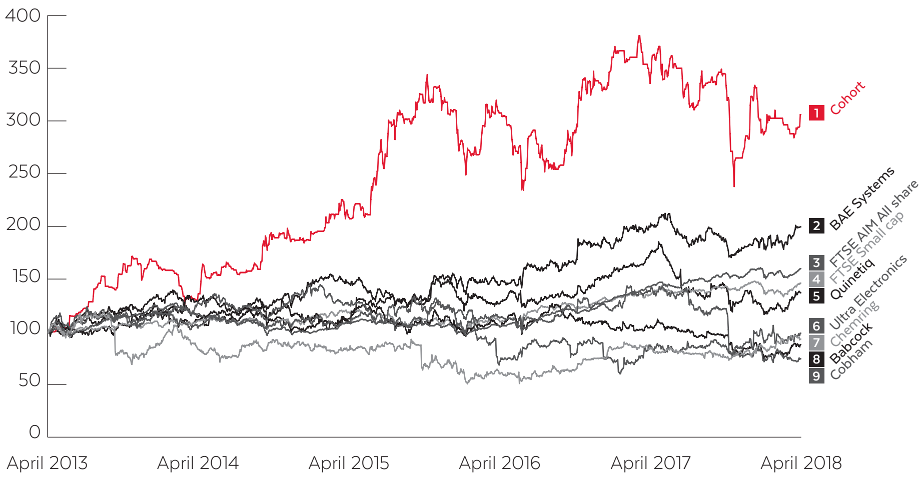
Build trust

10. Communicate how Cohort plc is governed and is performing by maintaining a dialogue with our shareholders and other relevant stakeholders.

Deliver growth

Establish a strategy and business model which promote long-term value for our shareholders
The Group's business model is set out on page 8 with our strategy alongside on page 9. We believe this does promote long-term value for our shareholders as demonstrated by our five years' financial performance (see inside back cover) and our key performance indicators on pages 10 to 11 which are shown for the last three years.

Our progressive dividend policy and share performance over the last five years are also indicators of long-term value for our shareholders with total shareholder return shown below:



We also believe that remaining on AIM is of long-term value to our shareholders as it offers a combination of access to capital markets, flexibility to make acquisitions, incentives and rewards to management through share schemes, and a regulatory environment appropriate to the size of the Company.

Seek to understand and meet our shareholders' needs and expectations
Cohort places a great deal of importance on communication with all shareholders. The Company uses the Annual Report and Accounts, the AGM, the Interim Report, the website (www.cohortplc.com), social media, webcasts and email news alerts to provide information to shareholders. The Company also meets with its institutional shareholders and analysts and receives feedback from its institutional shareholders, via its Nomad, Investec, on a regular basis.

The primary points of contact with the shareholders are myself, the Chief Executive and the Finance Director. Sir Robert Walmsley, the Senior Independent Director, is available to all shareholders should they have any concerns which the normal channels of Chairman, Chief Executive and Finance Director have failed to resolve, or for which contact through the normal channels would be inappropriate.

The Company receives every year, just prior to its AGM, voting guidance reports from organisations such as the Association of British Pension Funds. These highlight any areas of concern and invite the Company to comment prior to publication.

In the recent past, these concerns have been in respect of:

i. length of service of independent Non-executive Directors;

ii. membership of Board Committees; and

iii. executive remuneration, specifically no performance conditions applying to the exercise of share options.

Not all of these involve non-compliance with the Code, but we have in this year's Annual Report and Accounts addressed them all and either introduced changes or explained why we do not think it is in our shareholders' interests to do so at this time.

Take into account wider stakeholder and social responsibilities and their implications for our long-term success
Stakeholders other than shareholders include our employees, customers, partners, suppliers and neighbours. These are all key to our long-term success.

Our employees (see pages 26 to 27) are the key to our success. We are not a capital intensive business but depend upon the skills, capabilities and flexibility of our employees, and our business model depends upon us being agile and responsive.

The Group has formal arrangements in place to facilitate whistle-blowing by employees through a contract with a third-party service provider. If any call is made to this third party, either the Chief Executive or the Senior Independent Director is notified promptly of the fact and the content of the call, so that appropriate action can be taken.

Our customers and suppliers are in many instances long-term partners and an important part of our culture is to establish and maintain relationships of trust.

Embed effective risk management, considering both opportunities and threats, throughout the Group
The Board and Group approach to risk is set out in the Audit Committee report on pages 35 to 36 and in the Risk management on pages 37 to 41.

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness in managing the risks we face. Such systems are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material misstatement or loss. Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of these systems. This is achieved primarily by considering the risks potentially affecting the Group and from discussions with the external auditor.

The Audit Committee, on behalf of the Board, reviews the risk environment faced by the Group on a regular basis and how the Group manages and mitigates these risks.

The key risks of the Group are presented on pages 37 to 41.

The Board is not aware of any significant failings or weaknesses in the system of internal control.

Overview continued

Build trust continued

Deliver growth continued

Embed effective risk management, considering both opportunities and threats, throughout the Group continued

On the recommendation of the Audit Committee, the Board has determined that an internal audit function is not required due to the small size of the Cohort administrative function and the high level of Director review and authorisation of transactions. The Board will keep this matter under review as the Group develops.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. In addition, the Group conducts quarterly re-forecasts. The Group's results, as compared against budget and the latest quarterly forecast, are reported to the Board on a monthly basis and discussed in detail at each meeting of the Board.

The subsidiary balance sheets are reviewed in detail on a quarterly basis by the Cohort Finance Director.

Maintain a dynamic management framework

The Board of Cohort plc is highly experienced in the defence market. Through the operation of the Board and the Group Executive, which comprises the subsidiary Managing Directors and the Cohort plc Executive Directors, the Board is able to monitor the business and respond in a timely manner to issues and opportunities as and when they arise.

Maintain the Board as a well-functioning, balanced team led by the Chair

The Board

As at 30 April 2018, the Board of Directors comprised the Chairman, Nick Prest CBE; two Executive Directors, Andrew Thomis and Simon Walther; and three Non-executive Directors, Stanley Carter, Jeff Perrin and Sir Robert Walmsley.

The Board considers that Sir Robert Walmsley and Jeff Perrin are independent. In Sir Robert's case the Board has specifically considered his length of service on the Board and determined that in terms of interest, perspective and judgement he remains independent. The Board is therefore compliant with the Code in having two independent Non-executive Directors. Sir Robert Walmsley has been designated as the Senior Independent Director.

All Directors retire by rotation and are subject to election by shareholders at least once every three years. Any Non-executive Directors who are considered by the Board to be independent but who have served on the Board for at least nine years or in conjunction with an Executive Director for nine years or more, will be subject to annual re-election. In 2018 this applies to Sir Robert Walmsley.

The Board, as part of its continuing review of its composition and performance, is planning to add another independent Non-executive Director in the coming year.

Board Committees

The Board has established two Committees: Audit and Remuneration & Appointments, each having written terms of reference, which can be viewed on the Company's website.

The reports of the two committees are reported separately on pages 35 to 36 for the Audit Committee and pages 44 to 47 for the Remuneration & Appointments Committee.

Up until the year ended 30 April 2018, the Audit Committee comprised all three Non-executive Directors, one of whom is not independent.

As from 27 June 2018, the Audit Committee will comprise only the two independent Non-executive Directors, Jeff Perrin (Chair) and Sir Robert Walmsley, in accordance with the Code. The Audit Committee's role is set out on page 35 of the Audit Committee report.

The Remuneration & Appointments Committee comprises Sir Robert Walmsley (Chair), Jeff Perrin, Stanley Carter and me. The role of the Remuneration & Appointments Committee is to:

- establish a formal and transparent policy on Executive remuneration and to set remuneration packages for individual Executive Directors (and such other senior employees as the Board may determine);
- assess the performance of the individual Executive Directors (and such other senior employees as the Board may determine) against these packages and determine the related remuneration;
- undertake the role, in conjunction with the Chief Executive, of proposing individuals to the Board for such appointments as the Board may from time to time request; and
- undertake any other tasks appropriate to the Committee requested by the Board.

The composition of the Remuneration & Appointments Committee is not in accordance with the Code, which requires that only independent Non-executive Directors should sit on it. Cohort is not a large company and we want to make the best use of the skills we have. Both Stanley Carter and I have considerable experience in dealing with remuneration matters, as well as substantial shareholdings in the Company, and the collective view of the Board is that the present composition of the Committee benefits the Company and its shareholders.

At present, the formal role of Company Secretary is undertaken by Simon Walther, the Finance Director of Cohort plc. In practice the majority of the work is undertaken by the Deputy Company Secretary, who is a full time employee and acts as Secretary to the Board and its Committees and in this capacity deals directly with me and Board and Committee members as required. It may be appropriate at some time in the future to separate the Company Secretary role from the Executive, and we keep this under review.

Attendance at Board and Committee meetings

Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary including meetings with subsidiary Managing Directors to review strategic and financial plans. The scheduled Board and Committee meetings and attendance during the year ended 30 April 2018 were as follows:

	Board (10 formal meetings)	Audit Committee (3 meetings)	Remuneration & Appointments Committee (2 meetings)
N Prest CBE (Chairman)	■■■■■■■■■	–	■■
S Carter (Non-executive Director)	■■■■■■■■■■	■■■	■■
Sir Robert Walmsley (Non-executive Director)	■■■■■■■■■■	■■■	■■
J Perrin (Non-executive Director)	■■■■■■■■■■	■■■	■■
A Thomis (Chief Executive)	■■■■■■■■■■	–	–
S Walther (Finance Director and Company Secretary)	■■■■■■■■■■	–	–

The Executive Directors and subsidiary Managing Directors all work full time for the Group.

The Non-executive Directors have commitments outside Cohort. These are summarised in the Board biographies on pages 28 to 29. All the Non-executive Directors give the time to fulfil thoroughly their responsibilities to Cohort and as Chairman I monitor this.

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
The Board undertook a formal evaluation of its performance in 2017. After considering different alternatives the Board made the decision to undertake the evaluation internally, using a process led by me.

The evaluation involved both a numeric and discursive self-assessment by each Board member, in response to a questionnaire, on the role and functioning of the Board and its members and Committees. The results of the review were broadly satisfactory but a number of actions emerged from it, as follows:

1. A comprehensive review of the legal and regulatory environment applying to Cohort, intended to ensure that our policies and procedures address comprehensively these obligations.
2. Following on from this, the production of a Company manual codifying all our policies and procedures, known as the Cohort plc Corporate Governance Handbook.
3. An expanded review of the Group's business risks and mitigations, led by the Audit Committee Chairman.

A programme to ensure a good level of contact between the Board, and Non-executive Directors in particular, and subsidiaries through visits and meetings with subsidiary Managing Directors.

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
The Board has a broad range of skills, with particularly deep experience in the defence sector. The balance of skills and experience of the Board is summarised as follows:

	Defence sector	Financial	General management	Other public company (board level)	Public sector
N Prest	■		■	■	■
A Thomis	■		■		■
S Walther	■	■			
Sir Robert Walmsley	■			■	■
S Carter	■		■		■
J Perrin	■	■	■	■	

The Board biographies (pages 28 to 29) give an indication of the breadth of skills and experience. Each member of the Board takes responsibility for maintaining his skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars.

I am fully aware that a Board comprising six men and no women does not reflect current views of best practice and carries some risks in terms of the breadth of capability and views brought to the table. An issue in the defence industrial sector is that, for a variety of reasons, there are not many women in senior positions and our policy so far has been to appoint Board members who have, alongside their other skills, defence experience. We continue to keep the issue under review.

Promote a corporate culture that is based on ethical values and behaviours
The Group has a strong ethical culture, supported by our ethical policy as published on our website (www.cohortplc.com). We see a company as a social unit with an economic output and the success of our social unit depends on the values of honesty, trust, loyalty and working together, with a healthy balance of competition and cooperation, just as in any other unit of society. We try to run our businesses this way.

The Board, through the Group Executive, undertakes regular reviews and audits in certain specific areas of risk, namely:

Anti-bribery
The Group has an anti-bribery policy and each of its businesses has implemented that policy and adequate procedures described by the Bribery Act 2010 (the Act) to prevent bribery. Each business within the Group reports annually to the Board on its compliance with the policy and procedures. The Cohort Chief Executive is the Board member responsible for the Group's compliance. As part of its procedures, the Group has implemented training in respect of compliance with the Act for its employees.

The Group's anti-bribery policy is reviewed at least every two years or more often if necessary. The policy was last reviewed and updated in March 2018, following an external independent review.

Cyber risk
The Group has a Security Policy Framework which covers physical and cyber security of its assets, employees and information, including third-party information, as well as business continuity and disaster recovery procedures. Each business within the Group reports annually to the Board on the applicability of and its compliance with the Group's Security Policy Framework.

The Group's Security Policy Framework is frequently reviewed, taking account of best practice and requirements in government and industry, and was last updated in March 2016. The Group has undertaken a full review of its requirements under the General Data Protection Regulation (GDPR), implementing appropriate policies, procedures and training to ensure it was compliant from 25 May 2018. As a result of GDPR, the Group will implement a new Information Security Policy (ISP) to replace its current Security Policy Framework in the coming year.

This new ISP will encompass our responsibilities in respect of GDPR as well as other non-personal information we handle.

The new ISP will include annual (internal) audits of our implementation of this policy.

Overview continued

Build trust continued

Maintain a dynamic management framework continued

Promote a corporate culture that is based on ethical values and behaviours continued

Other areas reflecting our ethical values and behaviour include:

Modern slavery

The Group has an anti-slavery policy to address the aspects of modern slavery as set out in the Modern Slavery Act 2015 (the MSA). In accordance with the requirements of the MSA, the Group and each UK member of the Group have published a statement on their respective websites setting out the steps the Group and they have taken to ensure that slavery and human trafficking are not taking place in their respective businesses and supply chains. A copy of the statement can be found in the Corporate governance section of the Cohort website (www.cohortplc.com). The Group's Portuguese subsidiary, EID, has in place an anti-slavery policy which is aligned with the Group's policy.

The Group's anti-slavery policy was first adopted in April 2016 and will be reviewed at least every two years or more often as necessary.

Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board discharges its duties through the following management structure:

Group management

The Cohort Board meets at least seven times per calendar year, in addition to business and strategic reviews which are not recorded as formal Board meetings. The Board also holds regular ad hoc discussions to consider particular issues. We aim as a Board to visit each of the subsidiaries at least once a year, and I and individual Non-executive Directors also make visits to keep up to date with business issues at the subsidiaries. This is important in a decentralised group like Cohort. I and the Non-executive Directors meet at least once a year without the Executive Directors present.

- The Board receives a monthly Board pack comprising individual reports from each of the Executive Directors and the subsidiary Managing Directors, together with any other material necessary for the Board to hold fully informed discussions to discharge its duties, including the review of Company strategy to ensure this aligns with creating shareholder value. It is the Board's responsibility to formulate, review and approve the Group's strategy, budgets, major items of expenditure and commitment, major contract bids, acquisitions and disposals. A full schedule of the matters reserved for the Board can be viewed on the Company's website. The Group Executive Committee meets at least four times per calendar year, comprising Cohort Executive Directors and subsidiary Managing Directors.

Subsidiary management

- There are monthly Executive Management meetings involving the senior management of each subsidiary. Cohort Executive Directors attend subsidiary Executive Management meetings on a regular basis. The Non-executive Directors and I occasionally attend subsidiary Executive Management meetings.

Build trust

The Board communicates how the Company is governed and how it is performing by maintaining a dialogue with shareholders and other stakeholders through the mechanisms described on page 31.

Board Committees

The reports to shareholders of the Audit and Remuneration & Appointments Committees are on pages 35 to 36 and 44 to 47 respectively.

The Board welcomes considered enquiries from shareholders and other stakeholders at any time.

Nick Prest
Chairman

Audit Committee report

Jeff Perrin, Independent Non-executive Director

> It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply financial reporting under IFRS, the Companies Act 2006, risk and the internal control requirements of the Code and maintaining an appropriate relationship with the independent auditor of the Group.

Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**19**	20
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**126**	135
Total audit fees	**145**	155
Interim review fee	**20**	19
Other non-audit fees	**10**	—
Total non-audit fees	**30**	19
Total fees paid to the auditor and its associates	**175**	174
Charged to profit for the year	**175**	174

The Audit Committee comprised the three Non-executive Directors for the year ended 30 April 2018. From 27 June 2018 the Audit Committee will comprise only the two independent Non-executive Directors, in compliance with the QCA Corporate Governance Code (the Code). It is scheduled to meet at least three times a year. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply financial reporting under IFRS, the Companies Act 2006, risk and the internal control requirements of the Code and maintaining an appropriate relationship with the independent auditor of the Group.

Jeff Perrin is Chairman of the Audit Committee being a qualified Chartered Certified Accountant and having experience of the defence industry in previous and current roles. The current terms of reference of the Audit Committee were reviewed and updated in June 2017.

Consideration of the financial statements

In making its recommendation that the financial statements be approved by the Board, the Audit Committee has taken account of the following significant issues and judgement areas:

Areas of judgement

Revenue recognition on fixed-price contracts

The judgement applied in recognising revenue on a fixed-price contract is made by reference to the cost incurred, including contingency for risk and the demonstrable progress made on delivering key stages (often referred to as milestones) of the contract. The Group uses best estimates in applying this judgement and where uncertainty of progress on a stage exists, revenue is not recognised for that stage.

Cost contingency on fixed-price contracts

In addition to the judgement applied to revenue recognition, the cost of delivering a contract to a particular stage represents the actual costs incurred and committed, plus an estimate of cost contingency for risk still present in the contract at that stage. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduces.

Goodwill

The Group has recognised goodwill and other intangible assets in respect of the acquisitions of MASS, SEA (including J+S), MCL and EID. The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and in each case are amortised over the expected life of the earnings associated with the other intangible asset acquired. The goodwill, which is not subject to amortisation but to at least annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived. This includes, but is not limited to, reputation, customer relations, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of MASS, SEA (including J+S), MCL and EID has been tested for impairment as at 30 April 2018; this is an area of judgement. In each case there was no impairment. The impairment test for the goodwill in respect of EID is more sensitive, with no impairment at the Group's post-tax weighted average cost of capital (WACC) of 12.4% (2017: 11.0%) but the goodwill of EID would become impaired if the Group's post-tax WACC increases to over 42%. The Group's 2018 post-tax WACC of 12.4% is higher than the 2017 equivalent of 11.0%, which reflects higher interest rates and volatility, partly offset by a lower equity risk. These post-tax WACC amounts are equivalent to a pre-tax WACC of 17.3% (2017: 15.1%).

EID's goodwill is more sensitive to impairment due to it currently having lower future operating cash inflows, partly a result of a higher local tax rate and higher working capital requirements in the near term.

Provisions

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

Accounting policies

There were no significant changes in accounting policies applying to the Group for the year ended 30 April 2018. In the year commencing 1 May 2018, the Group will apply IFRS 15 'Revenue from Contracts with Customers' for the first time with a restatement, where applicable, of the reported results for the year ended 30 April 2018.

The estimated impact of IFRS 15 is shown on page 90.

IFRS 16 'Leases', which will apply from 1 May 2019, has also been assessed and its expected impact is shown on page 90.

Alternative performance measures (APM)

The Group reports a number of APMs which are not in accordance with the reporting requirements of IFRS. The Audit Committee has reviewed these during the year ended 30 April 2018 to ensure they are appropriate and that in each case:

- the reason for their use is clearly explained;
- they are reconciled to the equivalent IFRS figure; and
- they are not given prominence over the equivalent IFRS figure.

The most important APMs reported by the Group are as follows:

Adjusted operating profit

This is used by the Group to report what the Board considers is its trading profit in a consistent manner, year on year, to provide the readers of the accounts with a consistent comparative. This is derived from operating profit/(loss) as reported under IFRS by excluding amortisation of other intangible assets, all of which arises on acquisition of subsidiaries and exceptional items, including acquisitions costs and reorganisations and foreign exchange movements from non-trading activities, and marking forward exchange contracts to market value.

The reconciliation of operating profit (IFRS) to adjusted operating profit is shown in the Consolidated income statement (page 54) for the Group and in note 1 on page 60 for the Group's subsidiaries. The following table shows the Group's adjusted operating profit compared with operating profit for the last five years:

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Adjusted operating profit	**15.6**	14.5	11.9	10.1	8.2
Operating profit	**10.0**	1.0	5.2	5.9	6.6

The main differences between the two figures is the amortisation of other intangible assets value which arises on the acquisition of businesses.

The trading performance of the Group is better reflected by the adjusted operating profit.

Adjusted earnings per share

Based upon the adjusted operating profit after taking account of tax applying to adjusted operating profit and interest to enable the Group to report on earnings per share figure based upon what the Board considers is a more appropriate and comparable earnings basis.

This is reconciled to the headline (IFRS) earnings per share in note 8 on page 65.

Order intake and order book

These measures are not yet covered by IFRS. The Board considers them critical APMs as they provide readers of the accounts with an indication of how much business the Group is winning and how much of its future revenue is on contract to be delivered.

The Group only reports contracted orders (including purchase orders) in its order intake and order book and does not include any value attributable to frameworks or other contracting mechanisms unless confirmed by a legally enforceable contract or purchase order.

The delivery of the order book in future periods is shown on page 20 and provides the Board with one of the key components in its going concern assessment.

This final APM, order intake and order book, will be a reporting requirement from 1 May 2018 under IFRS 15.

There are a few other APMs reported which are highlighted elsewhere in this report.

Independent auditor

The independent auditor liaises with the Audit Committee regarding work to be undertaken and complies with the Ethical Standards for Auditors issued by the Auditing Practices Board. Prior to commencing its audit work, the independent auditor confirmed in writing the nature of any non-audit work carried out on behalf of the Group and the safeguards in place to ensure its independence and objectivity. Any in-year proposals for non-audit work are subject to prior approval by the Audit Committee.

The independent auditor presented its audit plan to the Audit Committee prior to the Audit Committee meeting held in March 2018. The plan was reviewed and approved at that meeting with specific areas of focus by the independent auditor discussed in detail for the ensuing audit.

The independent auditor (KPMG LLP) was appointed in March 2010. The current audit engagement partner has been in place since the audit for the year ended 30 April 2015 and will step down after the audit for the year ended 30 April 2019.

The analysis of KPMG LLP (2017: KPMG LLP) remuneration is shown in the table on page 35.

Fees payable to KPMG LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis only.

The Audit Committee is responsible for ensuring that the Group's risks are understood, managed and mitigated as far as practicable.

Jeff Perrin
Independent Non-executive Director

Risk management

The key risks and the management thereof are set out on pages 37 to 41. In addition to these risks, other risks facing the Group are explained elsewhere in the Annual Report and these should be read together to give a complete picture of our risks and their management and control.

Specifically, the economic market risks (including Brexit) are discussed in the Chairman's statement and Business review and the cyber risk of the Group is discussed within the Corporate governance report, alongside our ethical and behavioural risks.

Finally, our risk in respect of our key resource, our employees, is in this Risk management section but also expanded upon in our strategy and business model and the Our people section of this report.

The Board's approach to risk management is summarised by the following framework:

The Group faces a number of risks, the significant ones of which are set out below. The Group reviews, analyses and addresses the risks it faces through the Audit Committee, Board, Group Executive meetings, subsidiary management meetings and subsidiary project and functional reviews.

Depending upon the nature of the risk, review and action may be on an annual basis. In most cases the review is more frequent. Project risks are generally reviewed monthly through the individual project reviews and the subsidiary management meetings and reports to the Cohort Board.

Risk management framework

Nature of risk	Mitigation and progress	Change
Market risks		
Customers		
The Group's single most important customer remains the UK MOD. £42.8m of revenue came directly from this source in 2018 (2017: £35.1m), 38% (2017: 31%) of Group revenue. In addition, £21.0m (2017: £30.8m) of Group revenue, 19% (2017: 27%), was sourced ultimately from the UK MOD but received via other contractors. With the continuing constraints of government expenditure and the current uncertainties arising from Brexit there is a risk that further controls on defence expenditure could be introduced, which could have an impact on the Group's ability to win new work or could result in termination of its existing contracts. Any event that affected the Group's reputation with the UK MOD could put this revenue at risk.	The slight decrease in the proportion of its revenue to its ultimate primary customer in 2018 compared with 2017 reflects the growth in revenue of EID which had minimal revenue with the UK MOD in the current year and also growth in cyber (security services) and other commercial revenue. It also reflects the continued decrease in activity on the Royal Navy submarine programmes (which was via other contractors) as we moved from design to production on the Astute class. SEA's submarine activity in the UK is expected to remain low in the near term as the Astute class work is elongated and the Dreadnought class work slips to the right, mostly a result of UK MOD budgetary pressure. Despite the fall in total UK MOD revenue, the Group's revenue did grow in other areas. Portugal, which is also a home market for the Group, increased to £5.2m (5%) of revenue in 2018 (2017: £2.4m; 2%). The increase in revenue from Portugal was in part due to reporting 12 months of EID compared with ten months last year but also reflects an underlying strengthening of Portuguese domestic defence spending, a trend expected to continue into the coming year. Non-defence sales (which include security) also increased to £16.7m (15%) from £12.4m (11%), with market growth in security after an initial contribution from our digital forensics work for UK police forces, primarily the Metropolitan Police Service. Transport revenue dropped slightly due to completing the design work on Transport for London's DTES refresh in 2016/17. ROADflow sales grew again with total revenue for this product range of £3.4m in the year (2017: £2.8m). In export markets, £26.2m of revenue (23%) was delivered this year compared with £32.0m (28%) in 2016/17. The decrease reflected completion of larger contracts at EID for intercom systems and MASS for countermeasures. SEA's export business continued to grow, driven by deliveries of torpedo launch systems. We expect export business to grow again, overall, in the coming year. £31.4m (2017: £39.1m), 28% (2017: 30%) of Group revenue, representing 49% (2017: 59%) of revenue derived from the UK MOD, was in relation to the Astute and other submarine programmes, nuclear deterrent programmes and operational support to the Royal Navy, Royal Air Force and joint forces, all of which have been confirmed as high priority areas following the Government's Strategic Defence and Security Review. The reduction in revenue from these high priority areas is in the UK submarine programme, where the requirement is unchanged but is being stretched in terms of delivery, spreading funding and ultimately revenue for the Group over a longer period.	—
Operational risks		
Employees		
The Group's main resource is our employees. We are not a capital intensive business and as such our value and our customers' value derives from the ability of the Group to recruit, retain and train employees with the right skills and flexibility. In some of our key areas, resources are limited, and it is a risk if we cannot maintain sufficient numbers and appropriate skills.	As highlighted in "Our people" (pages 26 to 27), we endeavour to provide an environment in which skilled employees are attracted to our business through the nature and variety of work and responsibility we provide. We maintain close links with our military and security customers, who provide a primary source of domain experts for our businesses. We, in return, are keen to support people initiatives for and within those organisations, including the UK MOD's Military Covenant. We maintain close links with academic institutions in our neighbourhoods and further afield where appropriate skills exist. We have apprenticeship and graduate recruitment schemes which ensure the Group is able to develop its own people to ensure skills are maintained into the future, especially in light of shrinking military establishments.	—
Suppliers		
As is typical in the defence sector, the Group is reliant on certain key suppliers for specific elements of its technical and product offerings. This reliance is long term, with product duration in this sector often being tens of years.	This risk is managed through close liaison with suppliers, good project management and having contingency plans to contract with alternative suppliers or bring the work in house. The long-term life of many defence products requires a regular review of product life and capability and the Group supports the customer in this respect through funded ongoing product support and re-life tasks.	—

Operational risks continued

Operations (EID, MASS and SEA)

Nature of risk	Mitigation and progress	Change
The subsidiary trading and business risks are similar in the cases of EID, MASS and SEA. i. Bid risk – the businesses bid on contracts where the scope of work may not be well or fully defined by the customer. ii. Fixed-price contracts – these are often of a long-term nature (greater than 12 months) and typically include delivery of hardware and software, some of which may developed as part of the contract. iii. Due to the nature of their niche technical skills requirement, EID, MASS and SEA all have a fixed level of core software and hardware engineering and technical expertise. MASS and SEA both absorbed elements of the former SCS business in October 2016. These absorbed areas, as highlighted in the past, have a mix of short and long-term order duration and require a flexible approach to using core staff (employees) and non-core staff (contractors) and the utilisation of staff is a key performance indicator.	This is typical in defence and is managed through bid/no bid reviews at the appropriate level using experienced personnel, including the Cohort Executive and Board. These projects are managed by dedicated project management teams, monthly reviews by the subsidiary board and regular interaction with the customer and key suppliers. Revenue and cost are recognised taking account of risk and estimated cost at completion (including any contingency). We have seen some unexpected cost overruns at SEA in the course of the year, and we have introduced more intensive technical monitoring and review processes to bring these under control. This cost base is carefully monitored at budget time and by rolling quarterly forecasts to identify any potential risk of low utilisation and thus under-recovery of cost, or over-utilisation leading to the inability to meet customer commitments. The risk is mitigated, in the short term, by the use of sub-contractor staff. In the long term, a programme of skills assessment and training is in place to ensure continued flexibility of the Group's engineering and technical resources.	—

Operations (MCL)

Nature of risk	Mitigation and progress	Change
MCL's revenue visibility is short at typically three to six months. This carries risk to staff utilisation and predictability of revenue and profit.	MCL's staff levels are low, 2018: 30 (2017: 28), and the people employed are flexible and possess multiple skills enabling them to take on design, integration and support tasks across the full range of MCL's product offering. MCL has a long-term strategy to improve its visibility by securing longer-term contracts, utilising the Group's size and financial stability. Its order cover for 2018/19 is lower than last year's 42% (2017: 49%), but MCL has identified several significant opportunities this year that should allow it to build future revenue visibility.	↗

Managed service contracts

Nature of risk	Mitigation and progress	Change
The Group (through its subsidiaries, MASS, MCL and SEA) operates a number of off-site managed service contracts. These contracts are long term in nature (typically five years at commencement) and have dedicated project managers. The contracts are fixed price in terms of revenue with opportunities for additional tasks enhancing volume and return. Several long-term managed service contracts held by MASS are due for renewal or replacement in 2018/19 and in at least one case this will be through a competitive tender.	The Group carefully manages the partnership with its customer and supplier base in all these cases to ensure the customer receives value for money, with skilled Group staff providing a dedicated, flexible and responsive approach. The primary risk to these managed service contracts is termination or loss through competition. We mitigate this risk through the partnering approach adopted by the Group and our close engagement with customers to ensure their needs are met, rather than focus on the precise wording of the contract.	—

Export contracts

Nature of risk	Mitigation and progress	Change
The Group's subsidiaries seek to win and deliver solutions and services outside its geographical home markets, the UK and Portugal. The risks that arise for the Group relate to the need to comply with local and domestic legislation, and to ensure we receive payment in circumstances where political and credit risk may be much higher than in our domestic markets. There is also a risk that export licences may not be granted or may be cancelled.	The Group's long-term strategy is to grow its export business, both in volume terms and export markets. This provides mitigation against reliance on any single customer, in particular the UK Ministry of Defence (MOD). Export activity in 2018 represented 23% (2017: 28%) of the Group's total revenue. Revenue derived from the UK and Portuguese defence ministries represent 57% (2017: 58%) and 5% (2017: 2%) of the Group total respectively. Our commercial staff are highly experienced at dealing with the various regulatory processes associated with the export of defence goods and services, including export licence applications and information security requirements. In particular we have a strong Group-wide anti-bribery policy to ensure compliance with the UK's 2010 Bribery Act. The Group has experienced a very low level bad debts, including from export contracts. We take a case-by-case approach to payment risk, making use of various treasury and commercial arrangements where necessary to ensure payment. We regularly monitor any potential political risk to any of our export markets, and we do not commit resources to markets where export licences might be difficult to obtain.	—

Nature of risk	Mitigation and progress	Change
Operational risks continued		
Partners		
The Group, especially in the defence sector, often secures business through teaming and partnering with other suppliers and this is often a requirement of securing work with the UK MOD in order to ensure the end customer receives the best solution. This creates a risk that the Group's revenue or profit will be affected by poor performance of a partner business.	The Group takes an active part in these arrangements and, through regular (usually monthly) project review meetings and other communication, ensures that the team (including our partners) delivers as a whole to the customer and to the needs of the individual team members.	—
Strategic risks		
Acquisitions		
The buying (and selling) of businesses is a risk in respect of value, distraction, integration and ongoing obligations and undertakings.	The Group's acquisition risk is mitigated as far as practicable by the acquisition process being led at the Cohort Board level, making use of a skilled and experience internal team augmented by external expertise and resources as and when required. Our approach to acquisitions is set out more fully in Our business model and strategy section on pages 8 to 9.	—
Financial risks		
Treasury		
Over the last 12 months, the credit ratings of most of our banks (see note 15) have improved. Specifically, in the UK, recent changes to the banking sector has resulted in the Group's deposits, accounts and banking arrangements being moved into the ring-fenced banks of NatWest and Lloyds, improving the credit ratings, as shown above. In November 2015 the Group completed a tri-bank facility with Barclays, Lloyds and NatWest. NatWest remains the Group's primary bank, especially for clearing purposes and day-to-day transactions. The facility is a revolving credit facility for three years with an option to extend for up to a further two years. The amount is £25m with an option to extend by a further £10m to £35m. The facility itself provides the Group with a flexible arrangement to draw down for acquisitions and trading activities. This facility is available to all of the Group's entities (excluding EID) through an offset arrangement. The current facility expires in November 2018, although the Group has an option to extend it for a further two years. Discussions have already commenced with our banks to renew this facility for at least another three years. This new facility is expected to be agreed on similar terms to the current facility but will be provided by only two banks, NatWest and Lloyds. The facility is secured against all of the Group's UK businesses (and assets) including the Group's shares in EID. EID has facilities with local banks in Portugal, none of which have security over its assets. These facilities are for clearing bank purposes, foreign exchange contracts, guarantees and letters of credit. A risk for the Group is that its pools of cash and facilities, both in the UK and Portugal, are insufficient for local needs. Under the facility agreement with its banks, the Group is required to meet certain covenants every quarter. There is a risk that the Group does not meet some or all of the covenants and that the facility is amended or cancelled as a consequence.	The Group takes a very prudent approach to the management of its financial instruments, which are described in note 18. The Group's cash (see note 15) is usually held with at least Ba2-rated institutions (including Portugal) and on deposits usually not exceeding three months. This ensures a very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits. The Group regularly reviews the ratings and other relevant factors in respect of the banks with which it deposits its cash and on each and every occasion that a short-term deposit is placed. The Group prepares a monthly cash forecast to ensure that cash in the UK and Portugal is sufficient for local needs over the following three-month period. The shareholder agreement in respect of EID enables dividends to be paid from EID to the UK. The Group regularly monitors its covenant position and considers the impact of proposed transactions vis-à-vis the banking covenants to ensure that they are not breached. It also has regular (no less than twice yearly) meetings with its banking providers to ensure that any potential issues or risks are identified and communicated early and that any implications for covenants can be addressed. The Group has remained in compliance with its banking covenants in 2018 and expects to continue to do so.	↘

Nature of risk	Mitigation and progress	Change

Financial risks continued

Currency risk

Nature of risk	Mitigation and progress	Change
The Group has contracts with overseas customers and suppliers requiring payment or receipt in currencies other than sterling (in the UK) and euro (in Portugal). The Group's exposure to credit risk at 30 April 2018 in respect of financial derivatives (forward foreign exchange contracts) was £0.3m of payable and £0.8m of receivable (2017: £2.5m of payable and £1.6m of receivable). The financial derivatives at 30 April 2018 were all held with NatWest, Lloyds and Barclays and, at MCL, Investec Bank (30 April 2017: NatWest, Lloyds and Barclays). These are disclosed in detail in note 18 to the financial statements.	The Group manages its exposure to currency risk by using forward foreign currency exchange contracts. The level of forward cover is determined on an individual contract basis, taking into account the net currency exposure to receipts and purchases. Forward contracts are only put in place when the award of customer contracts has taken place or is considered highly probable. The Group does not enter into speculative forward exchange contracts. The Group's primary exposure is to the US dollar through MCL, which purchases a number of products in the United States, and SEA, which sells products to US customers. The Group does not hedge the exposure to euro/sterling fluctuations that arise from its ownership of EID.	—

Revenue

Nature of risk	Mitigation and progress	Change
The Group has risk in respect of: i. milestone and acceptance failure on projects; and ii. unrecoverable trade debts. The recognition of revenue is discussed at length in the accounting policies (page 87) and critical accounting judgements (page 89) and as such may from time to time have a degree of risk. The 2018 net bad debt charge was £16,000 (2017: £7,000) on Group revenue of £111.8m (2017: £112.7m). Financial assets exposed to credit risk at 30 April:	The Group takes a prudent approach to revenue and credit risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis. The Group uses project control processes and regularly reviews project progress to ensure recognition of revenue takes account of external milestones and customer acceptance as well as the internal costs incurred. The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing ensures minimal bad debts. The Group also uses letters of credit and other methods of payment guarantee, including customer advances, especially in respect of overseas customers, to ensure any export debt risk is minimised. Significant debt receivable in foreign currency is hedged using forward exchange contracts. The credit risk of the major debtor of the Group, the UK MOD, is considered very low. The Group's risk to trade receivables is higher in some of our non-defence markets where our customers are not all government bodies. The net bad debt charge for this year is in respect of the Group's work in the oil and gas sector. The Group also has a risk, even for government business, where we contract via a prime contractor. This risk has been low historically, especially in the defence sector, but the recent collapse of Carillion (to which our receivable exposure was nil) highlights that prime contractor risk needs to be monitored.	—

	2018 £m	2017 £m
Trade receivables	**17.3**	22.5
Other receivables	**16.0**	16.3
Cash and bank deposits	**20.5**	12.0

Introduction
The Directors present their report and the audited financial statements (pages 54 to 90) of Cohort plc for the year ended 30 April 2018. Cohort plc is a company incorporated in and operating from England. Its registered address is 2 Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW. The Corporate governance report (including Board Committee reports) are set out on pages 30 to 41 and form part of this report.

Principal activities
The principal activity of the Company is that of a holding company. The principal activities of the Group are described in our Business review on pages 12 to 25.

The Chairman's statement is included in the Overview section on pages 4 to 7.

Dividends
The Directors recommend a final dividend of 5.65 pence (2017: 4.90 pence) per 10 pence ordinary share which, subject to shareholder approval, is due to be paid on 19 September 2018 to ordinary shareholders on the register on 24 August 2018. Together with the interim dividend of 2.55 pence paid on 28 February 2018, the full dividend for the year will be 8.20 pence (2017: 7.10 pence), an increase of 15% over last year.

Table 1: Information in respect of the Directors of the Company

Disclosure	Report	Pages
Directors who served throughout the year	Remuneration & Appointments Committee report	44 to 47
Directors retiring by rotation	Remuneration & Appointments Committee report	44 to 47
Directors' biographies	Board of Directors and Executive Management	28 to 29
Directors' interests	Remuneration & Appointments Committee report	44 to 47
Directors' share options	Remuneration & Appointments Committee report	44 to 47

Table 2: Substantial shareholdings and voting rights

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
S Carter	22.23	9,105,718	Direct
Schroders	14.68	6,013,474	Direct
Hargreave Hale Ltd stockbrokers	10.20	4,178,229	Direct
Liontrust Asset Management	7.13	2,918,870	Direct
N Prest CBE	5.07	2,076,738	Direct

Research and development
During the year ended 30 April 2018 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure, was £5.9m (2017: £7.9m).

Going concern
The Group's financial statements have been prepared on the going concern basis. The reasons for this are set out on page 83 of the accounting policies.

Capital structure
Details of issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 19. The Company has one class of ordinary shares, each of which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 20. The Trustee of the Cohort Employee Benefit Trust (EBT) (see note 21) abstains from voting on the Company's shares held on trust and these shares do not receive any dividend.

At 30 April 2018, the EBT held 341,128 Cohort plc ordinary shares, 0.83% of the issued share capital (2017: 315,248; 0.77%). The maximum number held at any time in the year ended 30 April 2018 was 397,845, 0.97% of the issued share capital. Shares in Cohort plc are acquired and disposed of by the EBT for the purposes of satisfying employee share option and restricted share schemes, details of which are shown in note 21.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the new QCA Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Corporate governance report on pages 30 to 34.

Under its Articles of Association, the Company has authority to issue up to half of its issued shares as new ordinary shares. This approximates to 20.5m shares at 30 April 2018.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as: commercial contracts; bank facility agreements; property lease arrangements; and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, other than those disclosed in the Remuneration & Appointments Committee report on pages 44 to 47.

International Financial Reporting Standards (IFRS)
The Group and parent company's reported results for the year ended 30 April 2018 are prepared in accordance with IFRS as adopted by the EU.

Directors
The Group maintains appropriate insurance cover in respect of legal actions against the Directors, as well as against material loss or claims against the Group, and reviews the adequacy of the cover regularly.

Details of information in respect of the Directors of the Company are referenced in Table 1 on page 42.

Fixed assets
There is no material difference between the book value and current open market value of the Group's interests in land and buildings.

Employee consultation
The Group organises staff communications locally through its subsidiary undertakings as well as delivering an annual strategy presentation to all the Group's employees at the main sites of employment. The media used for organised communications includes the Group intranet, local intranets, in-house magazines, staff bulletins, presentations and copies of press releases. In addition, regular staff meetings are held, and notices are published containing information about matters of interest within the Group and its subsidiaries.

Disabled employees
The policy of the Group is to offer the same opportunities to disabled people as to all others in respect of recruitment and career advancement, provided their disability does not prevent them from carrying out their required duties. Employees who become disabled will, wherever possible, be retained, rehabilitated and, where necessary, retrained.

Donations
During the year ended 30 April 2018 the Group made charitable donations of £37,586 (2017: £33,949), mainly in respect of military and local charities. The Group made no political donations during the year (2017: £Nil).

Substantial shareholdings
The Company has been notified as at 8 June 2018, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the voting rights of substantial shareholders of the Company as shown in Table 2 on page 42.

Re-appointment of auditor
A resolution to re-appoint KPMG LLP as auditor will be proposed at the AGM.

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Approved by the Board of Directors on 3 July 2018 and signed on its behalf by:

Simon Walther
Company Secretary

Sir Robert Walmsley KCB, FREng, Independent Non-executive Director and Senior Independent Director

Remuneration packages are designed to be competitive and to incentivise and reward good performance.

Introduction

The Remuneration & Appointments Committee of the Board is, inter alia, responsible for considering Directors' remuneration packages and making recommendations to the Board.

Remuneration policy

Remuneration packages are designed to be competitive and to incentivise and reward good performance.

Executive Directors receive salary, medical cover (including an annual medical) and pension contributions as well as being eligible for annual cash bonuses, restricted shares and share options.

Service contracts of the Executive Directors who served in the year

Andrew Thomis and Simon Walther have service agreements with the Company which can be cancelled by either party giving six months' notice at any time or 12 months' notice in the event of losing office following a change of control arising as a result of any person or persons acquiring more than 50% of the voting rights at a general meeting of the Company.

Pensions

During the year ended 30 April 2018, the Group made contributions to a stakeholder pension scheme (a defined contribution scheme) at a rate of 10% of any Executive Director's contribution plus 3% of the Executive Director's salary per annum to the same scheme.

Directors' interests (unaudited)

	At 30 April 2018 Number of 10p ordinary shares	At 30 April 2017 Number of 10p ordinary shares
S Carter	**9,105,718**	9,105,718
N Prest CBE	**2,076,738**	2,076,738
J Perrin	**4,000**	4,000
A Thomis	**145,672**	115,588
Sir Robert Walmsley	**30,000**	30,000
S Walther	**126,907**	103,972

Directors' interests in the equity of Cohort plc (unaudited)

The Directors in office during the year under review and their interests in the equity of the Company are shown in the table above. The changes in the Executive Directors' equity interests in the Company between 30 April 2017 and 30 April 2018 are analysed as follows:

	A Thomis	S Walther
At 30 April 2017	115,588	103,972
Shares awarded under Restricted Share scheme	18,254	14,286
Cohort plc shares purchased through Cohort plc SAYE scheme	2,602	867
Shares acquired under Cohort plc 2006 share options scheme	15,189	7,122
Automatic dividend reinvestment in shares (within an ISA and/or a SIPP)	2,063	710
Shares sold on transfer of shares to an ISA/SIPP	(24)	(50)
Shares sold to fund option exercise	(8,000)	–
At 30 April 2018	**145,672**	**126,907**

The Executive's shareholdings at 30 April 2018 represent 212% of Andrew Thomis' and 237% of Simon Walther's annual salaries respectively (at 30 April 2017 the respective levels were 214% and 245%) and are based upon the market price of Cohort plc shares at those respective dates: £3.50 at 30 April 2018 and £4.25 at 30 April 2017.

Of the above shareholdings at 30 April 2018, 22,321 (2017: 19,095) of Andrew Thomis' and 17,599 (2017: 15,294) of Simon Walther's are held on trust by the EBT as part of the Restricted Share scheme and do not receive a dividend.

There was no change in the interests of the other Directors. None of the Chairman's or the Non-executive Directors' shareholdings are held as part of the Restricted Share scheme (2017: nil).

Performance incentives (unaudited)

The Cohort Executive Directors' incentive scheme was agreed by the Board on 19 June 2013 following a recommendation from the Remuneration & Appointments Committee. This scheme has applied for the year ended 30 April 2018 and will also apply for the year ended 30 April 2019.

The incentive scheme comprises two elements:

1. In-year performance

The bonus payable to the Cohort Executive Directors in respect of each and every year will be based upon actual performance compared to budget for adjusted operating profit and operating cash flow and will be payable up to a maximum of 15% of salary in cash.

2. Long-term performance

The Cohort Executive Directors will be eligible to receive the following annual rewards based upon achieving a long-term annualised profit growth target:

i. Up to 20% of salary as a cash bonus.

ii. Up to 20% of salary as Restricted Shares. The number of shares awarded under the Restricted Share scheme is calculated by reference to the average share price for the respective year.

Performance incentives (unaudited) continued

2. Long-term performance continued

A further 10% of salary over and above the 20% shown in i. and ii. is payable either as cash or Restricted Shares, not both, under the long-term performance scheme where the performance exceeds the 10% target set out below.

iii. A discretionary award of up to 20% of salary as share options. The number of shares under option awarded is calculated by reference to the market price on the day of grant.

The long-term performance awards are based upon a historical growth target over four years. This growth target is used in determining each of the following awards under the scheme:

i. cash; and

ii. restricted shares.

The discretionary share option award takes account of the Company's performance, including the achieved growth, the return to shareholders and market circumstances.

There are no future performance targets applied to these awards.

These rewards are payable for the year ended 30 April 2018 on a linear basis from zero to 20% of salary as the compound annual growth rate in adjusted profit before interest and tax per share (after excluding non-controlling interests) over a rolling four-year period starting 1 May 2014 goes from zero to 10%.

In the case of the discretionary share option awards, the Committee considers the exercise of the options (which are issued at market price) should not be subject to future performance targets since the movement of the share price after the award date is itself the right parameter to reflect the value of this component of remuneration.

In the case of the Restricted Shares awarded, full beneficial ownership of Restricted Shares (including voting and dividend rights) will accrue to the recipients in stages over a three-year period from the date of award. Recipients may only sell Restricted Shares with the approval of the Chairman of the Remuneration & Appointments Committee while they remain in employment with the Company. Income tax and National Insurance payable in relation to Restricted Shares is borne by the Company when awarded.

The Committee considers the award of Restricted Shares should not be subject to future performance targets as they are a reward for actual achievement targets over a long (four years) period.

The Committee considers that this long-term incentive plan aligns the objectives of the Executive Directors with the shareholders. The Committee retains discretionary powers in respect of awarding future annual cash bonuses in excess of 45% of annual salary to the Executive Directors where circumstances warrant it.

At the Remuneration & Appointments Committee meeting held on 22 May 2018, the following awards were made to the Executive Directors:

i. A cash bonus of £111,144 was payable to the Executive Directors for the year ended 30 April 2018 (2017: £127,172).

ii. Restricted Shares under the Restricted Share scheme were approved as follows:

	In respect of the year ended 30 April 2018		In respect of the year ended 30 April 2017	
	Actual number of shares	**Estimated value of shares £**	Actual number of shares	Actual value of shares £
A Thomis	**18,779**	**72,000**	18,254	69,000
S Walther	**14,695**	**56,340**	14,286	54,000
	33,474	**128,340**	32,540	123,000

The value of the Restricted Shares awarded were at 30% of salary for the year ended 30 April 2018 (30% for the year ended 30 April 2017).

The total estimated value received by the Executive Directors in respect of the Restricted Share scheme, including income tax and employee NIC was £242,151 in respect of the year ended 30 April 2018 (2017: £232,076). The Restricted Shares in respect of the year ended 30 April 2017 were approved at the Remuneration & Appointments Committee meeting of 23 May 2017 and were awarded on 10 August 2017. The Restricted Shares in respect of the year ended 30 April 2018 are expected to be awarded in August 2018. The actual number of shares is based on the average mid-market share price for the year ended 30 April 2018, 383.4 pence (2017: 378.0 pence). The total estimated value is based on this average share price and the prevailing tax rates.

iii. Ordinary shares under option granted during the year ended 30 April 2018 and outstanding at 30 April 2018 were as shown in Table 1 on page 46.

The mid-market price of Cohort plc 10 pence ordinary shares at 30 April 2018 was 350.0 pence (2017: 425.0 pence); the lowest and highest market prices in the year were 285.0 pence and 450.0 pence respectively.

No bonuses are payable or share options awardable to the Non-executive Directors. Cash and share bonus schemes for other senior management of the subsidiary companies have been established for the year ended 30 April 2018, with a similar framework to that of the Cohort Executive Directors, with varying levels of percentage of salary, none exceeding 45%, subject to the discretion of the Committee.

The Group has the right to recover from the Cohort Executive Directors and the senior management of the subsidiary companies any cash bonus paid or shares received in respect of a reporting period where a material adverse restatement is made.

Chairman and Non-executive Directors (unaudited)

Both Nick Prest CBE and Sir Robert Walmsley were appointed in February 2006. Stanley Carter was appointed Non-executive Director of Cohort plc on 22 September 2015 following his decision to step down as Co-Chairman on the same date. Jeff Perrin was appointed Non-executive Director on 1 July 2015. These appointments can be terminated upon three months' notice being given by either party.

Jeff Perrin, Andy Thomis and Simon Walther are due to retire by rotation and, being eligible, offer themselves for re-election at the forth coming AGM on 11 September 2018.

As previously stated on page 32, Sir Robert Walmsley will retire annually and, being eligible, offers himself for re-election at the forth coming AGM on 11 September 2018.

Directors' remuneration

Details of Directors' remuneration are set out in Table 2 on page 47.

Salaries for Andrew Thomis and Simon Walther have been increased to £246,000 and £192,495 per annum respectively for the year ended 30 April 2019. The fees payable to the Chairman and the Non-executive Directors (see Table 2) for the year ended 30 April 2019 are unchanged from this year.

Table 1: Directors' share options (audited)

	At 1 May 2017 or date of appointment Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2018 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
Cohort plc 2006 share option scheme (approved)								
– Option price of £1.975 per share	15,189	–	(15,189)	–	**–**	11 Aug 2014	12 Aug 2017	7
Cohort plc 2016 share option scheme (approved)								
– Option price of £3.760 per share	–	7,978	–	–	**7,978**	25 Aug 2017	26 Aug 2020	7
Cohort plc 2006 share option scheme (unapproved)								
– Option price of £1.675 per share	24,250	–	–	–	**24,250**	9 Aug 2013	10 Aug 2016	7
– Option price of £1.975 per share	4,153	–	–	–	**4,153**	11 Aug 2014	12 Aug 2017	7
– Option price of £3.725 per share	10,470	–	–	–	**10,470**	20 Aug 2015	21 Aug 2018	7
Cohort plc 2016 share option scheme (unapproved)								
– Option price of £3.400 per share	12,471	–	–	–	**12,471**	15 Aug 2016	16 Aug 2019	7
– Option price of £3.760 per share	–	1,809	–	–	**1,809**	25 Aug 2017	26 Aug 2020	7
Save as you earn (SAYE) scheme								
– Option price of £2.075 per share	2,602	–	(2,602)	–	**–**	11 Aug 2014	1 Sep 2017	
– Option price of £3.380 per share	2,300	–	–	–	**2,300**	14 Aug 2015	1 Sep 2018	
– Option price of £3.550 per share	1,176	–	–	–	**1,176**	29 Aug 2016	1 Sep 2019	
– Option price of £4.085 per share	–	1,408	–	–	**1,408**	1 Sep 2017	2 Sep 2020	
	72,611	11,195	(17,791)	–	**66,015**			
S Walther								
Cohort plc 2006 share option scheme (approved)								
– Option price of £1.975 per share	15,189	–	(15,189)	–	**–**	11 Aug 2014	12 Aug 2017	7
Cohort plc 2016 share option scheme (approved)								
Option price of £3.760 per share	–	7,660	–	–	**7,660**	25 Aug 2017	26 Aug 2020	7
Cohort plc 2006 share option scheme (unapproved)								
– Option price of £0.835 per share	55,172	–	–	–	**55,172**	23 Jul 2010	24 Jul 2013	7
– Option price of £0.915 per share	30,252	–	–	–	**30,252**	26 Jul 2011	27 Jul 2014	7
– Option price of £1.165 per share	65,000	–	–	–	**65,000**	2 Aug 2012	3 Aug 2015	7
– Option price of £1.675 per share	21,750	–	–	–	**21,750**	9 Aug 2013	10 Aug 2016	7
– Option price of £1.975 per share	406	–	–	–	**406**	11 Aug 2014	12 Aug 2017	7
– Option price of £3.725 per share	8,483	–	–	–	**8,483**	20 Aug 2015	21 Aug 2018	7
Save as you earn (SAYE) scheme								
– Option price of £2.075 per share	867	–	(867)	–	**–**	11 Aug 2014	1 Sep 2017	
– Option price of £3.380 per share	468	–	–	–	**468**	14 Aug 2015	1 Sep 2018	
– Option price of £3.550 per share	1,287	–	–	–	**1,287**	29 Aug 2016	1 Sep 2019	
– Option price of £4.085 per share	–	440	–	–	**440**	1 Sep 2017	2 Sep 2020	
	198,874	8,100	(16,056)	–	**190,918**			

There are no future performance conditions applying to any of the share option schemes above. The price paid for all share options in the above schemes was nil pence.

Simon Walther exercised 15,189 Cohort plc 2006 approved share options on 10 August 2017, when the market price of Cohort plc ordinary shares was 373.0 pence per share. Simon Walther disposed of sufficient shares to fund the option exercise with the balance of 7,122 being retained as at 30 April 2018.

Andrew Thomis exercised 15,189 Cohort plc 2006 approved share options on 10 August 2017. Andy Thomis sold 8,000 Cohort plc shares at 375.05 pence per share to fund this exercise and retained a net 7,189 shares as at 30 April 2018.

Simon Walther exercised 867 share options held under the Cohort plc SAYE scheme on 1 September 2017 when the mid-market price of Cohort plc ordinary shares was 382.5 pence per share. All shares were retained.

Andrew Thomis exercised 2,602 share options held under the Cohort plc SAYE scheme on 16 February 2018 when the mid-market price of Cohort plc ordinary shares was 345.0 per share. All shares were retained.

The aggregate amount of gains made by the Directors as a result of exercising share options during the year was £58,720.

Table 2: Directors' remuneration (audited)

	Salary 2018 £	Bonus 2018 £	Restricted Share awards 2018 £	Benefits in kind 2018 £	Emoluments 2018 £	Pension contributions 2018 £	Total 2018 £
Executive Directors							
A Thomis	**240,000**	**62,353**	**135,849**	**858**	**439,060**	**7,920**	**446,980**
S Walther	**187,800**	**48,791**	**106,302**	**858**	**343,751**	**7,589**	**351,340**
Non-executive Directors							
N Prest	**90,000**	–	–	–	**90,000**	–	**90,000**
S Carter	**45,000**	–	–	–	**45,000**	–	**45,000**
J Perrin	**45,000**	–	–	–	**45,000**	–	**45,000**
Sir Robert Walmsley	**45,000**	–	–	–	**45,000**	–	**45,000**
Total	**652,800**	**111,144**	**242,151**	**1,716**	**1,007,811**	**15,509**	**1,023,320**

	Salary 2017 £	Bonus 2017 £	Restricted Share awards 2017 £	Benefits in kind 2017 £	Emoluments 2017 £	Pension contributions 2017 £	Total 2017 £
Executive Directors							
A Thomis	230,000	71,340	130,189	656	432,185	8,883	441,068
S Walther	180,000	55,832	101,887	656	338,375	7,155	345,530
Non-executive Directors							
N Prest	90,000	–	–	–	90,000	–	90,000
S Carter	45,000	–	–	–	45,000	–	45,000
J Perrin	45,000	–	–	–	45,000	–	45,000
Sir Robert Walmsley	45,000	–	–	–	45,000	–	45,000
Total	**635,000**	**127,172**	**232,076**	**1,312**	**995,560**	**16,038**	**1,011,598**

The Restricted Share awards include tax and employee NIC.

Sir Robert Walmsley KCB, FREng
Independent Non-executive Director and Senior Independent Director

Statement of Directors' responsibilities
in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and a Directors' report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board on 3 July 2018.

Andrew Thomis
Chief Executive Officer

Simon Walther
Finance Director

Contents

Financial statements

Independent auditor's report

to the members of Cohort plc

1. Our opinion is unmodified

We have audited the financial statements of Cohort plc ("the Company") for the year ended 30 April 2018 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated and Company statement of financial position, Consolidated and Company cash flow statements, and the related notes, including the accounting policies on pages 83 to 90.

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 30 April 2018 and of the Group's profit for the year then ended;

— the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

— the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework;* and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Materiality: group financial statements as a whole	£700k (2017:£700k) 4.6% (2017: 4.7%) of normalised group profit before tax
Coverage	100% (2017: 100%) of group profit before tax

Risks of material misstatement vs 2017

Recurring risks	Revenue recognition – estimation of costs to complete on contracts	◄►
	Carrying value of goodwill	◄►
Parent company only	Valuation of investments in subsidiaries	◄►

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Revenue recognition – estimation of costs to complete on contracts (£111.8m; 2017: £112.7m) *Refer to page 87 (accounting policy) and page 60 (financial disclosures).*	**Subjective estimate** The Group recognises revenue on fixed-price contracts by reference to the degree of completion of each contract. The degree of completion is measured by reference to costs incurred at the balance sheet date as a percentage of the total estimated costs to complete the project. The assumptions underlying the cost to complete estimates involve judgement, and any changes in the assumptions could have a material impact on the revenue recognised in relation to these contracts. There is judgement involved in whether the business has met the relevant revenue recognition milestones and whether, consequently, the Amounts Recoverable on Contracts balance recognised is appropriate based upon those same assumptions over future performance of the contract.	Our procedures included: — **Control design:** Evaluated and tested the Group's key processes and controls in place over revenue recognition and forecast cost estimation. — **Personnel interviews:** Interviewed the Group's project managers regarding the performance of the projects, particularly focussing on cost forecasting and contingencies, in order to assess the appropriateness of assumptions in project budgets used to allocate revenues earned between periods for long-term contracts. — **Historical comparisons:** Challenged the Group's key assumptions in the percentage of completion calculation, based on a retrospective review of the accuracy of the Group's previous estimates, movements in margins on certain projects or types of project over time, and considering the actual historical outturn in relation to each type of project. — **Tests of details:** Tested the recoverability of Amounts Recoverable on Contract balances, including for indication of disputes, by agreeing to customer acceptance, post year-end invoicing and cash receipt. — **Assessing transparency:** Assessed the adequacy of the Group's disclosures in relation to the risks and steps taken to mitigate those risks in the judgements made in the financial statements.
Carrying value of goodwill (£39.2m; 2017: £39.2m) *Refer to page 85 (accounting policy) and page 66 (financial disclosures).*	**Forecast-based valuation** The recoverable amounts of the Group's Cash-Generating Units to which goodwill is allocated are determined from value in use calculations, which represents a key judgement area as errors in assumptions, particularly relating to forecast cash flows and discount rates, could result in a material misstatement of the goodwill balance.	Our procedures included: — **Control design:** Evaluated the Group's budgeting procedures upon which the forecast cash flows are based by assessing whether the forecasts (including growth rate) were consistent with the Group's current business strategies. — **Historical comparisons:** Assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts. — **Benchmarking assumptions:** Challenged the Group's selection of discount and growth rates by using external data (including competitor analysis) to determine an appropriate range and comparing the actual rate used to that range. — **Sensitivity analysis:** Performed analysis to assess the sensitivity of the impairment reviews to changes in the discount rate, growth rate and the forecast cash flows. — **Assessing transparency:** Assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

	The risk	Our response
Recoverability of parent company's investment in subsidiaries (£73.0m; 2017: £69.5m) *Refer to page 83 (accounting policy) and page 69 (financial disclosures).*	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 99% (2017: 99%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: — **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit making. — **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work on those subsidiaries' profits and net assets.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £700k (2017: £700k), determined with reference to a benchmark of group profit before tax, normalised to exclude the amortisation of large intangible assets related to contracts acquired as part of business combinations (£5,312k; 2017: £11,259k), of which it represents 4.6% (2017: 4.7%). In 2017, the one-off reorganisation costs relating to SCS (£2,570k) were also normalised for.

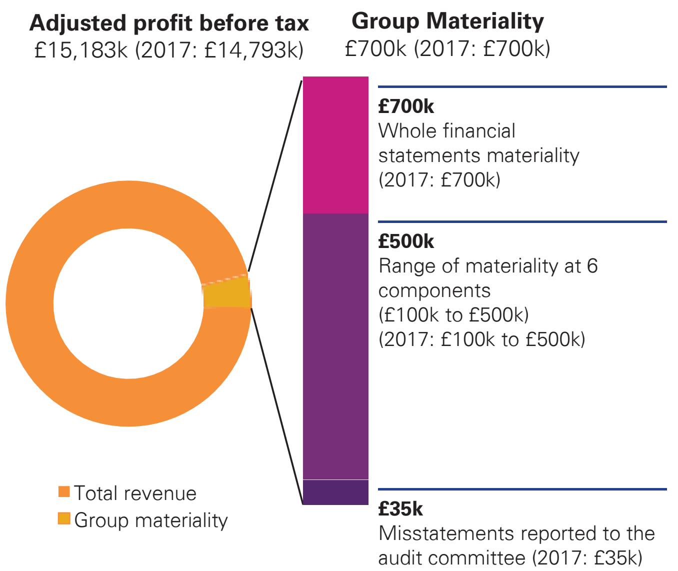
Materiality for the parent company financial statements as a whole was set at £350k (2017: £350k), as communicated by the group audit team. This is lower than the materiality we would otherwise have determined by reference to net assets, and represents 0.75% (2017: 0.77%) of the Company's net assets.

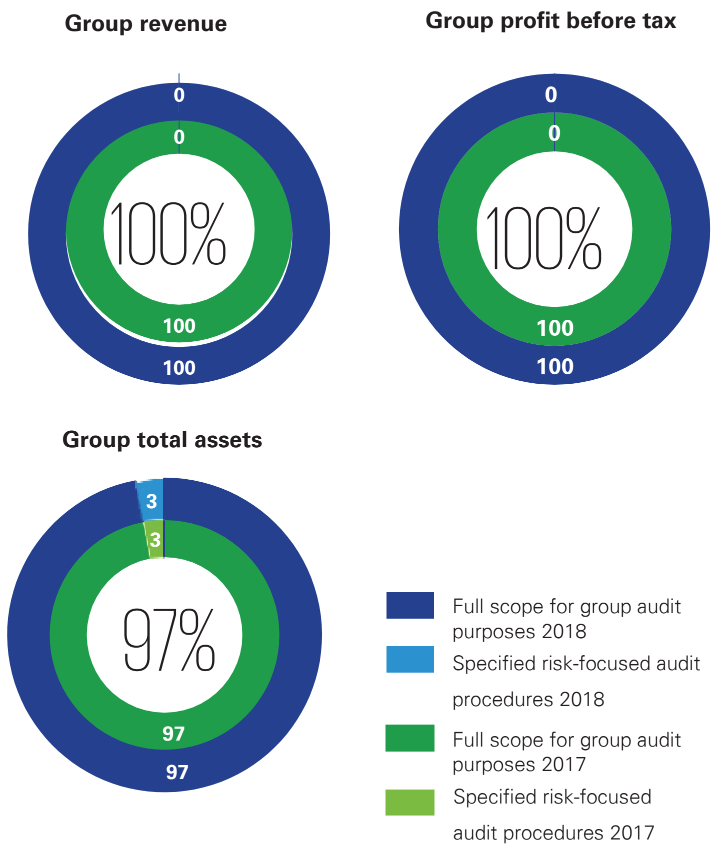
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £35k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 13 (2017: 13) reporting components, we subjected 6 (2017: 6) to full scope audits for group purposes and 7 (2017: 7) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated opposite.

The work on 5 (2017: 5) of the 13 reporting components was performed by a component auditor and the rest, including the audit of the parent company, was performed by the Group team. The Group team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, of £100k to £500k (2017: £100k to £500k), having regard to the mix of size and risk profile of the Group across the components. Video and telephone conference meetings were held with the component auditor. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.





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4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

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

6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 48, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
3 July 2018

Consolidated income statement
for the year ended 30 April 2018

	Notes	2018 £'000	2017 £'000
Revenue	1	**111,798**	112,651
Cost of sales		**(72,409)**	(73,676)
Gross profit		**39,389**	38,975
Administrative expenses		**(29,429)**	(38,012)
Operating profit	1	**9,960**	963
Comprising:			
Adjusted operating profit	1	**15,602**	14,489
Amortisation of other intangible assets (included in administrative expenses)	9	**(5,312)**	(11,259)
(Charge)/credit on marking forward exchange contracts to market value at the year end (included in cost of sales)	18	**(280)**	171
Foreign exchange gain on marking cash held for purchase of EID to market value at the acquisition date (28 June 2016) (included in administrative expenses)		**–**	259
Exceptional items			
Cost of acquisition of EID (included in administrative expenses)	29	**(50)**	(80)
Cost of acquisition of MCL (included in administrative expenses)		**–**	(47)
Reorganisation of SCS (included in administrative expenses)		**–**	(2,570)
		9,960	963
Finance income	4	**14**	47
Finance costs	5	**(103)**	(46)
Profit before tax		**9,871**	964
Income tax (charge)/credit	6	**(1,395)**	1,144
Profit for the year	3	**8,476**	2,108
Attributable to:			
Equity shareholders of the parent		**8,087**	3,672
Non-controlling interests		**389**	(1,564)
		8,476	2,108

Earnings per share		Pence	Pence
Basic	8	**19.87**	9.09
Diluted	8	**19.67**	8.97

All profit for the year is derived from continuing operations.

The accompanying notes form part of the financial statements.

Consolidated statement of comprehensive income
for the year ended 30 April 2018

	2018 £'000	2017 £'000
Profit for the year	**8,476**	2,108
Foreign currency translation differences on net assets of EID, net of loan used to acquire EID	**(167)**	95
Other comprehensive income for the period, net of tax	**(167)**	95
Total comprehensive income for the year	**8,309**	2,203
Attributable to:		
Equity shareholders of the parent	**7,787**	3,959
Non-controlling interests	**522**	(1,756)
	8,309	2,203

Consolidated statement of changes in equity
for the year ended 30 April 2018

Group	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
	Attributable to the equity shareholders of the parent								
At 1 May 2016	4,096	29,657	(2,735)	1,067	(5,500)	38,394	64,979	5,810	70,789
Profit for the year	—	—	—	—	—	3,672	3,672	(1,564)	2,108
Other comprehensive income for the year	—	—	—	—	—	287	287	(192)	95
Total comprehensive income for the year	—	—	—	—	—	3,959	3,959	(1,756)	2,203
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(2,544)	(2,544)	—	(2,544)
Vesting of Restricted Shares	—	—	—	—	—	117	117	—	117
Own shares purchased	—	—	(109)	—	—	—	(109)	—	(109)
Own shares sold	—	—	583	—	—	—	583	—	583
Net loss on selling own shares	—	—	1,119	—	—	(1,119)	—	—	—
Share-based payments	—	—	—	221	—	—	221	—	221
Deferred tax adjustment in respect of share-based payments	—	—	—	(336)	—	—	(336)	—	(336)
Transfer of share option reserve on vesting of options	—	—	—	(169)	—	169	—	—	—
Non-controlling interest introduced on acquisition of EID	—	—	—	—	—	—	—	5,115	5,115
Effect of acquisition of non-controlling interest in MCL	—	—	—	—	5,035	(2,075)	2,960	(5,011)	(2,051)
At 30 April 2017	4,096	29,657	(1,142)	783	(465)	36,901	69,830	4,158	73,988
Profit for the year	—	—	—	—	—	8,087	8,087	389	8,476
Other comprehensive income for the year	—	—	—	—	—	(300)	(300)	133	(167)
Total comprehensive income for the year	—	—	—	—	—	7,787	7,787	522	8,309
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(3,035)	(3,035)	—	(3,035)
Vesting of Restricted Shares	—	—	—	—	—	175	175	—	175
Own shares purchased	—	—	(1,467)	—	—	—	(1,467)	—	(1,467)
Own shares sold	—	—	697	—	—	—	697	—	697
Net loss on selling own shares	—	—	722	—	—	(722)	—	—	—
Share-based payments	—	—	—	273	—	—	273	—	273
Deferred tax adjustment in respect of share-based payments	—	—	—	(248)	—	—	(248)	—	(248)
Transfer of share option reserve on vesting of options	—	—	—	(182)	—	182	—	—	—
Completion of acquisition of MCL by settlement of non-controlling interests' earn-out	—	—	—	—	465	—	465	—	465
Effect of acquisition of 23.09% of non-controlling interest in EID	—	—	—	—	—	(1,388)	(1,388)	(2,126)	(3,514)
At 30 April 2018	**4,096**	**29,657**	**(1,190)**	**626**	—	**39,900**	**73,089**	**2,554**	**75,643**

The accompanying notes form part of the financial statements.

Company statement of changes in equity
for the year ended 30 April 2018

Company	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2016	4,096	29,657	(2,735)	1,067	(5,500)	11,892	38,477
Profit for the year	–	–	–	–	–	4,071	4,071
Transactions with owners of the Company, recognised directly in equity							
Equity dividends	–	–	–	–	–	(2,544)	(2,544)
Vesting of Restricted Shares	–	–	–	–	–	117	117
Own shares purchased	–	–	(109)	–	–	–	(109)
Own shares sold	–	–	583	–	–	–	583
Net loss on selling own shares	–	–	1,119	–	–	(1,119)	–
Share-based payments	–	–	–	221	–	–	221
Deferred tax adjustment in respect of share-based payments	–	–	–	(336)	–	–	(336)
Transfer of share option reserve on vesting of options	–	–	–	(169)	–	35	(134)
Effect of acquisition of non-controlling interest in MCL	–	–	–	–	5,035	–	5,035
Total contributions by and distributions to owners of the Company	–	–	1,593	(284)	5,035	560	6,904
At 30 April 2017	4,096	29,657	(1,142)	783	(465)	12,452	45,381
Profit for the year	–	–	–	–	–	5,158	5,158
Transactions with owners of the Company, recognised directly in equity							
Equity dividends	–	–	–	–	–	(3,035)	(3,035)
Vesting of Restricted Shares	–	–	–	–	–	175	175
Own shares purchased	–	–	(1,467)	–	–	–	(1,467)
Own shares sold	–	–	697	–	–	–	697
Net loss on selling own shares	–	–	722	–	–	(722)	–
Share-based payments	–	–	–	273	–	–	273
Deferred tax adjustment in respect of share-based payments	–	–	–	(248)	–	–	(248)
Transfer of share option reserve on vesting of options	–	–	–	(182)	–	24	(158)
Completion of acquisition of MCL by settlement of non-controlling interests earn-out	–	–	–	–	465	–	465
Total contributions by and distributions to owners of the Company	–	–	(48)	(157)	465	1,600	1,860
At 30 April 2018	**4,096**	**29,657**	**(1,190)**	**626**	–	**14,052**	**47,241**

The reserves of the Group and the Company are described in note 22.

The accompanying notes form part of the financial statements.

Consolidated and Company statement of financial position
as at 30 April 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Assets					
Non-current assets					
Goodwill	9	**39,156**	39,156	**—**	—
Other intangible assets	9	**6,168**	11,480	**—**	—
Property, plant and equipment	10	**9,597**	9,938	**51**	68
Investment in subsidiaries	11	**—**	—	**73,004**	69,494
Deferred tax asset	17	**406**	833	**98**	159
		55,327	61,407	**73,153**	69,721
Current assets					
Inventories	12	**6,426**	5,296	**—**	—
Trade and other receivables	13	**33,258**	38,010	**1,048**	257
Derivative financial instruments	18	**51**	148	**—**	—
Cash and cash equivalents	15	**20,511**	12,017	**—**	—
		60,246	55,471	**1,048**	257
Total assets		**115,573**	116,878	**74,201**	69,978
Liabilities					
Current liabilities					
Trade and other payables	14	**(27,303)**	(34,285)	**(1,581)**	(3,859)
Current tax liabilities		**(265)**	—	**—**	—
Derivative financial instruments	18	**(183)**	—	**—**	—
Bank borrowings	15	**(9,173)**	(3,540)	**(24,819)**	(20,273)
Provisions	16	**(1,156)**	(1,377)	**(124)**	—
Other creditors	30	**—**	(465)	**—**	(465)
		(38,080)	(39,667)	**(26,524)**	(24,597)
Non-current liabilities					
Deferred tax liability	17	**(1,414)**	(2,483)	**—**	—
Bank borrowings	15	**—**	(5)	**—**	—
Provisions	16	**(436)**	(735)	**(436)**	—
		(1,850)	(3,223)	**(436)**	—
Total liabilities		**(39,930)**	(42,890)	**(26,960)**	(24,597)
Net assets		**75,643**	73,988	**47,241**	45,381
Equity					
Share capital	19	**4,096**	4,096	**4,096**	4,096
Share premium account		**29,657**	29,657	**29,657**	29,657
Own shares	21	**(1,190)**	(1,142)	**(1,190)**	(1,142)
Share option reserve		**626**	783	**626**	783
Other reserves: option for acquiring non-controlling interest in MCL	30	**—**	(465)	**—**	(465)
Retained earnings		**39,900**	36,901	**14,052**	12,452
Total equity attributable to the equity shareholders of the parent		**73,089**	69,830	**47,241**	45,381
Non-controlling interests		**2,554**	4,158	**—**	—
Total equity		**75,643**	73,988	**47,241**	45,381

The accompanying notes form part of the financial statements.

The financial statements on pages 54 to 90 were approved by the Board of Directors and authorised for issue on 3 July 2018 and are signed on its behalf by:

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Consolidated and Company cash flow statements
for the year ended 30 April 2018

		Group		Company	
	Notes	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Net cash from operating activities	23a	**13,220**	659	**5,423**	4,070
Cash flow from investing activities					
Interest received		**14**	47	**6**	37
Purchases of property, plant and equipment	10	**(747)**	(875)	**(10)**	(66)
Acquisition of EID	29	**(3,514)**	(4,045)	**—**	—
Investment in Thunderwaves S.A. (holding company in Portugal for EID)		**—**	—	**(3,514)**	(624)
Acquisition of MCL	30	**(2,529)**	(5,080)	**(2,529)**	(5,080)
Net cash used in investing activities		**(6,776)**	(9,953)	**(6,047)**	(5,733)
Cash flow from financing activities					
Dividends paid	7	**(3,035)**	(2,544)	**(3,035)**	(2,544)
Purchase of own shares	21	**(1,467)**	(109)	**(1,467)**	(109)
Sale of own shares	21	**697**	583	**697**	583
Drawdown of borrowings	15	**5,514**	—	**5,514**	—
Repayment of borrowings	15	**(3)**	(3)	**—**	—
Net cash generated from/(used in) financing activities		**1,706**	(2,073)	**1,709**	(2,070)
Net increase/(decrease) in cash and cash equivalents		**8,150**	(11,367)	**1,085**	(3,733)
Represented by:					
Cash and cash equivalents and short-term borrowings brought forward		**12,017**	23,109	**(16,737)**	(13,263)
Cash flow		**8,150**	(11,367)	**1,085**	(3,733)
Exchange		**344**	275	**—**	259
Cash and cash equivalents and short-term borrowings carried forward	23b	**20,511**	12,017	**(15,652)**	(16,737)

	At 1 May 2017 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	**At 30 April 2018 £'000**
Net funds reconciliation				
Group				
Cash and bank	12,017	344	8,150	**20,511**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	12,017	344	8,150	**20,511**
Loan	(3,536)	(117)	(5,514)	**(9,167)**
Finance lease	(9)	—	3	**(6)**
Debt	(3,545)	(117)	(5,511)	**(9,173)**
Net funds	8,472	227	2,639	**11,338**
Company				
Cash and bank	—	—	—	**—**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	—	—	—	**—**
Loan	(3,536)	(117)	(5,514)	**(9,167)**
Overdraft debt	(16,737)	—	1,085	**(15,652)**
	(20,273)	(117)	(4,429)	**(24,819)**
Net debt	(20,273)	(117)	(4,429)	**(24,819)**

The accompanying notes form part of the financial statements.

1. Segmental analysis

For management and reporting purposes, the Group, during the year ended 30 April 2018, operated through its four trading subsidiaries: EID, MASS, MCL, and SEA. These subsidiaries are the basis on which the Company reports its primary business segment information in accordance with IFRS 8. Whilst each subsidiary internally reports by reference to the sectors it sells to, these are considered by the Board to have similar economic characteristics in terms of the nature of the services and their customer base. On this basis, the Board, which is deemed to be the chief operating decision maker, considers each subsidiary a separate operating segment.

The principal activities of the subsidiaries are described in the Strategic report (pages 2 to 27).

Business segment information about these subsidiaries is presented below:

2018	EID £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue						
External revenue	19,084	37,553	17,381	37,780	–	111,798
Inter-segment revenue	–	15	–	25	(40)	–
	19,084	37,568	17,381	37,805	(40)	111,798
Segment adjusted operating profit	4,677	7,113	2,072	4,433	–	18,295
Unallocated corporate expenses	–	–	–	–	–	(2,693)
Adjusted operating profit	4,677	7,113	2,072	4,433	–	15,602
Charge on marking forward exchange contracts to market value at the year end	–	–	(85)	(195)	–	(280)
Costs of acquisition of EID	–	–	–	–	–	(50)
Amortisation of other intangible assets	(1,562)	–	(2,430)	(1,320)	–	(5,312)
Operating profit/(loss)	3,115	7,113	(443)	2,918	–	9,960
Finance income (net of cost)	–	–	3	3	–	(89)
Profit/(loss) before tax	3,115	7,113	(440)	2,921	–	9,871
Income tax credit						(1,395)
Profit after tax						8,476

All are UK operations with the exception of EID, which is based in Portugal. All operations are continuing. Inter-segment sales are charged at arm's length rates.

Unallocated corporate expenses are the costs of the Cohort plc head office including the remuneration of the Cohort plc Board.

Other information	EID £'000	MASS £'000	MCL £'000	SEA £'000	Central £'000	Group £'000
Capital additions	82	58	20	577	10	747
Depreciation	112	85	61	831	27	1,116

Balance sheet	EID £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Assets						
Segment assets	8,687	11,311	2,193	27,122	(5,293)	44,020
Goodwill and other intangible assets	6,271	12,500	7,258	24,607	–	50,636
Deferred tax asset						406
Cash						20,511
Consolidated total assets	14,958	23,811	9,451	51,729		115,573
Liabilities						
Segment liabilities	(6,010)	(7,377)	(4,802)	(9,905)	(984)	(29,078)
Current tax liabilities						(265)
Deferred tax liability						(1,414)
Bank borrowings						(9,173)
Consolidated total liabilities	(6,010)	(7,377)	(4,802)	(9,905)		(39,930)

The above figures include 100% of EID. A further 23.09% of EID was acquired on 24 November 2017. The non-controlling interest (20.00% to 43.09%) is reported separately in the income statement and Group reserves.

1. Segmental analysis continued

2017	EID £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue							
External revenue	16,023	32,476	14,761	5,001	44,390	—	112,651
Inter-segment revenue	—	179	—	33	29	(241)	—
	16,023	32,655	14,761	5,034	44,419	(241)	112,651
Segment adjusted operating profit/(loss)	4,234	5,908	2,053	(455)	5,294	—	17,034
Unallocated corporate expenses	—	—	—	—	—	—	(2,545)
Adjusted operating profit	4,234	5,908	2,053	(455)	5,294	—	14,489
Credit/(charge) on marking forward exchange contracts to market value at the year end	—	—	55	(8)	124	—	171
Foreign exchange gain on marking cash held for purchase of EID to market value at the year end	—	—	—	—	—	—	259
Costs of acquisition of EID	—	—	—	—	—	—	(80)
Costs of acquisition of MCL	—	—	—	—	—	—	(47)
Reorganisation of SCS	—	(200)	—	(2,315)	(55)	—	(2,570)
Amortisation of other intangible assets	(6,171)	—	(3,402)	—	(1,686)	—	(11,259)
Operating profit/(loss)	(1,937)	5,708	(1,294)	(2,778)	3,677	—	963
Finance income (net of cost)	2	1	7	—	(3)	—	1
Profit/(loss) before tax	(1,935)	5,709	(1,287)	(2,778)	3,674	—	964
Income tax credit							1,144
Profit after tax							2,108

All are UK operations with the exception of EID, which is based in Portugal. All operations are continuing. Inter-segment sales are charged at arm's length rates.

Unallocated corporate expenses are the costs of the Cohort plc head office including the remuneration of the Cohort plc Board.

Other information	EID £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Central £'000	Group £'000
Capital additions	86	231	61	82	349	66	875
Depreciation	105	61	74	95	859	13	1,207

Balance sheet	EID £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Assets							
Segment assets	7,212	13,466	3,301	655	28,689	(183)	53,140
Goodwill and other intangible assets	6,271	12,500	7,258	—	24,606	—	50,635
Current tax assets							253
Deferred tax asset							833
Cash							12,017
Consolidated total assets	13,483	25,966	10,559	655	53,295		116,878
Liabilities							
Segment liabilities	(7,056)	(9,324)	(2,043)	(1,881)	(13,461)	(3,097)	(36,862)
Deferred tax liability							(2,483)
Bank borrowings							(3,545)
Consolidated total liabilities	(7,056)	(9,324)	(2,043)	(1,881)	(13,461)		(42,890)

SCS was reorganised on 1 November 2016 and ceased to report figures separately, with its former operating divisions reporting as part of MASS and SEA from that date.

The above figures include 100% of MCL. The non-controlling interest (49.999%) is reported separately in the income statement and reserves up to 31 January 2017 when the non-controlling interest of MCL was acquired in full. 56.89% of EID was acquired on 28 June 2016 and a further 0.02% before 30 April 2017. The above figures include 100% of EID from 28 June 2016. The non-controlling interest (43.09% to 43.11%) is reported separately in the income statement and revenues.

For the purposes of monitoring segment performance and allocating resource between segments, the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment.

1. Segmental analysis continued

All assets and liabilities are allocated to reportable segments with the exception of central cash and bank borrowings, current tax and deferred tax assets and liabilities.

Goodwill and other intangible assets are allocated to reportable segments as analysed in note 9.

Geographical segments

The Group's subsidiaries are all located in the UK with the exception of EID, which is located in Portugal. The following table provides an analysis of the Group's revenue by geographical location of the customer:

	2018 From the UK £'000	**2018 From Portugal £'000**	**2018 Total £'000**	2017 From the UK £'000	2017 From Portugal £'000	2017 Total £'000
UK	**76,824**	**400**	**77,224**	76,707	—	76,707
Portugal	**—**	**7,698**	**7,698**	—	2,417	2,417
Other EC countries including NATO	**3,443**	**3,378**	**6,821**	4,993	5,707	10,700
Asia Pacific	**10,643**	**4,448**	**15,091**	12,150	2,013	14,163
Africa	**11**	**2,264**	**2,275**	—	5,886	5,886
North and South America	**1,793**	**896**	**2,689**	2,778	—	2,778
	92,714	**19,084**	**111,798**	96,628	16,023	112,651

All Group assets, tangible and intangible, are located in the UK with the exception of EID, which is located in Portugal. EID's net assets are shown in note 1.

Market segments

The following table provides an analysis of the Group's revenue by market sector:

	2018 £'000	2017 £'000
Defence (including security)	**99,342**	101,857
Transport	**5,374**	5,920
Offshore energy	**2,063**	1,946
Other commercial	**5,019**	2,928
	111,798	112,651

The Group's total revenue, broken down by type of deliverable is as follows:

	2018 £'000	2017 £'000
Product (hardware and/or software)	**32,037**	32,743
Customised systems or sub-systems (hardware and/or software)	**29,853**	31,876
Services	**49,908**	48,032
Total revenue	**111,798**	112,651

Further information on revenue by market segment and capability can be found in the Strategic report (page 18).

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2018 is as follows:

	2018					2017				
	UK MOD £'000	**Portuguese MOD £'000**	**Customer A £'000**	**Customer B £'000**	**Customer C £'000**	UK MOD £'000	Portuguese MOD £'000	Customer A £'000	Customer B £'000	Customer C £'000
EID	**—**	**5,248**	**—**	**—**	**—**	—	2,187	—	5,886	—
MASS	**20,093**	**—**	**4,069**	**—**	**2,350**	12,158	—	7,396	—	2,565
MCL	**15,694**	**—**	**—**	**—**	**—**	12,537	—	—	—	—
SCS	**—**	**—**	**—**	**—**	**—**	3,130	—	245	—	—
SEA	**7,002**	**—**	**6,195**	**3,942**	**—**	6,283	—	14,809	—	—
	42,789	**5,248**	**10,264**	**3,942**	**2,350**	34,108	2,187	22,450	5,886	2,565

Customers B and C in 2018 are not the same as customers B and C in 2017.

2. Employee benefit expense (including Directors)

	2018 £'000	2017 £'000
Wages and salaries	**34,865**	34,395
Social security costs	**3,857**	3,807
Defined contribution pension plan costs	**3,088**	2,335
Share-based payments	**273**	221
	42,083	40,758

Average number of employees (including Directors)

	2018 Number	2017 Number
Other operational (including production)	**439**	476
Managed services	**130**	100
Total operational	**569**	576
Administration and support	**226**	239
	795	815

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration & Appointments Committee report on pages 44 to 47, where the relevant disclosures have been highlighted as audited.

3. Profit for the year

The profit for the year has been arrived at after charging:

	Notes	2018 £'000	2017 £'000
Net foreign exchange losses/(gains)	18	**280**	(430)
Research and development costs		**5,936**	7,875
Depreciation of property, plant and equipment	10	**1,116**	1,207
Amortisation of other intangible assets	9	**5,312**	11,259
Cost of inventories recognised as expenses		**33,451**	37,268
Staff costs (excluding share-based payments)	2	**41,810**	40,537
Share-based payments	20	**273**	221

All of the above charges are in respect of continuing operations.

The fees payable to the auditor for audit and non-audit services are disclosed in the Audit Committee report on page 35.

4. Finance income

	2018 £'000	2017 £'000
Interest on bank deposits	**14**	47

All finance income is in respect of continuing operations.

5. Finance costs

	2018 £'000	2017 £'000
Loans and finance leases	**103**	46

All finance costs are in respect of continuing operations.

6. Income tax charge/(credit)

	2018 £'000	2017 £'000
UK corporation tax: in respect of this year	**1,812**	1,466
UK corporation tax: in respect of prior years	**(629)**	(845)
Portugal corporation tax: in respect of this year	**1,106**	965
Portugal corporation tax: in respect of prior years	**11**	—
Other foreign corporation tax: in respect of this year	—	13
Other foreign corporation tax: in respect of prior years	**(13)**	—
	2,287	1,599
Deferred tax: in respect of this year	**(1,156)**	(2,798)
Deferred tax: in respect of prior years	**264**	55
	(892)	(2,743)
	1,395	(1,144)

The corporation tax is calculated at 19.00% (2017: 19.92%) of the estimated assessable profit for the year, as disclosed below.

The current tax in respect of the year ended 30 April 2018 includes £Nil (2017: £512,000 credit) in respect of exceptional items.

The deferred tax includes a credit of £1,063,000 in respect of amortisation of other intangible assets (2017: £2,402,000), and a credit of £53,000 (2017: charge of £86,000) in respect of marking forward exchange contracts to market value at the year end. The deferred tax is further explained in note 17.

The tax charge for the year is reconciled to profit per the Consolidated income statement for the year ended 30 April 2018 as follows:

	2018 £'000	2017 £'000
Profit before tax on continuing operations	**9,871**	964
Tax at the UK corporation tax rate of 19.00% (2017: 19.92%)	**1,876**	192
Tax effect of expenses that are not deductible in determining taxable profit	**34**	49
Tax effect of R&D tax credits	**(338)**	(385)
Tax effect of exceptional items that are not recognised in determining taxable profit	**10**	25
Tax effect of change in tax rate; 2018: change in time profile of deferred tax assets and/or liabilities (2017: change in tax rate from 19% to 17%)	**19**	(33)
Tax effect of statutory deduction for share options exercised	**(66)**	(152)
Tax effect of foreign tax rates	**237**	10
Tax effect of deferred tax movement on share options to be exercised	**(10)**	(5)
Tax effect of other prior year adjustments, including R&D tax credits	**(367)**	(845)
Tax credit for the year	**1,395**	(1,144)

The UK corporation tax for the year ended 30 April 2018 is calculated at 19.00%, based upon 12 months at 19%. The UK corporation tax rate for the year ended 30 April 2017 is calculated at 19.92%, based upon eleven months at 20% and one month at 19%.

In addition a deferred tax charge of £248,000 (2017: £336,000) was recognised directly in equity.

7. Dividends

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2017 at 4.90 pence per ordinary share (2016: 4.10 pence)	**1,999**	1,652
Interim dividend in respect of the year ended 30 April 2018 at 2.55 pence per ordinary share (2017: 2.20 pence)	**1,036**	892
	3,035	2,544
Proposed final dividend for the year ended 30 April 2018 at 5.65 pence per ordinary share (2017: 4.90 pence per ordinary share)	**2,333**	2,022

The proposed final dividend is subject to approval by shareholders at the AGM to be held on 11 September 2018 and has not been included as a liability in these financial statements. If approved, this dividend will be paid on 19 September 2018 to shareholders on the register as at 24 August 2018.

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc representing 0.83% (2017: 0.77%) of the Company's called up share capital, has agreed to waive all dividends due to it in accordance with an arrangement dated 20 November 2009.

8. Earnings per share

The earnings per share are calculated as follows:

	2018			2017		
	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence
Basic earnings (net profit attributable to equity holders of Cohort plc)	**40,679,428**	**8,082**	**19.87**	40,400,179	3,672	9.09
Share options	**413,334**			553,515		
Diluted earnings	**41,092,762**	**8,082**	**19.67**	40,953,694	3,672	8.97

The basic earnings per share are calculated by dividing the profit attributable to equity holders of the parent company (Cohort plc) by the weighted average number of ordinary shares in issue during the year. The diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares in issue during the year as adjusted for the effects of potentially dilutive share options.

The weighted average number of shares for the years ended 30 April 2018 and 30 April 2017 is after deducting the own shares, which are held by the Cohort Employee Benefit Trust.

In addition, the adjusted earnings per share of the Group are calculated in a similar manner to the basic earnings per share with the adjustments to the basic earnings as shown below:

		2018			2017		
	Notes	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence
Basic earnings		**40,679,428**	**8,082**	**19.87**	40,400,179	3,672	9.09
Charge/(credit) on marking forward exchange contracts at the year end (net of tax credit of £53,000 (2017: £86,000 charge))	18		**227**			(344)	
Acquisition costs of EID	29		**50**			80	
Acquisition costs of MCL	30		–			47	
Reorganisation of SCS (net of tax credit of £512,000)			–			2,058	
Amortisation of other intangible assets (net of income tax credit of £945,000 (2017: £1,550,000))			**3,844**			5,773	
Adjusted earnings		**40,679,428**	**12,203**	**30.00**	40,400,179	11,286	27.93
Share options		**413,334**			553,515		
Diluted adjusted earnings		**41,092,762**	**12,203**	**29.70**	40,953,694	11,286	27.56

The adjusted earnings are in respect of continuing operations.

8. Earnings per share continued

The adjustment to earnings for calculating the adjusted earnings per share excludes the non-controlling interest in respect of the amortisation of other intangible assets is as follows:

	2018					2017				
	Amortisation of other intangible asset (note 9) £'000	**Deferred tax credit thereon £'000**	**Net £'000**	**Non-controlling interest £'000**	**Attributable to equity shareholders of the Group £'000**	Amortisation of other intangible asset (note 9) £'000	Deferred tax credit thereon £'000	Net £'000	Non-controlling interest £'000	Attributable to equity shareholders of the Group £'000
EID	**1,562**	**(351)**	**1,211**	**(405)**	**806**	6,171	(1,385)	4,786	(2,063)	2,723
MCL	**2,430**	**(461)**	**1,969**	**—**	**1,969**	3,402	(680)	2,722	(1,021)	1,701
SEA	**1,320**	**(251)**	**1,069**	**—**	**1,069**	1,686	(337)	1,349	—	1,349
	5,312	**(1,063)**	**4,249**	**(405)**	**3,844**	11,259	(2,402)	8,857	(3,084)	5,773

9. Goodwill and other intangible assets

	Goodwill					Other intangible assets				
	SEA £'000	MASS £'000	MCL £'000	EID £'000	Group £'000	SEA £'000	MASS £'000	MCL £'000	EID £'000	Group £'000
Cost										
At 1 May 2016	24,063	12,500	2,398	—	38,961	7,955	4,340	15,678	—	27,973
Acquisition of 56.91% of EID	—	—	—	2,195	2,195	—	—	—	10,247	10,247
At 1 May 2017	24,063	12,500	2,398	2,195	41,156	7,955	4,340	15,678	10,247	38,220
At 30 April 2018	**24,063**	**12,500**	**2,398**	**2,195**	**41,156**	**7,955**	**4,340**	**15,678**	**10,247**	**38,220**
Amortisation										
At 1 May 2016	2,000	—	—	—	2,000	3,725	4,340	7,416	—	15,481
Charge for the year ended 30 April 2017	—	—	—	—	—	1,686	—	3,402	6,171	11,259
At 1 May 2017	2,000	—	—	—	2,000	5,411	4,340	10,818	6,171	26,740
Charge for the year ended 30 April 2018		—	—	—	—	1,320	—	2,430	1,562	5,312
At 30 April 2018	**2,000**	**—**	**—**	**—**	**2,000**	**6,731**	**—**	**13,248**	**7,733**	**32,052**
Net book value										
At 30 April 2018	**22,063**	**12,500**	**2,398**	**2,195**	**39,156**	**1,224**	**—**	**2,430**	**2,514**	**6,168**
At 30 April 2017	22,063	12,500	2,398	2,195	39,156	2,544	—	4,860	4,076	11,480

Goodwill arises on the acquisition of subsidiaries. These subsidiaries are the cash-generating units to which goodwill has been allocated.

The amortisation charge is disclosed as "Amortisation of other intangible assets" in the income statement.

A further 23.09% of EID was acquired on 24 November 2017. EID has been accounted for as a 100% subsidiary since it was first acquired in June 2016 with the non-controlling interest disclosed separately (see note 29).

The Group tests goodwill biannually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the subsidiaries (cash-generating units) are determined from value-in-use calculations.

The value-in-use calculations take the cash flows of each cash-generating unit and apply the Group's weighted average cost of capital (WACC) to this to determine if there is any impairment of the cash-generating units' goodwill.

9. Goodwill and other intangible assets continued

In assessing any impairment of goodwill, each value-in-use calculation makes a number of estimates, which use the same basis as used in previous years, as follows:

	Basis of estimate
Cash flow	As in previous years, the cash flows for the years ended 30 April 2019, 2020 and 2021 are based upon the cash-generating units' budgets and forecasts for those years. These cash flows are based upon the revenue, margin and overhead cost forecasts for each business taking account of the run-off of order book, renewal of existing business and winning of new business. Historically, these cash flow forecasts have been a reasonable forecast of actual performance over the period of measurement. Costs reflect inflation rates, currently assumed at 2% (2017: 2%). With regard to the revenue, margin and overhead cost forecasts, the key assumptions underlying these inputs are that current projects contracted will continue as per agreement, that government defence spending will remain largely consistent in the future and that each cash-generating unit will continue to be as successful in competing for new contracts as it has been historically. Currently, a reasonable proportion of revenue for 2019 is already under contract and, as such, the main assumptions related to revenue volumes are in periods for 2020 and after where there is greater uncertainty and risk.
Growth rate	The cash flows for each UK-based cash-generating unit from years four to 20 inclusive are based upon the forecast cash flow for the year ended 30 April 2021 to which a growth rate of 1.5% is applied each year (2017: 1.5%). This rate reflects a prudent view of recent UK growth rates and is below the historically higher UK growth rate of 2.25%. The growth rate is similar for all of the UK-based cash-generating units as a significant proportion of their business is with the same customer, the UK MOD. As a significant proportion of the business is with the UK Government, a more prudent growth rate has been used to reflect lower expected growth rates of UK Government expenditure. In the case of EID, its main customer is the Portuguese MOD. As such, the growth rate assumed for EID's future cash flows is 1.0% (2017: 1.5%), reflecting the expected growth rate for Portuguese Government expenditure.

WACC comprises a number of elements as follows:

	Basis of estimate
Value of equity	Calculated as the issued share capital of the Group (Cohort plc) multiplied by the closing share price at 30 April 2018 of £3.50 (2017: £4.25).
Risk free interest rate	Based upon ten-year UK Government gilt rate of 1.42% (2017: 1.09%).
Beta factor	Derived from analyst estimates provided by the Group's nomad (Investec) and reflects a range of outcomes from 0.44 to 0.60 (2017: 0.47 to 0.50).
Equity risk premium	The equity risk premium of the Group of 10.36% (2017: 11.80%) to which is added a further range of risk premium of 4% to 8% to reflect customer market risk and the low liquidity and risk of AIM stocks.
Cost of debt	The Group is in a positive net funds position. The Group loans at 30 April 2018 have an average interest cost of 1.552% per annum as at that date (2017: 1.381%).

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was 17.3% (2017: 15.1%). The Group WACC has been deemed appropriate to use for each cash-generating unit as all funding is cross guaranteed and therefore the same cost of funding is incurred by each cash-generating unit.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2018 in respect of any of EID, MASS, MCL or SEA. The goodwill of EID is more sensitive with no impairment at the Group's WACC of 17.3% but impairment of £1.9m if the Group's pre-tax WACC increases to over 200%. The Group's pre-tax WACC increases to over 200% when the premium applied to the equity risk to reflect the Group's AIM listing is increased from 8% to 58%. The likelihood of this increase in the WACC is considered low.

The other intangible assets arose on the acquisition of subsidiaries. The EID and J+S intangible assets were in respect of contracts acquired. The J+S other intangible asset is disclosed as part of SEA. The MCL intangible asset was in respect of contracts acquired and to be secured.

The MASS other intangible asset, which is now fully amortised, was in respect of contracts acquired and to be secured in respect of MASS's acquisition of Abacus EW.

10. Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2016	9,848	6,959	16,807
On acquisition of EID	2	293	295
Additions	58	817	875
Disposals	—	(2,276)	(2,276)
Foreign exchange movement	—	4	4
At 1 May 2017	9,908	5,797	15,705
Additions	3	744	747
Disposals	—	(152)	(152)
Foreign exchange movement	—	17	17
At 30 April 2018	**9,911**	**6,406**	**16,317**
Depreciation			
At 1 May 2016	1,427	5,153	6,580
Charge in the year	294	913	1,207
Eliminated on disposal	—	(2,021)	(2,021)
Foreign exchange movement	—	1	1
At 1 May 2017	1,721	4,046	5,767
Charge in the year	298	818	1,116
Eliminated on disposal	—	(159)	(159)
Foreign exchange movement	—	(4)	(4)
At 30 April 2018	**2,019**	**4,701**	**6,720**
Net book value			
At 30 April 2018	**7,892**	**1,705**	**9,597**
At 30 April 2017	8,187	1,751	9,938

The net book value of the Company's property, plant and equipment was £51,000 at 30 April 2018 (2017: £68,000). This was after additions of £10,000 and a depreciation charge of £27,000 for the year ended 30 April 2018.

The net book value of fixed assets held under finance leases at 30 April 2018 was £Nil (2017: £3,753).

The depreciation charge is disclosed within "Administrative expenses" in the Consolidated income statement.

The valuation (in accordance with International Valuation Standards) of the Group's land and buildings at 30 April 2018 supports the above net book value.

The Group's land and buildings as disclosed above are the cost of purchase plus refurbishment and the fair value on acquisition. As such the Group has no revaluation reserve at this time.

11. Investment in subsidiaries and joint ventures

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Subsidiary undertakings	–	–	**73,004**	69,494
Joint ventures	–	–	–	–
	–	–	**73,004**	69,494

A list of all the investments in joint ventures and subsidiaries is as follows:

Name of company	Registered office	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned					
Systems Consultants Services Limited (SCS)	2 Waterside Drive, Reading RG7 4SW	England	Ordinary	100%	Formerly a provider of technical consultancy. Operating divisions transferred to SEA and MASS in 2017
MASS Limited	2 Waterside Drive, Reading RG7 4SW	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Ltd. (SEA)	Beckington Castle, Frome BA11 6TA	England	Ordinary	100%	Holding company of Systems Engineering & Assessment Ltd and Beckington Castle Ltd
Marlborough Communications (Holdings) Limited	Dovenby Hall, Horley RH6 9UU	England	Ordinary	100%	Holding company of Marlborough Communications Limited
Digital Millennium Map LLP (DMM)	Virginia Villas, Hartley Wintney RG27 8NW	England	Ordinary	25%	2D digital mapping – in administration
Thunderwaves, S.A.	6. Ruo do Alecia 26E, 1200-018, Lisbon	Portugal	Ordinary	100%	The holding company of EID
Held through a subsidiary					
MASS Consultants Limited (MASS)	Enterprise House, Cambridgeshire, PE19 6BN	England	Ordinary	100%	Electronic warfare, managed services, secure communications, digital forensics and IT support services
Systems Engineering & Assessment Ltd	Beckington Castle, Frome BA11 6TA	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to the defence and transport markets and is also the holding company of J+S Limited
J+S Limited	Riverside Road, Barnstaple EX31 1LY	England	Ordinary	100%	Subsidiary of Systems Engineering & Assessment Ltd and provides products and services to the defence and offshore energy markets
Marlborough Communications Limited (MCL)	Dovenby Hall, Horley RH6 9UU	England	Ordinary	100%	Designs, sources and supports advanced electronic and surveillance technology
Beckington Castle Ltd	Beckington Castle, Frome BA11 6TA	England	Ordinary	100%	Property company holding freehold of Beckington Castle and SEA's Bristol office
Empresa de Investigação e Desenvolvimento de Electrónica, S.A. (EID)	Quinta dos Medronheiros-Lazarim, 2820-486 Charneca da Caparica, Lisbon	Portugal	Ordinary	80%	Designs and manufactures advanced communications systems for the defence and security markets
8963665 Canada Inc.	1100, Boul, Rene-Levesque O, Porte 2500, Montreal (Quebec), H3B 5C9	Canada	Ordinary	100%	The holding company of the Group's investment in JSK Naval Support Inc.
JSK Naval Support Inc.	193 Brunswick Blvd, Quebec, Canada H9R 5N2	Canada	Ordinary	50%	A joint venture between SEA and a Canadian supplier to deliver and support SEA products into the Canadian Navy and services.

11. Investment in subsidiaries and joint ventures continued

During the year, the Group's immediate subsidiary, Thunderwaves, S.A., a Portuguese registered company, acquired a further 23.09% of EID on 24 November 2017.

All shares held in subsidiaries and joint ventures are the same class and carry equal weighting to any shares held by other shareholders.

Company

The Company's investments in subsidiaries are as follows:

	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Thunderwaves £'000	Total £'000
At 1 May 2016	14,805	8,861	2,683	26,595	8,699	61,643
Acquired	—	7,506	—	—	624	8,130
Share-based payments	86	15	21	76	—	198
Vested in year	(69)	—	(18)	(44)	—	(131)
Deferred tax on share-based payments charged directly to equity	(225)	—	(45)	(76)	—	(346)
At 1 May 2017	14,597	16,382	2,641	26,551	9,323	69,494
Acquired	—	99	—	—	3,514	3,613
Share-based payments	104	20	18	92	14	248
Vested in year	(69)	(14)	(20)	(56)	—	(159)
Deferred tax on share-based payments charged directly to equity	(95)	—	(16)	(81)	—	(192)
At 30 April 2018	**14,537**	**16,487**	**2,623**	**26,506**	**12,851**	**73,004**

12. Inventories

	2018 £'000	2017 £'000
Finished goods and raw materials	**6,426**	5,296

The inventory at 30 April 2018 is after a stock provision of £733,000 (2017: £911,000).

13. Trade and other receivables

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade receivables	**17,654**	22,761	**—**	—
Allowance for doubtful debts	**(340)**	(310)	**—**	—
	17,314	22,451	**—**	—
Amounts recoverable on contracts	**3,684**	5,182	**—**	—
Prepayments and accrued income	**12,260**	10,124	**158**	151
Current tax assets	**—**	253	**—**	—
Amounts due from subsidiary undertakings	**—**	—	**890**	106
	33,258	38,010	**1,048**	257

No trade and other receivables were due in greater than one year.

The average credit period taken on sales of goods is 24 days (2017: 42 days). Of the trade receivables balance, £3.3m was considered overdue at 30 April 2018 (30 April 2017: £3.4m). The decrease in the debtor days is due to the earlier invoicing in the final quarter by MCL and SEA. Overdue is defined as trade receivables still outstanding beyond invoice terms (typically 30 days). The allowance for doubtful debt is determined by management's best estimates, by reference to the particular receivables over which doubt may exist. None of the other receivables were past due.

13. Trade and other receivables continued

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. The largest trade receivable to which the Group is exposed at 30 April 2018 is the UK MOD, with a balance outstanding of £3.7m (2017: £6.4m). Other customers who represent more than 5% of the total balance of trade receivables include:

	2018 £m	2017 £m
Customer A	**1.5**	2.9
Customer B	**1.4**	2.9
Customer C	**1.1**	1.8
Customer D	**1.0**	—

Customers B, C and D in 2018 are not the same as customers B, C and D in 2017.

Trade receivables include £5.5m (2017: £4.5m) denominated in foreign currency. The predominate currency of the trade receivables is pounds sterling.

The majority of the Group's customers are UK or overseas government organisations and larger prime contractors in the defence and transport sectors.

The Group assesses all new customers for creditworthiness before extending credit. In the case of overseas customers, the Group utilises various payment protection mechanisms including but not limited to export credit guarantees, letters of credit and advance payments.

Trade receivables disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful debts because the credit quality of the customer is not considered to have changed and the amount due is considered fully recoverable.

Ageing of past due but not impaired receivables	**2018 £'000**	2017 £'000
30–60 days	**2,436**	2,268
60–90 days	**85**	721
>90 days	**819**	442
	3,340	3,431

Movement in the allowance for doubtful debts	**2018 £'000**	2017 £'000
Balance at 1 May	**310**	—
Impairment losses recognised	**35**	7
On acquisition of EID	**—**	303
Released on recovery of debt previously provided	**(19)**	—
Foreign exchange movement	**14**	—
Balance at 30 April	**340**	310

14. Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Advance receipts	**1,297**	2,199	**—**	—
Trade payables and accruals	**9,380**	6,975	**103**	158
Social security and other taxes	**3,384**	3,799	**124**	108
Accruals and deferred income	**13,242**	21,312	**1,354**	3,593
Amounts due to subsidiary undertakings	**—**	—	**—**	—
	27,303	34,285	**1,581**	3,859

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing contract costs. Advance receipts reflect invoicing ahead of work done in accordance with contracted terms. The average credit period taken for trade purchases is 45 days (2017: 43 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms (see Risk management, pages 37 to 41).

Trade payables and accruals, other payables and taxes are all due for settlement within 12 months of the year end, the majority within three months.

Social security and other taxes include employment taxes and VAT.

The Directors consider that the carrying amount of trade payables approximates to their fair values.

Total payable includes £0.8m (2017: £7.9m) denominated in foreign currency.

15. Bank borrowings

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Bank overdrafts	**—**	—	**15,652**	16,737
Bank loans	**9,167**	3,536	**9,167**	3,536
Finance leases	**6**	9	**—**	—
	9,173	3,545	**24,819**	20,273

These borrowings are repayable as follows:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
On demand or within one year	**9,173**	3,540	**24,819**	20,273
In the second year	**—**	4	**—**	—
In the third to fifth years inclusive	**—**	1	**—**	—
	9,173	3,545	**24,819**	20,273
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(9,173)**	(3,540)	**(24,819)**	(20,273)
Amount due for settlement after 12 months	**—**	5	**—**	—

The weighted average interest rates paid were as follows:

	2018 %	2017 %
Bank overdrafts (variable)	**2.10**	1.85
Bank loans (variable)	**1.55**	1.39
Finance leases (fixed)	**4.60**	4.60

The variable rates are based upon the Bank of England or European Central Bank interest rates.

On 17 November 2015, the Group entered into its current banking facility. The £25.0m facility is provided equally by the Barclays, Lloyds and RBS banks. The facility is provided for three years with options to extend for a further two years and is secured over all of the Group's assets excluding EID, which is not part of the facility arrangement and maintains its own facilities locally in Portugal. The facility is available to the Group (excluding EID) in respect of acquisition financing, overdraft and other ancillary facilities including bonding, letters of credit and foreign exchange forward contracts. The Group is currently in discussions with its banks regarding its banking facility, the current facility expiring in November 2018.

At 30 April 2018 the facility has been drawn on as follows:

	Of which drawn is £m
Revolving credit facility loan	9,167
Overdraft	—
Foreign exchange	132
Bonding	1,920
	11,219

At 30 April 2018, the Group had available £13.8m of undrawn bank facility. The Directors consider the carrying amount of bank borrowings approximate to their fair values.

15. Bank borrowings continued

The Group's cash at 30 April 2018 of £20.5m is held with the following banks:

	2018 £'000	2017 £'000	Moody's long-term credit rating of bank as at 5 June 2018
National Westminster Bank plc	**11,913**	581	A1
Barclays Bank PLC	**16**	2,983	A1 (stable)
Lloyds Bank plc	**131**	483	Aa3
Clydesdale Bank plc	**1**	60	Baa1
Novo Banco	**11**	31	Caa2
Santander Bank	**1,491**	1,441	Ba1
Banco Comercial Português	**6,087**	5,438	Ba1
Caixa Geral de Depósitos Bank	**857**	841	Ba3 (stable)
Other banks and cash	**4**	159	
	20,511	12,017	

16. Provisions

Group	Reorganisation of SCS £'000	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2016	—	143	356	499
Charged to the income statement	2,570	851	100	3,521
On acquisition of EID	—	53	—	53
Utilised	(1,307)	(300)	(350)	(1,957)
Foreign exchange movement	—	(4)	—	(4)
At 1 May 2017	1,263	743	106	2,112
Charged to the income statement	—	227	438	665
Utilised	(612)	(491)	(106)	(1,209)
Foreign exchange movement	—	24	—	24
At 30 April 2018	**651**	**503**	**438**	**1,592**
Provisions due in less than one year	215	503	438	1,156
Provisions due in greater than one year	436	—	—	436
At 30 April 2018	**651**	**503**	**438**	**1,592**
Provisions due in less than one year	528	743	106	1,377
Provisions due in greater than one year	735	—	—	735
At 30 April 2017	1,263	743	106	2,112

The warranty provisions are management's best estimates of the Group's liability under warranties granted on software and other products supplied and are based upon past experience. The timing of such expenditure is uncertain, although warranties generally have a time limit of no more than 12 months, unless a longer warranty period is purchased by the customer. Warranty provisions are reviewed at the half year and year end in respect of actual spend and the remaining obligations to be fulfilled.

Other contract related provisions are management's best estimate of the Group's exposure to contract related costs and undertakings which are in addition to contract accruals and include contract loss provisions. The timing of these is uncertain but is expected to be resolved within 12 months of the balance sheet date. These arise where a service or product has been previously delivered to the customer and the Group receives a claim or an adverse indication in respect of the work done. Where the amount required is uncertain or the Group disputes the amount of the claim, provision is made for the best estimate of the amount that will be required to settle the issue.

16. Provisions continued

Other contract related provisions also include contract loss provisions in respect of contracts where the estimated cost at completion exceeds the total expected revenue of the contract. A contract loss provision is recognised as a provision in full immediately as it arises. The contract loss provisions are held in respect of contracts which are expected to complete in the next 12 months.

Other contract related provisions also include property dilapidation provisions and other trade related issues which may not be related to a trading contract. These balances are immaterial.

The provision in respect of SCS (£651,000) is now mostly held by Cohort plc (£560,000) and is all in respect of an onerous lease with £436,000 due greater than one year.

17. Deferred tax

	Accelerated tax depreciation £'000	Other intangible assets £'000	Revaluation of building £'000	Other short-term timing differences £'000	Share options £'000	Derivatives £'000	Group £'000
At 1 May 2016	(111)	(2,269)	(342)	45	773	(5)	(1,909)
On acquisition of EID	92	(2,300)	—	60	—	—	(2,148)
Credit to the income statement in respect of the current tax year	63	2,402	7	253	5	33	2,763
(Charge)/credit to the income statement in respect of prior tax years	(59)	—	—	4	—	—	(55)
Effect of change of UK corporation tax rate	14	—	19	—	—	—	33
Foreign exchange movement	2	—	—	—	—	—	2
Recognised in the income statement	112	102	26	317	5	33	595
Recognised in equity	—	—	—	—	(336)	—	(336)
At 1 May 2017	1	(2,167)	(316)	362	442	28	(1,650)
Credit to the income statement in respect of the current tax year	21	1,063	7	14	10	53	1,168
Charge to the income statement in respect of prior tax years	(8)	—	—	(199)	—	(57)	(264)
Effect of tax rate charge due to change in estimated lives of underlying assets and/or liabilities	(10)	—	—	(2)	(7)	—	(19)
Foreign exchange movement	3	—	—	2	—	—	5
Recognised in the income statement	6	1,063	7	(185)	3	(4)	890
Recognised in equity	—	—	—	—	(248)	—	(248)
At 30 April 2018	**7**	**(1,104)**	**(309)**	**177**	**197**	**24**	**(1,008)**

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

	2018 £'000	2017 £'000
Deferred tax assets	**406**	833
Deferred tax liabilities	**(1,414)**	(2,483)
	(1,008)	(1,650)

A deferred tax liability in respect of the revaluation of a freehold building arose on the acquisition of SEA and is the potential tax liability payable on the revaluation gain in respect of the building with reference to its historical cost.

The Company's deferred tax balance at 30 April 2018 was an asset of £98,000 (2017: £159,000) being £12,000 (2017: £19,000) in respect of other short-term timing differences, accelerated tax depreciation of £5,000 (2017: £3,000) and share options of £81,000 (2017: £137,000).

The corporation tax rate in the UK for the year ended 30 April 2018 was 19% (2017: 19.92%) which has been applied by Cohort in calculating its income tax (see note 8). A reduction in the UK corporation tax rate from 19% (effective 1 April 2017) to 17% (effective 1 April 2020) was enacted in September 2016. The deferred tax assets and liabilities are calculated using 19% for balances expected to reverse on or before 31 March 2020 and 17% for those reversing after this date.

For deferred tax balances in respect of EID (Portugal), the rate used is 22.45%.

The equity movement in deferred tax on share options is to reflect the future tax associated with the total future share options exercisable and is not capped at the share-based payment level.

18. Derivative financial instruments

The Group has derivative financial instruments as follows:

	2018 £'000	2017 £'000
Assets		
Foreign currency forward contracts	**51**	148
Liabilities		
Foreign currency forward contracts	**(183)**	—

The changes in marking the outstanding foreign currency forward contracts to fair value (which are based upon quoted market valuations) are credited or charged to the Consolidated income statement as "(Charge)/credit on marking forward exchange contracts to market value at the year end". They are in respect of trading contracts undertaken by the Group and in respect of MCL and SEA, and are disclosed within their respective operating profits in the segmental analysis (see note 1; 2017: MCL and SEA). They are considered to be level 1 classification. The charge (2017: credit) to the Consolidated income statement for the year ended 30 April 2018 was as follows:

	2018 £'000	2017 £'000
Foreign currency forward contracts	**(280)**	171

Currency derivatives

The Group utilises forward currency contracts to hedge significant future transactions and cash flows. The Group is party to a number of foreign currency forward contracts in the management of its foreign exchange rate exposure.

The changes in total outstanding committed foreign currency forward contracts of the Group were as follows:

2018	Sell £'000	Buy MYR'000	Buy £'000	Sell €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2017	—	—	371	434	1,251	1,718	(2,458)	(3,081)
Contracts matured in period	—	—	(371)	(434)	(1,251)	(1,718)	2,458	3,081
New contracts in period	(1,026)	(6,315)	526	588	309	496	(1,290)	(1,818)
At 30 April 2018	**(1,026)**	**(6,315)**	**526**	**588**	**309**	**496**	**(1,290)**	**(1,818)**
Fair value adjustment	(144)		(8)		51		(31)	
At 30 April 2018 at spot rate	**(1,170)**		**518**		**360**		**(1,321)**	

The total fair value adjustment is £132,000 (2017: £148,000) and the change in the forward exchange fair values for the year ended 30 April 2018 is £280,000 (30 April 2017: £171,000), which is included in the operating profit of the Group as a charge (2017: credit).

2017	Sell £'000	Buy NOK'000	Buy £'000	Sell €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2016	(31)	(381)	—	—	1,579	2,263	(747)	(1,092)
Contracts matured in period	31	381	—	—	(328)	(545)	747	1,092
New contracts in period	—	—	371	434	—	—	(2,458)	(3,081)
At 30 April 2017	—	—	371	434	1,251	1,718	(2,458)	(3,081)
Fair value adjustment	—		(6)		77		77	
At 30 April 2017 at spot rate	—		365		1,328		(2,381)	

18. Derivative financial instruments continued

Liquidity risk

The maturity of the outstanding contracts was as follows:

At 30 April 2018	Sell £'000	Buy MYR'000	Buy £'000	Sell €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
Within one year	(1,026)	(6,315)	526	588	309	496	(1,290)	(1,818)
Within two years	—	—	—	—	—	—	—	—
Greater than two years	—	—	—	—	—	—	—	—
At 30 April 2018 at forward rate	**(1,026)**	**(6,315)**	**526**	**588**	**309**	**496**	**(1,290)**	**(1,818)**

At 30 April 2017	Buy £'000	Sell €'000	Buy £'000	Sell US$'000	Buy £'000	Sell US$'000
Within one year	371	434	1,251	1,718	(2,458)	(3,081)
Within two years	—	—	—	—	—	—
Greater than two years	—	—	—	—	—	—
At 30 April 2017 at forward rate	371	434	1,251	1,718	(2,458)	(3,081)

The following significant exchange rates applied at 30 April:

	2018			2017	
	Malaysian Ringgit	**US$**	**Euro**	US$	Euro
Exchange rates at 30 April	**0.1853**	**0.7267**	**0.8795**	0.7726	0.8419

Sensitivity analysis

A 10% strengthening of sterling against the above currencies at 30 April 2018 would increase the reported operating profit by £147,000 (2017: increase the reported operating profit by £62,000) in respect of marking these forward contracts to market value.

19. Share capital

	2018 Number	2017 Number
Allotted, called up and fully paid 10 pence ordinary shares	**40,959,101**	40,959,101

Movement in allotted, called up and fully paid 10 pence ordinary shares:

	Number
At 1 May 2016	40,959,101
Share options exercised	—
At 1 May 2017	40,959,101
Share options exercised	—
At 30 April 2018	**40,959,101**

The Company has one class of ordinary shares, none of which carry a right to fixed income.

During the year ended 30 April 2018, no ordinary shares (2017: nil) in Cohort plc were issued to satisfy share options.

20. Share options

The Group now grants share options under the Cohort plc 2016 share option scheme to senior management and key employees. Previous options have been granted under the Cohort plc 2006 share option scheme. In addition, the Group operates a save as you earn (SAYE) scheme which is available to all employees.

The details of the share option schemes are contained in the Remuneration & Appointments Committee report on pages 44 to 47.

The following options were outstanding at 30 April 2018:

				30 April 2018			30 April 2017		
Scheme and grant date	Exercise price £	Vesting date	Expiry date	**Vested**	**Not vested**	**Total**	Vested	Not vested	Total
Cohort plc 2006 share option scheme									
11 Jul 2008	1.890	12 Jul 2011	11 Jul 2018	**—**	**—**	**—**	7,929	—	7,929
5 Aug 2009	1.715	6 Aug 2012	5 Aug 2019	**—**	**—**	**—**	14,277	—	14,277
23 Jul 2010	0.835	24 Jul 2013	23 Jul 2020	**100,471**	**—**	**100,471**	103,471	—	103,471
26 Jul 2011	0.915	27 Jul 2014	26 Jul 2021	**52,252**	**—**	**52,252**	66,252	—	66,252
2 Aug 2012	1.165	3 Aug 2015	2 Aug 2022	**138,801**	**—**	**138,801**	148,500	—	148,500
9 Aug 2013	1.675	10 Aug 2016	9 Aug 2023	**111,000**	**—**	**111,000**	137,950	—	137,950
11 Aug 2014	1.975	12 Aug 2017	11 Aug 2024	**80,936**	**—**	**80,936**	—	207,852	207,852
31 Oct 2014	2.425	1 Nov 2017	31 Oct 2024	**8,000**	**—**	**8,000**	—	24,000	24,000
20 Aug 2015	3.725	21 Aug 2018	20 Aug 2025	**—**	**246,469**	**246,469**	—	277,482	277,482
Cohort plc 2016 share option scheme									
15 Aug 2016	3.400	16 Aug 2019	15 Aug 2026	**—**	**263,103**	**263,103**	—	307,056	307,056
25 Aug 2017	3.760	26 Aug 2020	25 Aug 2027	**—**	**339,632**	**339,632**	—	—	—
				491,460	**849,204**	**1,340,664**	478,379	816,390	1,294,769
Save as you earn (SAYE) scheme									
8 Aug 2011	0.885			**—**	**—**	**—**	3,485	—	3,485
15 Aug 2012	1.190			**—**	**—**	**—**	—	5,042	5,042
13 Aug 2013	1.545			**—**	**17,472**	**17,472**	—	20,771	20,771
11 Aug 2014	2.075			**1,734**	**34,695**	**36,429**	—	120,715	120,715
14 Aug 2015	3.380			**—**	**115,597**	**115,597**	—	137,348	137,348
29 Aug 2016	3.550			**—**	**127,839**	**127,839**	—	148,225	148,225
25 Aug 2017	4.085			**—**	**107,682**	**107,682**	—	—	—
				1,734	**403,285**	**405,019**	3,485	432,101	435,586
				493,194	**1,252,489**	**1,745,683**	481,864	1,248,491	1,730,355

The SAYE options have maturity periods of three or five years from the date of grant.

The Group plan provides for a grant price equal to the closing market price of the Group shares on the trading day prior to the date of grant. In the case of the SAYE schemes, the price is determined on the date before the invitation to participate which was on 1 August 2017. The vesting period is generally three years, five years in the case of some SAYE options. If options under the Cohort plc 2006 or 2016 share option schemes remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

The movement in share options during the year is as follows:

	2018		2017	
	Options	**Weighted average exercise price £**	Options	Weighted average exercise price £
Outstanding at 1 May	**1,730,355**	**2.55**	1,771,512	2.04
Granted during the year	**452,421**	**3.84**	473,182	3.45
Forfeited during the year	**(79,655)**	**3.28**	(50,998)	2.52
Exercised during the year	**(338,164)**	**2.06**	(424,616)	1.37
Expired during the year	**(19,274)**	**3.30**	(38,725)	2.37
Outstanding at 30 April	**1,745,683**	**2.94**	1,730,355	2.55
Exercisable at 30 April	**493,194**	**1.34**	481,864	1.22

20. Share options continued

The weighted average share price at the date of exercise for share options exercised during the year was £2.06 (2017: £1.37). The options outstanding at 30 April 2018 had a weighted average exercise price of £2.94 (2017: £2.55) and a weighted average remaining contractual life of six years (2017: six years).

The exercised options in the year were satisfied by transferring 338,164 shares from the Cohort Employee Benefit Trust (see note 21).

In the year ended 30 April 2018, options were granted as follows: 112,789 on 25 August 2017 under the SAYE scheme and 359,632 on 25 August 2017 under the Cohort plc 2016 share option scheme. The option price for the SAYE scheme was £4.085 per share which was the mid-market price on the day before the scheme invitation was made on 1 August 2017. The option price for the options issued under the Cohort plc 2016 share option scheme was £3.76, the mid-market price the day before the grant.

Share options granted during the current and previous years were valued using the Quoted Companies Alliance model, a Black Scholes-based binomial model. The inputs to this model for the current and previous years were as follows:

	2018	2017
Weighted average share price	**£3.83**	£3.78
Weighted average exercise price	**£2.94**	£2.56
Expected volatility	**32.0%**	28.0%
Risk free rate	**0.84%-1.96%**	0.33%-1.10%
Leaver rate (per annum)	**10.0%**	10.0%
Dividend yield	**0.92%**	0.95%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The leaver rate used in the model is based on management's best estimate.

The Group recognised a cost of £273,000 (2017: £221,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to the share option reserve.

The cost of share-based payments is included in "Administrative expenses" within the Consolidated income statement.

21. Own shares

	£'000
Balance at 1 May 2016	2,735
Acquired in the year	109
Sold in the year	(583)
Loss on shares sold in the year	(1,119)
Balance at 30 April 2017	1,142
Acquired in the year	1,467
Sold in the year	(697)
Loss on shares sold in the year	(722)
Balance at 30 April 2018	**1,190**

The own shares reserve represents the cost of shares in Cohort plc purchased in the market and held by the Cohort Employee Benefit Trust to satisfy options under the Group's share option (see note 20) and Restricted Share schemes (see Remuneration & Appointments Committee report on pages 44 to 47).

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2018 was 341,128 (2017: 315,248).

Tranches of Cohort plc ordinary shares were acquired by the Employee Benefit Trust as follows: 200,000 on 4 September 2017, 167,500 on 22 December 2017 and 50,000 on 13 February 2018, at costs of £3.758, £3.255 and £3.395 per share respectively, a total investment of £1,466,600.

21. Own shares continued

Ordinary shares in Cohort plc were transferred by the Employee Benefit Trust for the purposes of satisfying the exercise of share options as follows:

Exercise price per share Pence	Number of shares sold	Proceeds £'000	Loss on sale of shares £'000
83.5	3,000	3	(8)
91.5	14,000	13	(39)
116.5	9,699	11	(23)
119.0	5,042	6	(13)
167.5	26,950	45	(53)
171.5	14,277	24	(25)
189.0	7,929	15	(14)
197.5	124,916	247	(208)
207.5	80,769	167	(125)
242.5	16,000	39	(17)
338.0	3,822	13	(1)
340.0	14,345	49	(3)
355.0	235	1	—
372.5	17,180	64	1
	338,164	697	(528)

In addition, 53,456 (2017: 44,879) ordinary shares in Cohort plc were transferred at nil value realising a loss on sale of shares of £193,724 for the purpose of satisfying shares awarded to the Executive Directors (see Remuneration & Appointments Committee report on pages 44 to 47) and senior management under the Group's Restricted Share scheme. The total loss on satisfying share options and Restricted Shares by the Employee Benefit Trust was £722,000 (2017: £1,119,000).

67,793 (2017: 59,983) shares held by the Employee Benefit Trust remain to be issued under the Restricted Share scheme, on which an estimated loss of £236,548 (2017: £217,197) will be recognised as they are issued.

The market valuation of the ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2018 was £1,193,948 (2017: £1,339,804).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2018 was £21,500 (2017: £22,151) and this cost is included within "Administrative expenses" in the Consolidated income statement.

22. Reserves

The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements on pages 56 and 57. Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shares issued, including those issued to the Cohort Employee Benefit Trust (see note 19).
- Share premium includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account.
- Own shares held by the Group represent shares in Cohort plc. All the shares are held by the Cohort Employee Benefit Trust (see note 21).
- Share option reserve represents the cumulative share-based payment charged to reserves less the transfer to retained earnings on vesting of options.
- The other reserve represented the final earn-out payable on the acquisition of the non-controlled interest (49.999%) of MCL. This reserve was fully utilised fully on 22 August 2017.
- Retained earnings include the realised gains and losses made by the Group and the Company.

23. Cash flow

a. Net cash from operating activities

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Profit for the year	**8,476**	2,108	**5,163**	4,070
Adjustments for:				
Income tax charge/(credit)	**1,395**	(1,144)	**5**	8
Depreciation of property, plant and equipment	**1,116**	1,207	**27**	13
Amortisation of other intangible assets and goodwill	**5,312**	11,259	**—**	—
Net finance expense/(income)	**89**	(1)	**95**	6
Derivative financial instruments and other non-trading exchange movements	**280**	(430)	**—**	—
Share-based payment	**273**	221	**25**	23
(Decrease)/increase in provisions	**(520)**	297	**574**	—
Operating cash flows before movements in working capital	**16,421**	13,517	**5,889**	4,120
Increase in inventories	**(1,130)**	(1,386)	**—**	—
Decrease/(increase) in receivables	**4,499**	(3,002)	**(680)**	444
(Decrease)/increase in payables	**(4,665)**	(5,815)	**315**	(441)
	(1,296)	(10,203)	**(365)**	3
Cash generated by operations	**15,125**	3,314	**5,524**	4,123
Income taxes paid	**(1,802)**	(2,609)	**—**	(10)
Interest paid	**(103)**	(46)	**(101)**	(43)
Net cash inflow from operating activities	**13,220**	659	**5,423**	4,070

b. Cash and cash equivalents at 30 April 2018

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash and bank	**20,511**	12,017	**—**	—
Short-term deposits	**—**	—	**—**	—
Total cash and cash equivalents	**20,511**	12,017	**—**	—
Bank overdraft	**—**	—	**(15,652)**	(16,737)
Bank loan	**(9,167)**	(3,536)	**(9,167)**	(3,536)
Finance lease	**(6)**	(9)	**—**	—
Total debt	**(9,173)**	(3,545)	**(24,819)**	(20,273)
Net funds	**11,338**	8,472	**(24,819)**	(20,273)

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with a maturity at commencement of three months or less. The carrying amounts of these assets approximate to their fair value.

24. Operating lease arrangements

Group	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised as an expense in the year:		
Land and buildings	**1,088**	1,099
Other	**183**	176
	1,271	1,275

At 30 April 2018 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 £'000	2017 £'000
Land and buildings:		
Within one year	**1,216**	1,179
In the second to fifth year inclusive	**2,005**	2,859
After five years	**179**	258
	3,400	4,296
Other:		
Within one year	**223**	321
In the second to fifth year inclusive	**125**	282
	348	603
	3,748	4,899

Significant leasing arrangements held by the Group are in respect of its operating facilities in Aberdeen, Barnstaple, Lincoln, Lisbon and Theale.

In respect of all the Group's operating leases (including the Company's), there is no contingent rent payable and there are no escalation clauses, restrictions for further leasing or restrictions on the Group's ability to access debt or pay dividends.

None of the significant operating leases entered into by the Group has any renewal or purchase options.

Company	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised as an expense in the year:		
Land and buildings	**38**	53

The recognised expense is lower than the actual payment made due to offsetting the expense against the onerous lease provision established on the reorganisation of SCS.

At 30 April 2018 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 £'000	2017 £'000
Land and buildings:		
Within one year	**203**	187
In the second to fifth year inclusive	**454**	641
	657	828

As from 1 May 2019, the Group will apply IFRS 16 'Leases'. The expected impact of this change in accounting is that operating leases will be replaced by fixed assets (leased) and debt on the balance sheet.

25. Commitments

There was £Nil of capital commitments at 30 April 2018 (2017: £2,000).

26. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £3,088,000 (2017: £2,335,000) were charged to the Consolidated income statement. Contributions outstanding at 30 April 2018 were £274,764 (2017: £219,430).

27. Contingent liabilities

At 30 April 2018 the Group had in place bank guarantees of £1,920,000 (2017: £537,000) in respect of trading contracts. The Group is not aware of any conditions which would realise these contingent liabilities.

28. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. However, the key transactions with the Company are disclosed as follows:

	Management fees received from subsidiaries £'000	Rent paid to subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief received from subsidiaries £'000
2018	**2,508**	—	**5,500**	**85**
2017	1,700	50	4,750	111

During the year ended 30 April 2018, the Directors of Cohort plc received dividends from the Company as follows:

	2018 £	2017 £
S Carter	**678,376**	573,660
N Prest CBE	**154,717**	130,834
A Thomis	**8,942**	6,715
Sir Robert Walmsley	**2,235**	1,890
S Walther	**8,104**	6,189
J Perrin	**298**	252
	852,672	719,540

Further details of the remuneration of the Directors are set out in the Remuneration & Appointments Committee report (pages 44 to 47).

The aggregate remuneration (excluding share option costs) of the key management of the Group was as follows:

	2018 £	2017 £
Salary (including any allowances, benefits and employer's NI)	**1,715,769**	1,532,158
Employer's pension contribution	**49,624**	42,131
Termination payments	—	155,000
	1,765,393	1,729,289

The key management of the Group is the Board of Cohort plc plus each subsidiary's Managing Director.

29. Acquisition of Empresa de Investigação e Desenvolvimento de Electrónica, S.A. (EID)

As announced on 24 November 2017, Cohort plc acquired a further 23.09% of EID for a total consideration of £3.5m (€4.4m) taking the Group's holding from that date to 80%. The non-controlling interest of EID (as held by the Portuguese Government) is now 20%.

On acquiring a further 23.09% of EID, the following adjustment arose in the accounts of Cohort plc:

	£'000
Charge to equity (retained earnings)	1,388
Reduction of non-controlling interest from 43.09% to 20.00%	2,126
	3,514
This was funded by:	
Cash consideration to acquire 23.09% of non-controlling interest	3,514

EID contributed £4.7m of adjusted operating profit on £19.1m of revenue for the year ended 30 April 2018, of which £11.6m and £2.5m respectively were for the period from 25 November 2017 to 30 April 2018.

Further costs of £50,000 were incurred in acquiring the further proportion of the non-controlling interest. These have been recognised as an exceptional item in the Consolidated income statement.

The investment in Thunderwaves S.A., the holding company of EID, by the Company, Cohort plc, increased by £3,514,000 (see note 11), comprising the cash consideration shown above.

30. Acquisition of Marlborough Communications Limited (MCL)

The acquisition of 100% of MCL was completed last year on 31 January 2017. At that time, an earn-out payable to the non-controlling interests was estimated at £2,426,000 and recognised as a creditor due less than one year. It was expected to be settled in the first half of the year ended 30 April 2018. On 22 August 2017, an amount of £2,529,000 was paid in full and final settlement of the earn-out. The investment in MCL increased by £99,000 (see note 11).

No further amounts are payable by Cohort plc in respect of the acquisition of MCL.

Basis of accounting

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 54 to 90. On publishing the parent company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements. The Company is a public company limited by shares.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available for sale, investment property and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through a facility which is due for renewal in November 2018. Both the current domestic economic conditions and continuing UK Government budget pressures, including defence, create uncertainty, particularly over the level of demand for the Group's products.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report on pages 2 to 27 and Risk management on pages 37 to 41. The financial position of the Company, its cash flows, its liquidity position and its borrowing facilities are also described in the Strategic report on pages 2 to 27.

In addition, the Strategic report includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 30 April 2018. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see "Business combinations" below).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. The Group's subsidiaries have prepared their statutory financial statements in accordance with Adopted IFRS, as from 1 May 2015.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Adoption of new and revised standards

Various new and revised standards and interpretations have been adopted by the Group in the year ended 30 April 2018 which have had no significant impact on the amounts reported in these financial statements by the Group.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are disclosed within accruals to the extent they are not settled in the period, unless the loan terms provide for the interest to be added to the principal, in which case the interest is added to the carrying amount of the instrument to which it pertains.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred unless, where appropriate, interest costs are capitalised into assets, fixed and current.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the completion date, of assets acquired, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquired subsidiary. The costs of acquisition are charged to the Consolidated income statement as an exceptional item in accordance with IFRS 3 (Revised).

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable intangible assets, assets, liabilities and contingent liabilities recognised. If, after reassessment, which is a point in time greater than 12 months after the completion date, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds or is below the cost of the business combination, the excess or shortfall is recognised immediately in the income statement as an exceptional item.

Adjustments to the provisional value of assets and liabilities acquired in a business combination when the final values have become known within 12 months are adjusted as if the accounting had been completed at the acquisition date and the comparative information for prior periods is restated accordingly.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss as an exceptional item.

The Group measures the non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquire in the event of liquidation, at its proportionate interest in the recognised amount of the identifiable net assets of the acquire at the acquisition date.

Where less than 100% of a subsidiary is acquired but the Group has effective control, that subsidiary is accounted for as if 100% were acquired with the non-controlling interest recognised appropriately.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Cash and cash equivalents

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

Derivative financial instruments and hedge accounting

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

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net income.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise and are disclosed separately in deriving the Group's adjusted operating profit.

Equity instruments

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

Exceptional items

Items which are both material and non-recurring are presented as exceptional items within the relevant income statement category. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance, reported as the adjusted operating profit. Events which may give rise to the classification of items as exceptional, if of a significantly material value, include gains or losses on the disposal of a business or the restructuring of a business, transaction costs, litigation and similar settlements, asset impairments and onerous contracts.

Financial instruments

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

Financial liabilities and equity instruments

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

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency), which is sterling for the whole Group excluding Cohort's direct subsidiary Thunderwaves and indirect subsidiary EID, which both have the functional currency of the euro. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements, with any exchange difference included in the Consolidated comprehensive statement of income.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in the income statement for the year.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. The Group's accounting policies in respect of such derivative financial instruments are described above.

These forward foreign exchange contracts are revalued to fair value at each balance sheet date with any movement included in the Consolidated income statement as part of the cost of sales and disclosed separately in deriving the Group's adjusted operating profit.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable intangible assets, assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment biannually. Any impairment is recognised immediately in the income statement as an exceptional item and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's subsidiaries as appropriate. Subsidiaries (cash-generating units) to which goodwill has been allocated are tested for impairment biannually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the subsidiary is less than the carrying amount of the subsidiary, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the subsidiary and then to the other assets of the subsidiary pro rata on the basis of the carrying amount of each asset in the subsidiary. An impairment loss recognised for goodwill is not reversed in a subsequent period. The impairment of goodwill is a critical judgement and estimate and is discussed in detail below.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any).

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

If the recoverable amount of an asset (or subsidiary) is estimated to be less than its carrying amount, the carrying amount of the asset (subsidiary) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (subsidiary) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (subsidiary) in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets

Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward and the intangible assets are written off on a straight-line basis over the estimated useful life. As discussed on page 35, the valuation of intangible assets is an area of critical judgement and estimate for the Directors.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further cost expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items. Stock is accounted for on a first in, first out basis.

Joint ventures

The Group accounts for joint ventures where it has a participating interest using the equity method of accounting and discloses the net investment in non-current assets.

Where the investment in a joint venture is negative, the negative investment, to the extent it is a liability of the Group, is offset against any trade and other receivables held by the Group in respect of that joint venture.

The Group accounts for joint ventures in which it no longer has a participating interest by recognising any investment and assets or liabilities due to or from the Group.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Pension contributions

Payments are made to the Company's stakeholder pension schemes, all of which are defined contribution schemes. Amounts are charged to the income statement as incurred.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their fair value at the date of acquisition, plus any subsequent cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2%–4%
Fixtures, fittings and equipment	20%–50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement as an exceptional item.

Provisions

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

Warranty

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

Other contract related provisions including contract loss provisions

These include the following:

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

Provisions continued

Other contract related provisions including contract loss provisions continued

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

Where such an obligation relates to a discontinued operation then the charge will be disclosed as an exceptional item.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's own development activity is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software, product and new processes) and is technically and commercially feasible;
- it is probable that the asset created will generate future economic benefits and the Group has available to itself sufficient resources to complete the development and to subsequently sell and/or use the asset created; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the provision of goods and services, excluding discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

The Group applies either IAS 11 'Construction Contracts' or IAS 18 'Revenue' to account for revenue depending on the nature of the arrangement with the customer. As from 1 May 2018, the Group will implement IFRS 15 'Revenue from Contracts with Customers'. The Group's arrangements fall into four main categories:

1. Time hire

Revenue is recognised in accordance with IAS 18 when the services are provided, i.e. when the employees undertake the work.

2. Managed services

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

3. Product

Goods are delivered to customers and, on their acceptance by the customer, revenue is recognised. At that point, the Group does not have any continuing involvement or control over the goods and all significant risks and rewards have been transferred to the customer.

4. System design, build, test and delivery

These contracts are typically for building complex custom designed assets which are usually components for use in larger customer owned assets. These contracts are accounted for under IAS 11. The Group's contracts of this nature are generally fixed price and without "standalone" values for each element as the contracts are negotiated and ultimately delivered/accepted as a single package.

In these contracts the revenue is recognised using the "percentage of completion" method in IAS 11.

In almost all cases, the percentage of completion is based on input measures (i.e. costs incurred as a proportion of estimated total costs). In some cases, an output measure based on surveys of work performed (milestones) may be used where these are available and measure reliably the work performed.

Costs are expensed as incurred in respect of all contracts unless they relate to goods yet to be delivered, services related to a significant act that has yet to be completed or future activities on a contract accounted for under IAS 11, in which case they are recorded as an asset (either inventory or amounts recoverable on contract).

In some cases, Group contracts can be divided into multiple elements with standalone values using either the principle in IAS 18.13 or the following criteria based on IAS 11.7–10:

- separate proposals for each element;
- each element was subject to separate negotiations; and
- costs and revenues for each element can be identified.

Where separate elements are identified, each is treated as one of the four revenue types described above.

Bid costs

Costs incurred before the award of a contract is probable are expensed as incurred. Where material bid costs arise after the award of a contract has become probable but before the contract is in place, then such identified bid costs are included in contract costs.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based Payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the non-market-based vesting conditions.

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

The cost of share-based payments is charged to the income statement with a corresponding credit applied to the share option reserve. The appropriate element of the reserve is transferred to the retained profit of the Group when the share options to which the reserve relates vest.

Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax expense or credit.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Trade and other receivables

Trade receivables are initially measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Long-term contracts are assessed on a contract-by-contract basis and reflected in the income statement by recording revenue and related costs as contract activity progresses. Revenue is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which revenue exceeds payments on account is classified as "Amounts recoverable on contracts" and included within trade and other receivables; to the extent that payments on account exceed relevant revenue, the excess is included as an advance receipt within trade and other payables. The amount of long-term contracts, at cost net of amounts transferred to cost of sales, costs incurred plus recognised profits, less provision for foreseeable losses and payments on account not matched with revenue, is included within trade and other receivables as "Amounts recoverable on contracts".

Trade and other payables

Trade and other payables are initially measured at fair value. Subsequent measurement is based on changes in the fair value and any changes recognised in the Consolidated income statement.

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

1. Critical accounting judgements

Revenue recognition

The revenue recognition policy of the Group is described in detail on page 87. There are areas where the Directors have to make judgements as to the level of revenue to be recognised in the financial statements, in particular "stage of completion":

- In accordance with IAS 11, revenue is recognised using the "percentage of completion" method for system design, build, testing and delivery contracts. In almost all cases, the percentage of completion is based on input measures (i.e. costs incurred as a proportion of estimated total costs). In a few cases, an output measure based on surveys of work performed (milestones) may be used where these are available and measure reliably the work performed.
- These contracts generally are not capable of segmentation and the percentage of completion method is applied to the contract as a whole.
- In advance of completion of key stages (or deliverables) of contracts, there is additional uncertainty in the estimated total contract costs and accordingly this additional uncertainty is reflected in increased estimates of the total contract costs, i.e. a contingency is added.
- Once those key stages have been completed and the risks have expired, the relevant remaining contingencies are removed from the forecast total contract costs. It is a critical judgement of the Directors as to both the level of contingency recognised and its retention or not.

Acquisition of other intangible assets

Intangible assets other than goodwill that are obtained through acquisition are capitalised on the balance sheet. These other intangible assets are valued on acquisition using a discounted cash flow methodology which depends on future assumptions about the revenue from contracts, prices and costs and on the Group's cost of capital. These assumptions reflect management's best estimates but depend on inherent uncertainties which may not be within the control of management.

2. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill

The Group has significant goodwill balances, the life of which it considers to be indefinite. It assesses biannually the recoverability of the balance, or more frequently in the event of an occurrence indicating impairment. The assessment involves comparing the carrying amount of the asset with its recoverable amount, which is the greater of its value in use and net realisable value by reference to external measures.

Value in use is determined using discounted cash flow techniques that involve the estimation of future cash flows over a long period and an appropriate discount rate.

Future cash flows are estimated based on historical experience, internal estimates and data from external sources. Such estimates are subject to change as a result of changes in economic and competitive conditions. Higher estimates of future cash flows will increase the value in use of goodwill, but lower estimates of cash flows will reduce the value in use and increase the risk of impairment.

Discount rates (weighted average cost of capital) are applied to the cash flows to arrive at the value in use. An increase in the discount rate will reduce the value in use of the goodwill, and will therefore increase the risk of the value in use falling below the carrying value and resulting in an impairment provision being required. A reduction in the discount rate decreases the likelihood of impairment.

Future changes in interest rates, the premium that markets place on equity investments relative to risk free rates and the specific assessment of the capital markets as to the Group's risk relative to other companies can affect the Group's discount rate. Increases in interest rates or the risk premiums applied by capital markets would result in an increase in the Group's discount rate and vice versa. These factors are largely outside the Group's control or ability to predict and can therefore have a significant impact on the estimated fair value of goodwill and hence its impairment.

The assessment of goodwill impairment is disclosed in note 9.

Other

Where a reasonably possible change in a key assumption could give rise to a change in the amount reported, this is disclosed within the relevant note to the accounts.

Standards and interpretations issued as at 3 July 2018 not applied to these financial statements

A number of other standard amendments and IFRS Interpretations Committee (IFRS IC) Interpretations have been issued and are yet to be applied by the Group. The most significant of these are:

1. IFRS 15 'Revenue from Contracts with Customers'. This standard is effective from 1 January 2018 and will be required to be first applied to the Group's financial reporting for the year ending 30 April 2019.
2. IFRS 16 'Leases'. This standard was issued on 13 January 2016 and is effective from 1 January 2019 and will first apply to the Group's financial reporting for the year ending 30 April 2020.

The Group has carried out an assessment of the impact of these accounting standards on its reported figures for the year ended 30 April 2018. In respect of IFRS 15, this assessment is an estimate at this stage. The actual impact of IFRS 15 will be reported within the Group's interim report for the six months ended 31 October 2018 on 12 December 2018.

The actual impact of the IFRS 16 'Leases' will be reported either in the Annual Report for the year ended 30 April 2019 or in the Interim Report for the six months ended 31 October 2019.

The estimated impact of IFRS 15 on the reported result for the year ended 30 April 2018 is a reduction in revenue of £0.8m and operating profit of £0.5m. After adjusting for tax and non-controlling interests, the impact on the equity attributable to the equity shareholders of the parent is a reduction of £0.2m. The basic earnings per share are reduced by 0.4 pence to around 19.5 pence. A similar impact is seen on the adjusted earnings per share, reducing it to 29.6 pence.

IFRS 16 will have the effect, in its simplest terms, of bringing many of the Group's operating leases onto the balance sheet. Under IFRS 16, the Group will recognise within the balance sheet a right-of-use asset and a lease liability for future lease payments in respect of the leases except where the underlying asset is of low value or the lease term is 12 months or less. Within the income statement, operating lease expense on this impacted lease will be replaced with depreciation on the right-of-use asset and interest expense on the lease liability. The most significant impact will be from the Group's operational sites, specifically Aberdeen, Barnstaple, Lincoln and Theale. The Group does have other non-property operating leases, but these are not as significant as the property leases. As at 30 April 2018 and set out in note 24, the Group has total operating lease commitments of £3.7m and therefore IFRS 16 will have a material impact upon the Group.

The Group has not yet determined which transition option will be applied. As the impact of transition is dependent upon the option chosen, the Group is unable to quantify the effect at this time.

The Group does not consider that IFRS 9 'Financial Instruments' will have a significant impact on the financial statements.

Glossary of terms

C4IS	Command, control, communications, computers and information systems
C4ISTAR	Command, control, communications, computers, intelligence, surveillance, target acquisition and reconnaissance
COMINT	Communications intelligence
DSCIS	Defence School of Communications and Information Systems
DSEI	Defence and Security Equipment International event
DTES	Digital traffic enforcement systems
ECS	External communications system
EW	Electronic warfare
EWOS	Electronic warfare operational support
FILS	Future individual lethality system
ISTAR	Intelligence, surveillance, target acquisition and reconnaissance
JEWCS	Joint Electronic Warfare Core Staff
MOD	Ministry of Defence
NATO	North Atlantic Treaty Organisation
PES	Parking enforcement solution
RAF	Royal Air Force
RN	Royal Navy
SIGINT	Signals intelligence
SSAFA	Soldiers, Sailors, Airmen and Families Association
SSP	Software solutions and products
VR	Virtual reality

Please visit the listed web pages for more information on products mentioned in this report:

CounterWorx	www.mass.co.uk/ewos.htm
ROADflow	www.sea.co.uk/transport/products/
SHEPHERD	www.mass.co.uk/ewos.htm
THURBON EW database	www.mass.co.uk/ewos.htm

Advisers

Nominated adviser and broker

Investec
2 Gresham Street
London EC2V 7QP

Auditor

KPMG LLP
Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD

Tax advisers

Deloitte LLP
Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers

Shoosmiths LLP
Apex Plaza
Forbury Road
Reading RG1 1SH

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public and investor relations

MHP Communications
6 Agar Street
London WC2N 4HN

Bankers

Barclays
Level 27, 1 Churchill Place
London E14 5HP

Lloyds Bank
The Atrium
Davidson House
Forbury Square
Reading RG1 3EU

RBS
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Shareholders' enquiries

If you have an enquiry about the Company's business, or about something affecting you as a shareholder (other than queries which are dealt with by the registrars), you should contact the Company Secretary by letter to the Company's registered office or by email to info@cohortplc.com.

Share register

Link Asset Services maintains the register of members of the Company.

If you have any questions about your personal holding of the Company's shares, please contact:

Link Asset Services

Shareholder Solutions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300 (calls are charged at 12 pence per minute plus your phone provider's access charge). (From outside the UK: +44 371 664 0300, calls will be charged at the applicable international rate.) Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Email: enquiries@linkgroup.co.uk

If you change your name or address or if details on the envelope enclosing this report, including your postcode, are incorrect or incomplete, please notify the registrars in writing.

Daily share price listings

- The Financial Times – AIM, Aerospace and Defence
- The Times – Engineering
- The Daily Telegraph – AIM section
- London Evening Standard – AIM section

Financial calendar

Annual General Meeting

11 September 2018

Final dividend payable

19 September 2018

Expected announcements of results for the year ending 30 April 2019

Preliminary half year announcement

12 December 2018

Preliminary full year announcement

July 2019

Registered office

Cohort plc

2 Waterside Drive
Arlington Business Park
Theale
Reading RG7 4SW

Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.

Five-year record

	2018	2017	2016	2015	2014
Headline results (£'000)					
Revenue	**111,798**	112,651	112,577	99,938	71,555
Adjusted operating profit	**15,602**	14,489	11,902	10,085	8,171
Operating profit	**9,960**	963	5,246	5,865	6,618
Adjusted earnings per share (pence)					
Basic	**30.00**	27.93	27.18	20.45	19.15
Diluted	**29.70**	27.56	26.67	20.00	18.66
Statutory earnings per share (pence)					
Basic	**19.87**	9.09	19.14	14.04	14.75
Diluted	**19.67**	8.97	18.78	13.74	14.37
Net operating cash flow (£'000)	**13,220**	659	6,718	18,798	2,576
Net funds (£'000)	**11,338**	8,472	19,805	19,687	16,338
Order intake (£m)	**76.6**	108.6	94.8	114.3	69.1
Order book (£m)	**102.5**	136.5[1]	116.0	134.0[2]	81.7[3]

1 The order book at 30 April 2017 is after including the acquired order book of EID (£23.1m) on 28 June 2016.

2 The order book at 30 April 2015 is after including the acquired order books of MCL (£5.4m) on 9 July 2014 and J+S (£32.6m) on 1 October 2014.

3 The order book at 30 April 2014 excludes SEA's Space business order book of £10.6m (2013 included £10.4m in respect of SEA's Space business).

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www.cohortplc.com