COHORT PLC

THE INDEPENDENT TECHNOLOGY GROUP

Applying advanced technology to protect and secure

Annual Report and Accounts 2022

Our purpose

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 open doors globally.

Strategic report

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cohortplc.com

Highlights

How we have performed

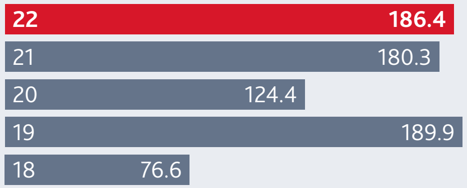
Financial highlights

ADJUSTED OPERATING PROFIT (£m)

£15.5m

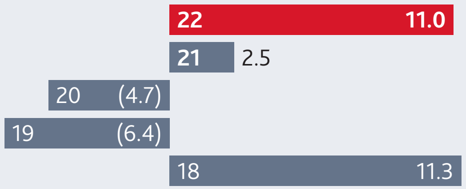
ORDER INTAKE (£m)

£186.4m



NET FUNDS/(DEBT) (£m)

£11.0m



Operational highlights

- MASS, MCL and SEA all posted increases in profit.
- Strong first full year contribution from ELAC Sonar, ahead of expectations.
- Disappointing performance from Chess. As expected, weaker performance at EID.
- Strong order intake of £186.4m (2021: £180.3m).
- Record closing order book of £291.0m (2021: £242.4m) underpinning 78% of expected revenue for 2022/23, a record high.
- Adjusted operating profit of £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m).
- Dividend increased by 10%.
- Net funds higher than expected at £11.0m (2021: £2.5m).

Who we are

Innovative, agile, responsive

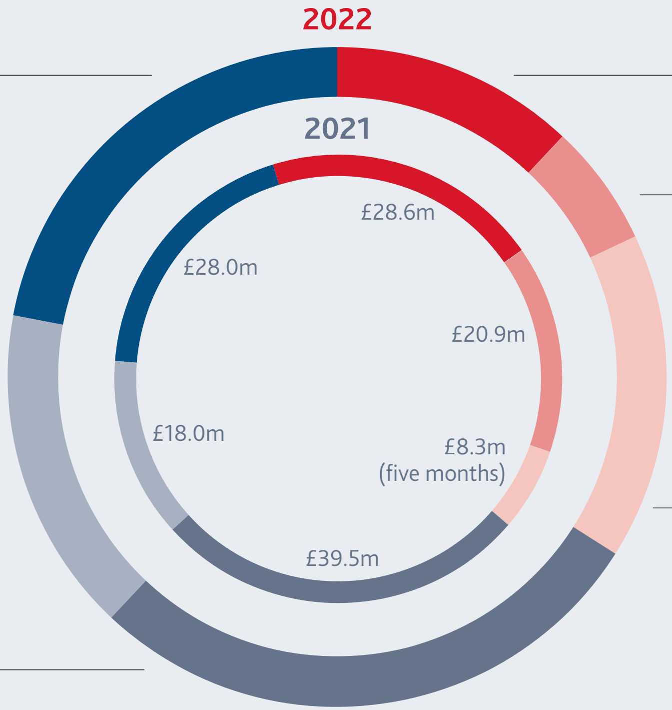
Cohort is the parent company of six innovative, agile and responsive businesses based in the UK, Germany and Portugal, providing a wide range of services and products for domestic and export customers in defence, security and related markets. Each of the subsidiary businesses within the Group offers a specialist portfolio of technologies and services, many unique, supplied to prime contractors and end users.

Revenue by subsidiary

TOTAL REVENUE

£137.8m

(2021: £143.3m)



SEA

SEA delivers and supports technology-based products for the defence and transport markets alongside performing specialist research and training services.

REVENUE

£31.0m

MCL

MCL designs, sources and supports advanced electronic and surveillance technology for the UK MOD and other government agencies.

REVENUE

£21.7m

MASS

MASS provides advanced digital services serving the defence and security markets.

REVENUE

£38.5m

CHESS

Chess is a leading supplier of electro-optical tracking and surveillance systems for the naval and land defence and security sectors.

REVENUE

£16.9m

EID

EID designs and manufactures advanced communications systems for the maritime and land defence sectors.

REVENUE

£8.2m

ELAC SONAR

ELAC Sonar supplies advanced sonar systems and underwater communications to global naval customers.

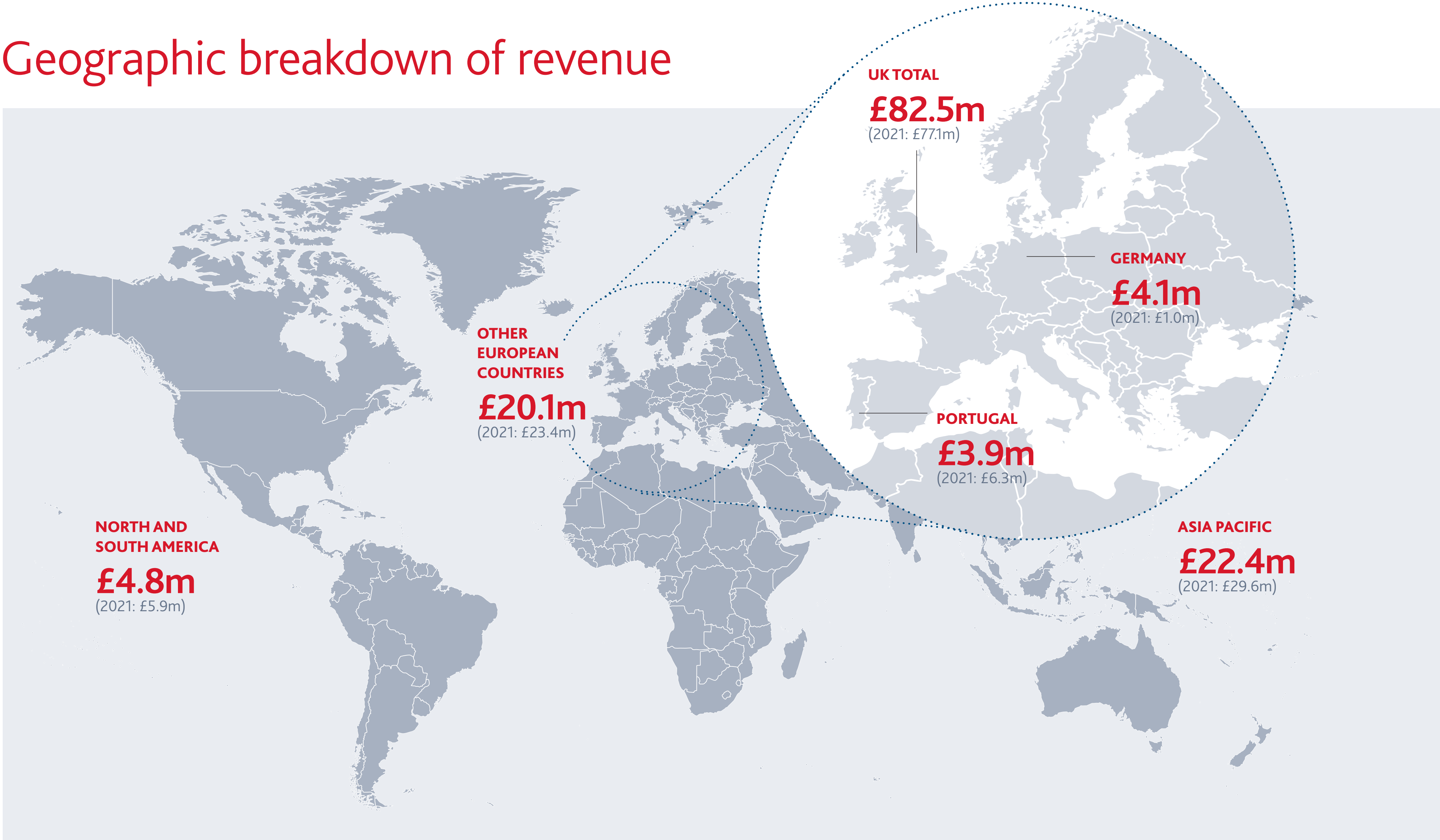
REVENUE

£21.5m

FULL REVIEW FOR EACH SUBSIDIARY IS AVAILABLE IN THE **OPERATIONAL REVIEW**

Geographic analysis

Geographic breakdown of revenue



FULL DETAILS AVAILABLE IN **FINANCIAL STATEMENTS**

Our markets

Applying advanced technology to protect and secure, we nurture agile partnerships across our markets

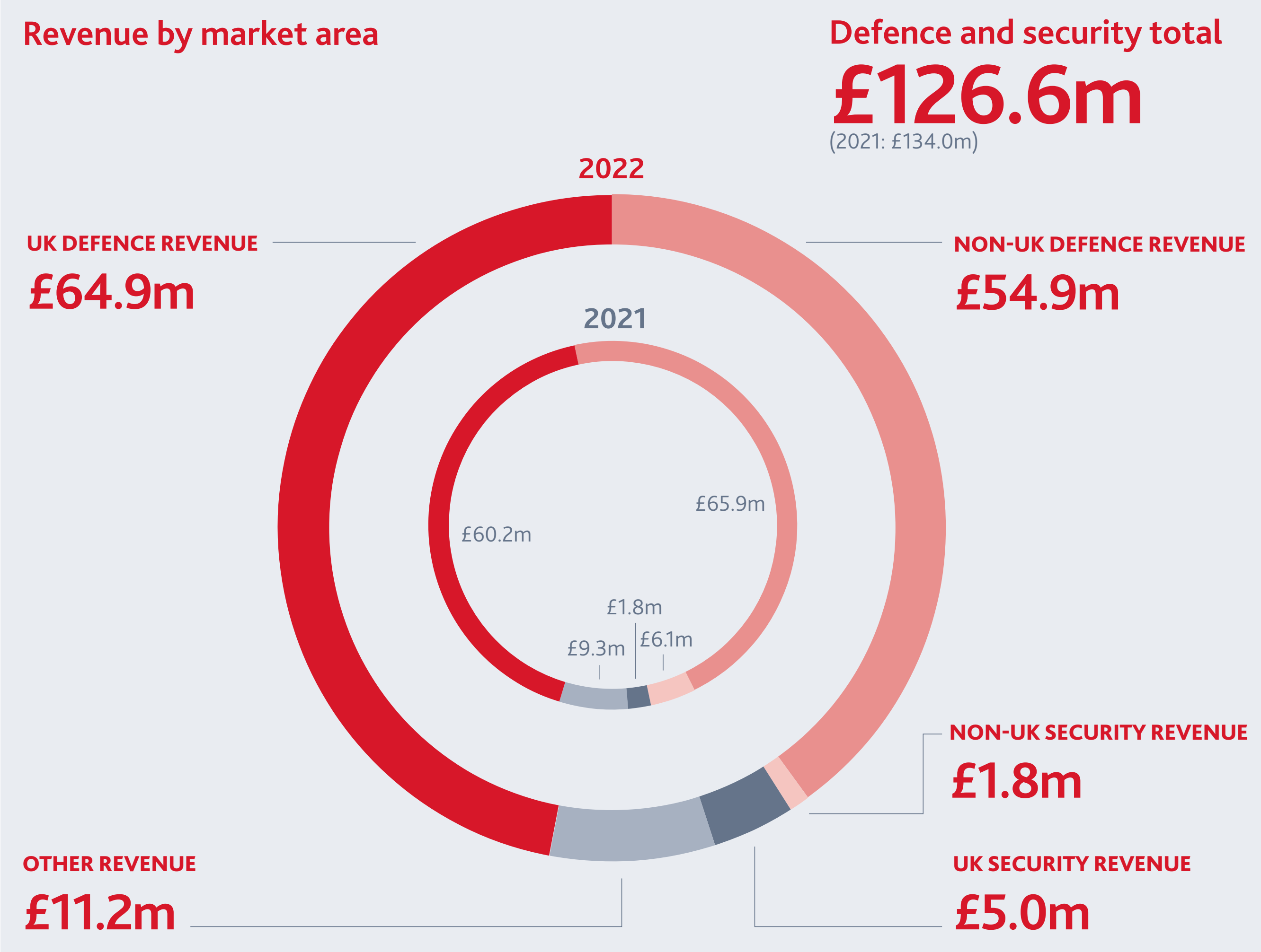
Defence and security

- We supply electronics, software, electromechanical solutions and knowledge-based services to defence customers, across all domains, with a focus on maritime and land. Also to government agencies and critical national infrastructure authorities.
- Direct customers include Ministries of Defence, platform providers, system integrators and infrastructure operators in national and international markets.

Other Revenue

Intelligent Transport Systems

- We provide high-integrity software and systems development for this growing and complex application area.



Our markets continued

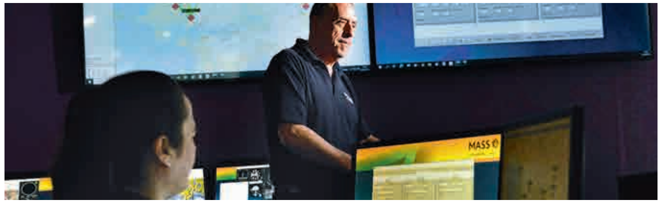
Combat Systems

REVENUE

£19.0m
(2021: £22.0m)

We provide solutions to protect valuable combat assets against threats, and execute missions on land, above water and below water.

- Anti-submarine Warfare
- Platform and Force Protection



Training & Simulation

REVENUE

£9.6m
(2021: £9.5m)

We deliver knowledge, tools, and instruction for people to learn new skills in safe, real and virtual environments.

- Training and Exercise Support
- Skills Based Training
- Synthetic Environment Training

Intelligent Transport Systems

REVENUE

£6.7m
(2021: £6.4m)

Our systems and products support transport organisations, operators and local authorities in the UK, providing enforcement systems for:

- Parking and Bus Lanes
- Complex Moving Traffic Offences
- Criminal Traffic Offences

C4ISTAR

REVENUE

£75.0m
(2021: £79.0m)

We provide solutions to enable secure information exchange and situational awareness.

- Communication & Information Systems
- Intelligence, Surveillance and Reconnaissance
- Electronic Warfare
- Sonar Systems

Digital Services

REVENUE

£14.0m
(2021: £14.5m)

We provide services to ensure critical and sensitive information infrastructure is protected and secure, and to reduce threats to the community.

- Cyber Security
- Data Protection & Management

Research, Advice & Support

REVENUE

£7.5m
(2021: £9.0m)

We help the armed forces to research, define, acquire, and support the next generation of capability.

- Research Management
- Independent Technical Support and Advice
- Capability Development

Investment case

Why invest in Cohort

We are committed to delivering value to shareholders and ensuring they benefit from our success.

Strong business model

- Experienced leadership teams with core capabilities in defence and security.
- Subsidiaries operate with a significant degree of autonomy, enabling agility.
- Group operates a light-touch but rigorous financial and strategic control regime.

Organic and acquisitive growth

- Multiple opportunities to accelerate growth by making selective, targeted acquisitions in the UK and overseas.
- Pipeline of businesses regularly reviewed, considering both stand-alone and bolt-in acquisitions.
- Record of growing acquired businesses.

Access to attractive growth markets

- Use our agility and innovation to identify niches with attractive prospects and sustainable competitive advantage.
- Ensure subsidiaries have close working relationships to benefit from each other's technical capabilities, customer relationships and market knowledge.
- Increased focus by governments on defence, especially within NATO.

Consistent dividend track record

- Dividend increased by 10% in each of the last two years.
- Dividend increased every year since IPO in 2006.
- Strong balance sheet in place with robust funding.

Financial strength

- Strong balance sheet gives customers confidence to award contracts.
- Group underpinned by long-term contracts and strong pipeline.
- All acquisitions funded by cash/debt since 2008.

Visibility of future earnings provided by substantial order pipeline

- Order book at 30 April 2022: £291.0m (30 April 2021: £242.4m).
- 78% of 2022/23 externally forecast revenue on contract at 30 April 2022 (64% equivalent for 2021/22).
- Order book extends out to 2030.

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Chairman's statement

Strong order cover for the coming year

Nick Prest CBE
Chairman

"Performance in line with revised expectations, robust cash, and a record closing order book with strong cover for the coming financial year."

Performance

The Group's trading performance was in line with our revised expectations at the time we announced our half year results on 14 December 2021, achieving an adjusted operating profit of £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m). The reduction in performance compared to last year was primarily the result of a disappointing performance at Chess, along with an expected drop in profit from EID. MASS, MCL and SEA all posted increases in profit, and we benefited from a full year contribution from ELAC Sonar.

The Group had another strong year of order intake, winning £186.4m (2021: £180.3m) of orders, driving us to a record closing order book of £291.0m (2021: £242.4m). This order book gives us a strong start to 2022/23. The Group's net funds also finished at a higher level than we expected at the start of the year, £11.0m compared with £2.5m in 2021.

Following strong order intake in 2020/21, SEA had an improved year, driven by export deliveries, including a first contract with the Royal New Zealand Navy. MCL delivered another year of growth and, importantly, ended the year with an unusually strong order book, providing good underpinning for 2022/23. MASS, despite slightly lower revenue and continued challenges in its EWOS and Training divisions from COVID-19 restrictions, delivered an improved net margin, with better mix and flat overhead. ELAC, having secured a large Italian sonar order early in the year, delivered a better than expected result. In line with our expectations, EID's performance was much weaker, having benefited from a large export delivery in 2020/21 that was not repeated this year. Chess's performance was disappointing. Order intake was lower than expected, as were customer deliveries, and a small number of problem contracts had a negative impact on margin. We have made progress in resolving these problems, and we saw an uptick in performance at Chess towards the end of the year.

We continued to see some negative impact from COVID-19 in the first half of our financial year, particularly at MASS. This started to alleviate in the second half and at the same time, as some normality returned to our business activities, we saw a return to more face-to-face business engagement, especially trade shows and exhibitions across the world. Despite two years of challenging business conditions the Group won over £365m of orders during that period. Our order book now stretches out to 2030 and we expect to extend that further in the coming year.

The Group's operating profit of £11.1m (2021: £7.8m) is stated after recognising amortisation of intangible assets of £6.9m (2021: £10.1m), exceptional income of £0.7m (2021: £1.3m charge) and research and development expenditure credits of £1.0m (2021: £1.0m). Profit before tax was £10.2m (2021: £7.1m) and profit after tax was £8.7m (2021: £5.5m).

The closing net funds of £11.0m (2021: £2.5m) was better than our expectation, due to an improved operating cash flow, particularly at ELAC, MASS, and SEA. The cash flow also benefited from slippage of some items of capital expenditure and the final Chess acquisition payment into 2022/23.

International conflict

The Russian invasion of Ukraine has had a notable impact on public and government perceptions worldwide of the importance of an effective defence capability. Media reporting has reflected a sense of shock that a nascent European democracy can be the target of state-on-state violence of an intensity not seen on the continent since 1945. Many have had to re-learn that the stability of democracy and maintenance of our freedoms and values requires strong defence to deter, and if necessary, repel an aggressive invader. It is also clearer than ever that strong defence means a strong defence industry as well as capable armed forces. That is something that Cohort's leadership and employees understand well, and for many of us it is a large part of our motivation at work. We therefore believe that an activity that generates social value as well as business success such as the UK's defence sector, is worthy of investor consideration.

Our customers' response to the situation in Ukraine had some positive business impact in 2021/22 and we expect this to increase in 2022/23. There is also the potential for a negative effect as increased operational readiness makes it harder for us to provide maintenance services, upgrades and training. On balance, we believe that the long-term change in defence stance that has been catalysed by these events, especially among NATO countries, will be of benefit to the Group.

Strategic initiatives

Cohort's subsidiary, SEA, acquired the remaining 50% of its joint venture JSK in August 2021 for a net consideration of £0.4m. JSK is based in Montreal, Canada and provides SEA, and the Group, with a local presence to provide the Royal Canadian Navy with ongoing support to existing and new naval platforms. The latter include the new Canadian frigate programme for which SEA is providing certain important systems.

Chairman's statement continued

Strategic initiatives continued

When we acquired Chess in December 2018, we agreed to pay further consideration depending on the performance of the business over the three years ended 30 April 2021. Our current best estimate is that the additional consideration payable, including earn-out, to take control of the whole of Chess in 2022 will now be £1.4m (2021: £2.8m), and we expect to pay this on or before 31 October 2022.

The Group continues to review acquisition opportunities as they arise, in line with our criteria.

Shareholder returns

Adjusted earnings per share (EPS) were 31.08 pence (2021: 33.63 pence). The adjusted EPS figure was based on profit after tax, excluding amortisation of other intangible assets, net foreign exchange movements and exceptional items. Basic EPS were 22.55 pence (2021: 13.38 pence). The adjusted EPS were 8% lower primarily due to the weaker adjusted operating profit (down 17%), partly offset by a lower tax charge of 13.5% (2021: 17.4%) and a change in mix from which the Group's profits were derived, with the 100% owned businesses (ELAC and MCL) performing most strongly.

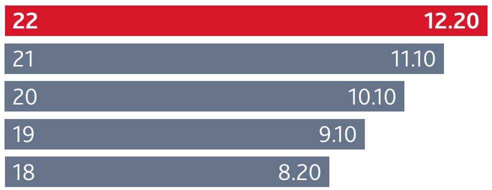
The Board is recommending a final dividend of 8.35 pence per ordinary share (2021: 7.60 pence), making a total dividend of 12.20 pence per ordinary share (2021: 11.10 pence) for the year, a 10% increase. The dividend has been increased every year since the Group's IPO in 2006. It will be payable on 4 October 2022 to shareholders on the register at 26 August 2022, subject to approval at the Annual General Meeting on 27 September 2022.

Over the medium term, the Group plans to maintain a policy of growing its dividend each year broadly consistent with the growth in adjusted earnings per share growth.

DIVIDEND (PENCE PER ORDINARY SHARE)

12.20p

+10%



Our people

As always, my thanks go to all employees within the Cohort businesses. Their hard work, skill and ability to satisfy our customers' needs are what continue to drive the performance of our Group.

As already highlighted, the direct impact of COVID-19 has diminished over the year, and we have in most instances returned to normal work and travel practices. Where appropriate we continue to offer flexibility to our employees as to their location of work, including hybrid working in some cases. As of June 2022, 75% of our employees are mostly based on our or our customers' sites which compares with 50% at this time last year.

We have seen a return to face-to-face customer meetings and in the last few months alone we have attended trade shows in Australia, Europe, Asia and the United States. We could not easily assess the direct impact of the various COVID-19 lock-downs on our long-term business prospects but the strong order intake in the last two years suggests this may not be as deep as we first feared. Andy Thomis, Simon Walther and their senior executive colleagues have continued their dedicated and skillful work which has helped the Group to progress in the face of continuing challenging conditions.

Governance and Board

As separately announced, Stanley Carter has decided not to stand for re-election as a Non-executive Director at Cohort's forthcoming Annual General Meeting to be held in September 2022. Stanley has made an immense contribution to the development and success of Cohort since co-founding it with me in 2006, initially as Chief Executive, then as Co-Chairman and since 2015 as a Non-executive Director. The Board and all Cohort staff are grateful to him for his leadership and support during different phases of the Company's development, and we look forward to continuing the relationship with him as a major shareholder.

We formally welcomed Beatrice Nicholas onto the Board as a Non-executive Director on 1 September 2021. Beatrice has had a long and successful career in the defence industry and brings a wealth of experience in engineering, project management and general management to Cohort.

I also take this opportunity to welcome David Tuddenham as the new Managing Director of Chess. David had worked for Chess for over ten years in senior positions before stepping up to this role in June 2021. David replaces Graham Beall who will lead Chess's business development in the USA. At ELAC, we have adjusted the senior roles, with Bernd Szukay appointed Managing Director and Ole Schneider as Finance Director.

Outlook

The new year has started in line with our expectations and with an encouraging outlook for Cohort, despite the challenging external environment.

Geo-political and macro-economic trends

The recent sad events in Ukraine have impacted on a world economy still recovering from the COVID pandemic. The invasion has seen a higher level of focus amongst governments, particularly European NATO members, on their defence stance. In some instances, notably the UK and Germany, this has already led to an increase in defence spending.

It is hard to predict the duration of the conflict in Ukraine and its direct impact upon the Group's trading. In the longer term, after the taboo over armed invasion of peaceful neighbours has so clearly been broken, we expect to see a more sustained growth in defence budgets, both in NATO but also in other parts of the world where security threats remain.

To set against this, we expect to see economic fallout from the war in Ukraine as well as the lingering impacts of COVID-19. These include higher inflation and rising interest rates and therefore pressure on governments to mitigate these effects on their populations.

The Group is not currently facing any direct restrictions on business activity arising from COVID-19, though we cannot rule out some re-introduction of restrictions if a new variant should cause severe health problems. We still face indirect fall out in the form of cost increases and delays to supplies. These are not currently having any significant impact on performance, but we are seeing delivery schedules for certain components lengthen markedly and may see some impacts in the short term.

Encouraging outlook for Cohort

Our order intake for the year was strong and as a result of this success, the Group has entered the new financial year with a record order book of £291.0m. As we have indicated in the last few years, our order book is not only growing in value, but its longevity continues to increase. We now have orders across the Group stretching out to 2030. We have good prospects in the coming year to secure further long-term orders for our naval systems and support work, including from the UK MOD, Portugal and in export markets.

The order book underpins nearly £128m (2021: £100m) of current financial year revenue, representing 78% of expected consensus revenue for the year. Following order wins since the start of the financial year of just over £20m, that cover now stands at 90%.

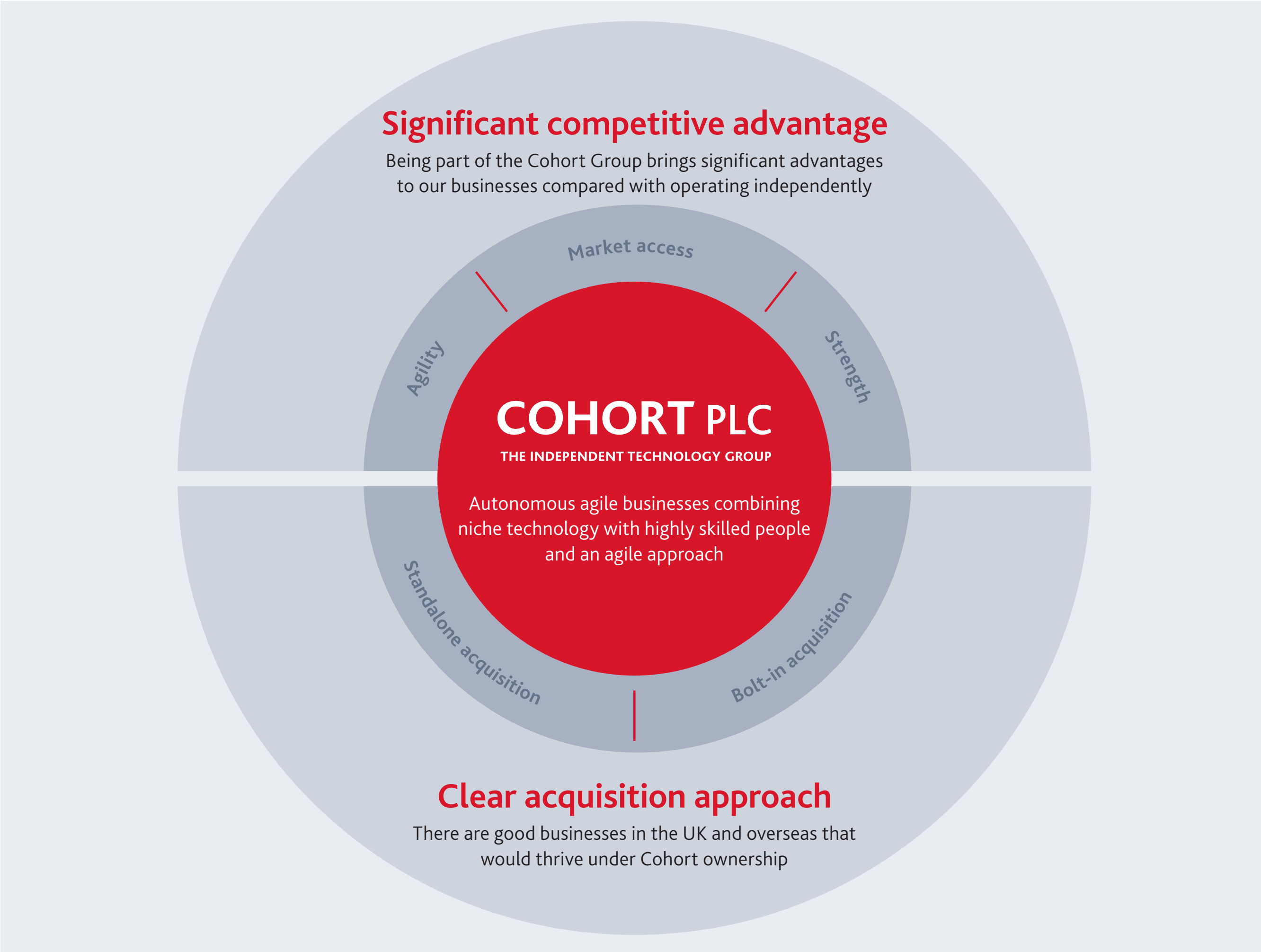
Overall, we continue to expect that our trading performance for 2022/23 will be ahead of that achieved for the year ended 30 April 2022. As a result of planned capital expenditure and expansion in working capital we expect that our net cash balance will decrease, but that we will maintain positive net funds at the year end.

We are optimistic that the Group will make further progress in 2023/24, based on current orders for long-term delivery and on our pipeline of opportunities.

Nick Prest CBE
Chairman

Business model

Significant competitive advantage



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.

Business model continued

How we create value

We create solutions to keep people safe. Acting with agility to find a better way, make smart decisions and meet customers' needs.

Where independent subsidiaries are free to grow and deepen relationships with the support of a steady hand. Bringing the expertise of the Group to the ingenuity of our businesses. To deliver purposeful innovation that protects us all.

Our shareholders

We are committed to delivering value to our shareholders and ensuring that they benefit from our success. We are focused on delivering high standards of corporate governance and providing clear, consistent communication.

Our customers

Our global customers depend on us to be their trusted partner of choice to deliver reliably. We use innovation to stay at the forefront of defence and security technology solutions for our customers. Our culture of openness and support makes us easy to do business with.

Our suppliers and partners

Our suppliers and partners are critical to the success of our business. We work closely with them to build long-term relationships. We ensure that they are paid in line with our commitments for goods and services received.

Our people

Our capabilities and customer relationships all ultimately derive from our people. Guided by our values, all employees across the Cohort Group can fulfil their potential, develop their careers, make a difference through the roles that they undertake, and feel rewarded for what they do.

Our communities

We recognise the importance of engaging with our local communities. We do this through education, work experience, fundraising and sponsorship initiatives, and engage with many military and veterans' charities. Across the Group we employ armed forces reservists and are proud to be a signatory of the UK Armed Forces Corporate Covenant.

Strategy

A clear strategy for growth

Three key objectives form our clear strategy for growth.

Consistently grow profits and cash generation organically through our subsidiaries.

Organic growth

Delivered through:
- A focus on developing long-term customer partnerships.
- Encouraging innovation and responsiveness.
- Identifying and pursuing growth opportunities in new and existing markets.
- Developing high-quality leadership teams and a high-performance culture.

What we did in 2021/22
- Record closing order book and improved visibility at Chess, MCL and SEA. On order cover for 2022/23 at record high of 78% of consensus external forecasts. Length of order book out to 2030.
- New leadership making good progress at SEA and EID.
- Resumed face-to-face customer contact and significant presence at industry meetings.

Our priorities for 2022/23
- Continue to improve long-term order book in all subsidiaries. Improve order intake at EID.
- Seek opportunities from increased focus on defence stance, especially in NATO.
- Monitor and proactively manage supply chain and recruitment challenges.

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

Acquisition

Delivered through:
- Proactive engagement with businesses that can add value to the Group.
- Maintaining a strong acquisition team.
- Demonstrating a structure and culture that are attractive to potential sellers.
- Creativity and flexibility in structuring transactions to bridge value gaps.

What we did in 2021/22
- Joint venture JSK, in Canada, fully acquired by SEA.
- Reviewed numerous acquisition opportunities.

Our priorities for 2022/23
- Complete acquisition of minority interest in Chess.
- Continue to seek value-adding acquisitions with strong market positions in relevant sectors.

Ensure good corporate governance, sound management of subsidiaries and effective communications to shareholders.

Maintaining confidence

Delivered through:
- A light-touch management of subsidiaries backed by a framework of financial control, strategy review, performance management and leadership development.
- An effective operational strategy providing support and guidance when circumstances change.
- Providing clear and consistent investor communications through all channels.

What we did in 2021/22
- Beatrice Nicholas appointed to the Board in September 2021 as independent Non-executive Director.
- Project advisory committee in place to oversee ELAC Sonar's Italian project.
- Operational control improvements at Chess. Now being reflected in early part of 2022/23.
- Carbon Reduction Plans introduced at all UK subsidiaries.

Our priorities for 2022/23
- Enhance investor communications through Capital Markets Day event.
- Complete operational control improvements at Chess.

Innovation and technology

Our customers rely on us to deliver innovative solutions and purposeful technology that is driven by their needs. Innovation is at the core of our values. We dedicate the equivalent of 50% of our profits to innovation and employ the best technology and domain experts to stay at the forefront of defence and security technology solutions. We also carry out customer funded R&D activities and participate in UK MOD and government research frameworks, developing products in house, through inter-company collaboration and working in partnership with suppliers to enhance capability.

Introducing futuristic robotic technology to the UK military

MCL is continually sourcing the latest innovations in science and technology from around the globe, providing advanced technologies and capabilities to the UK MOD through its global network of specialist providers. Through its partnership with Boston Dynamics, MCL has brought the iconic yellow quadruped robot 'Spot' to the UK defence market.

Spot is an agile mobile robot that can navigate terrain to carry out routine inspections and data capture tasks. Easy to control, Spot can be programmed for repeatable autonomous missions and can also carry and power up to 14kg of equipment. It can be used to deliver resources such as medical aid, food, or fuel, and to detect hazardous items such as hostile drones.

The robot reduces the risk to human life by carrying out inspection and data capture missions autonomously to protect people and assess potentially hazardous situations, in addition to helping to de-escalate dangerous scenarios.

MCL is also a key participant in Project Theseus, a UK MOD initiative to explore how autonomous technology can play an increasing role in deployed sustainment and provide support in dangerous and complex environments that could pose a high risk to human life.

Dstl Future Individual Lethality System (FILS) programme

SEA led key aspects of the Future Individual Lethality System (FILS) programme with Dstl: which adds a multi-band sight that fuses active infrared, thermal imaging, and electro-optical imaging as well as a laser rangefinder, attitude and heading reference system and GPS. The result is not only a more accurate sight picture for the weapon, but an individual soldier-level system that can locate an enemy and share that information to cue other weapons and sensors. The FILS, according to a Dstl official, "improves team effectiveness as well as individual effectiveness". He added, "It is expected that elements of this capability will likely enter service in the next five years, although maybe not in this exact form". SEA is continuing to look for ways to productise elements of the design to create a "data over power" applique system that enables each soldier's rifle to become a ISTAR node to share and disseminate target information.

Innovation and technology continued

Image-based object classification

As part of the drive towards increasingly autonomous systems, Chess Dynamics has been focusing on the development of AI and AR technologies with specific emphasis on image-based object classification. This has already seen a number of initial deployments such as Gremlins in the USA where Chess's Vision4ce team were very proud to have been part of the Dynetics and DARPA X-61A Gremlins Air Vehicle (GAV) Program team. The team's success and innovation were recognised by the National Aeronautic Association 2021 Robert J. Collier Trophy selection committee. The overarching goal of the Gremlins Program, managed by DARPA's Tactical Technology Office, was to demonstrate aerial launch and recovery of multiple low-cost, reusable, unmanned aerial drones. Working with commercial partner Sierra Nevada Corporation, Vision4ce's CHARM100 video tracker brought high resolution, low latency image processing, video encoding and streaming to the GAV. The video tracker incorporates novel target detection and tracking techniques to assist in the drone positioning during the final phases of the recovery operation.

ELAC Sonar Digital Hydrophones

ELAC Sonar successfully field-tested the next generation of digital hydrophones for sophisticated and high-performance surveillance missions on submarines. The delivery of the first three units of these state-of-the-art anti-submarine warfare sonars is on schedule for delivery in mid-2022. Customers can expect a new set of underwater communications features, which is available on new projects and upgrades.

Combining innovation with STEM learning

As part of Silverstone University Technical College (UTC) Work Experience Week, 12 students applied their knowledge of coding and cyber-security to hack a car, under the tuition of Ian Tabor, MASS Senior Cyber Security Systems Consultant.

We challenged the Silverstone UTC students to see what they could learn about vulnerabilities of a vehicle's security system. The students quickly learned that they could identify signals sent over the car's network, then replicate those signals to control the car. For example, they could control the speedometer reading, turn on the lights, sound the horn and get the wipers going. With some hardware that they created, they even managed to work out how to unlock the vehicle via their laptops.

Naturally, this gave rise to discussion about the importance of the cyber-security of vehicles, particularly as cars become more autonomous.

Key performance indicators

Measuring our progress

Change in revenue

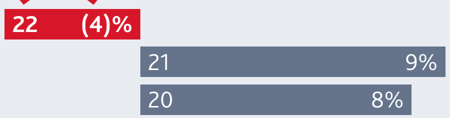
Indicates the change in total Group revenue compared with prior years.

Why is it important?

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

RESULTS

(4)%



Comment on results

Excluding the impact of a full year contribution from ELAC, the underlying Group revenue of £126.5m was 12% lower than in 2021, mainly due to decreases at EID and Chess, partly offset by increases at MCL and SEA.

Change in adjusted operating profit

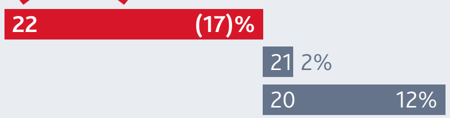
Change in Group operating profit before exceptional items, amortisation of other intangible assets, research and development expenditure credits and non-trading exchange differences, including marking forward exchange contracts to market.

Why is it important?

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.

RESULTS

(17)%



Comment on results

Excluding the impact of the full year contribution from ELAC, the underlying Group adjusted operating profit of £13.8m was 26% lower than the 2021 equivalent figure with falls at Chess and EID the main contributors.

Order book visibility

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

Why is it important?

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

RESULTS

78%

Comment on results

This is higher than the last three years and has further increased to 90% in mid-July 2022.

Key performance indicators continued

Change in adjusted earnings per share

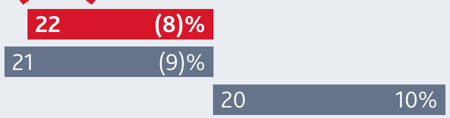
Annual change in earnings per share, before exceptional items, amortisation of other intangible assets and non-trading exchange differences including marking forward exchange contracts to market, all net of tax.

Why is it important?

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).

RESULTS

(8)%



Comment on results

The 8% decrease compares to a 17% decrease in the adjusted operating profit with the difference being mostly driven by a fall in earnings from our part owned subsidiaries (Chess and EID). These downsides were partly offset by a full year contribution from ELAC and improved performances at MCL, MASS and SEA.

Operating cash conversion

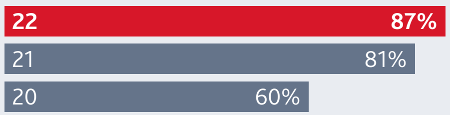
Net cash generated from operations (net of interest and net capital expenditure) before tax as compared to the profit before tax and interest, excluding amortisation of other intangible assets over a rolling four-year period.

Why is it important?

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

RESULTS

87%



Comment on results

The stronger conversion in the last year reflects good cash performance at SEA, EID and ELAC. Our expectation is that the conversion rate should decrease in 2022/23 due to the favourable timing seen in 2021/22 partly unwinding, the conversion rate in 2021/22 alone being 116%. We do expect an improved cash performance at Chess in 2022/23.

International revenue

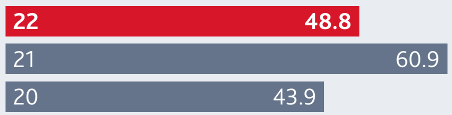
Total sales to markets outside the UK, Germany and Portugal.

Why is it important?

International markets are important to the organic growth of the business and reduce our dependence on domestic markets.

RESULTS

£48.8m



Comment on results

The decrease in 2022 export revenue is driven by lower export sales at EID and Chess, partly offset by a full year contribution from ELAC and higher export sales at SEA. This represents 35% of the Group's revenue compared with 42% in 2020/21.

Operating review

Results in-line, order book and balance sheet strengthened

Andrew Thomis
Chief Executive

"The Group's profit performance for the year was in line with our revised expectations at the time of our half year results announcement on 14 December 2021. Pleasing improvements in performance at ELAC, MCL and SEA were offset by reduced profits at EID and, especially, Chess. Cash performance was better than expected, resulting in a strong positive net cash position at the year end. Order intake was also strong, and the resulting record order book gives us a solid base for 2022/23. We see good prospects for further significant new orders in the year ahead."

2021/22 highlights

- Order intake of £186.4m (2021: £180.3m) and a record closing order book of £291.0m (2021: £242.4m).
- Closing net funds of £11.0m much stronger than last year's £2.5m.
- Adjusted operating profit of £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m) represented a net return of 11.2% (2021: 13.0%), in line with our revised expectations at the time of the half year results announcement.
- MASS remained the strongest contributor to the Group's adjusted operating profit, despite a slightly reduced level of revenue.
- SEA and MCL made good progress and ELAC made a positive full year contribution to the Group's results (2021: five months).
- As expected, EID was lower than in 2021 in terms of revenue and profit following weak order intake in 2020.
- Chess had a poor year with weaker revenue and lower profit.

Operating review

2022 saw another strong year for order intake, with £186.4m of new work contracted compared with £180.3m in 2021. That resulted in a record closing order book of £291.0m, an historic high for the Group, underpinning 78% of the consensus forecast revenue for 2023. Cash flow was robust, the Group closing the year with net funds of £11.0m (2021: £2.5m). In line with our expectations at the time of the half year results announcement in December 2021, revenue was down 4% despite a full year contribution from ELAC Sonar (ELAC) and trading profit down 17%.

We saw a welcome return to growth at SEA, with an increase in export deliveries following order wins in 2020/21. MCL again grew its revenue and trading profit with higher deliveries of autonomous vehicle systems to the UK MOD. Despite slightly reduced revenue, mostly from cessation of its lower margin support to the Metropolitan Police Service, MASS delivered a record high net margin. As expected, EID's contribution was lower this year, with deliveries on a large export order in 2020/21 not being repeated. The main disappointment of the year was at Chess, where significantly reduced revenue and profit resulted from order slippage, delayed deliveries on key programmes and continuing cost increases on certain legacy projects.

ELAC performed well in its first full year in the Group (compared with its five-month contribution in 2020/21). Its revenue and profit included a £1.1m contribution from the mechanism agreed with Wärtsilä, ELAC's former owner, in respect of an export contract that has not yet been made effective. This mechanism may provide up to a further £0.5m in 2022/23. ELAC has begun to recognise revenue on the major Italian submarine sonar contract won last July and has continued to deliver against a pleasing level of product, spares and repair orders.

Operating review continued

Operating review continued

Travel and operational restrictions arising from the COVID-19 pandemic continued in the first half of the financial year, with international travel restrictions still in place in many regions. This has affected some customer contact, and with that some order closure and pipeline building opportunities. Nevertheless, the Group overall has performed well in winning new business. The record closing order book of £291.0m gives us order cover of just under £128m for 2022/23. Over the last two years, despite the effects of COVID-19, the Group secured orders of £365m, materially growing and extending the duration of its order book.

We have seen an impact on deliveries of products and services resulting from pandemic related customer site closures and restrictions. This has been especially true of MASS's training work, some of which has slipped into 2022/23. Although COVID-19 restrictions have now generally lifted, we continue to see price increases and extended lead times for certain materials and components, especially semiconductors. We also see upwards pressure on salaries in certain specialist areas of expertise. We are taking action to maintain deliveries and protect our margins through increasing stock levels, seeking alternative sources of supply, and ensuring that our commercial arrangements enable us to pass on higher costs.

Towards the end of the financial year, we began to see an increase in activity as certain of our customers responded to Russia's invasion of Ukraine. This had minimal financial impact on 2021/22 but we anticipate some of this activity converting to tangible orders and deliveries during 2022/23.

As we signalled in December 2021, the Group's adjusted operating profit fell by nearly 17% to £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m), a net operating return of 11.2% (2021: 13.0%). This was primarily a result of the disappointing performance at Chess. The Group's statutory operating profit of £11.1m (2021: £7.8m) reflects the amortisation of other intangible assets, a £6.9m non-cash charge in 2022 (2021: £10.1m 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, and this is broken down by operating business in note 1.

Adjusted operating profit by subsidiary

	Adjusted operating profit			Adjusted operating margin	
	2022 £m	2021 £m	Change £m	**2022 %**	2021 %
ELAC	**3.8**	1.2	2.6	**17.5**	14.1
MASS	**9.1**	8.7	0.4	**23.7**	22.1
MCL	**2.2**	2.1	0.1	**10.4**	11.5
SEA	**3.4**	2.4	1.0	**10.9**	8.4
EID	**0.9**	4.8	(3.9)	**10.5**	23.1
Chess	**0.3**	3.0	(2.7)	**1.9**	10.5
Central costs	**(4.2)**	(3.6)	(0.6)	**—**	—
	15.5	18.6	(3.1)	**11.2**	13.0

ELAC made a strong full year contribution after its initial five-month contribution in 2020/21. Its revenue included an initial contribution from the major Italian submarine sonar programme won in July 2021. It also delivered specialist sonar products for various export customers, including its widely used underwater communication system, and spares and support for both its current product range and legacy hydrographic products.

MASS returned to growing its trading profit despite a slight (3%) fall in revenue. MASS continued to see some headwinds from COVID-19 restrictions, especially in the first half of the year, but these began to ease in the second half with a pick-up in its various training services and support to the UK's Joint Forces Command.

MCL delivered increased revenue and profit with provision of autonomous land vehicles and hearing protection more than offsetting a reduction in deliveries of systems for the UK submarine fleet last year.

SEA saw a welcome return to growth with higher export and support sales offsetting lower submarine activity. Transport sales also returned to growth following a hiatus in activity during COVID-19 restrictions in the early part of 2020/21.

As expected, EID's performance was much weaker than last year which included a large export order of intercom systems. EID had a stronger order intake for the year compared with 2020/21 but the business still awaits some key orders, particularly for long-term naval programmes which are anticipated in the coming financial year.

Chess had a poor year, delivering only a marginal trading profit on much lower revenue compared to 2020/21. This resulted from order intake that was lower than expected, delivery delays and cost overruns on a small number of problem projects. Over the year we have strengthened Chess's senior management team and made organisational changes intended to improve performance and reduce risk. These changes have begun to have an impact, and we have seen a much improved performance at the beginning of 2022/23.

The growth in central costs reflects the enhanced commercial, legal and financial resources we have brought in to support subsidiary growth, especially in export markets, together with the increasing compliance requirements faced by the Group.

Our people

All the Group's capabilities and customer relationships ultimately derive from our people, and the success we have enjoyed is a result of their efforts. Their adaptability and perseverance through the challenges of the pandemic have been exemplary. I would like to take this opportunity to express my sincere thanks to all employees of Cohort and its businesses as we hopefully now return to more normal working practices.

We have made a small number of changes to the senior management of our subsidiary businesses. David Tuddenham took over as Managing Director of Chess in June 2021. After a period when they shared the role, Bernd Szukay has been appointed as sole Managing Director of ELAC with Ole Schneider taking on the role of Finance Director, the latter including responsibility for certain operational matters. Both retain the German legal status of Geschäftsführer.

Like many high-skill businesses, we are facing challenges in recruiting qualified and experienced people to meet our customer demands and our own investment strategies. As our order book has grown, so have our employee numbers and the Group now has nearly 1,050 staff compared with just over 1,000 this time last year. We will continue to add more resources in the coming year, especially at Chess, ELAC and SEA.

Operating strategy

Organic growth

The Group's adjusted operating profit was in line with our expectations at the time of the half year results in December 2021. Despite some good performances across the Group, overall, this meant a lower level of revenue and profit than in 2020/21. Nevertheless, the strong order intake achieved in 2021/22, and the further prospects we can see in the short and medium term, provide confidence that the Group will make progress in the year ahead.

Despite the difficulties thrown up by the COVID-19 pandemic in the first half of the year, we have had a good year for new orders, and we ended it with a record order book. The return to some normality in the second half of our financial year saw a welcome return to face-to-face business shows, with members of the Group attending defence events in the USA, Australia, Malaysia, Philippines and across Europe. These are positive indicators for future organic growth, and we enter 2022/23 with a record level of order cover for external revenue expectations for the year.

Cohort currently operates as a group of six small and medium-sized businesses, operating primarily in defence and security markets, and with a strong emphasis on technology, innovation and specialist expertise. Within our markets we have sought to identify niches where prospects are attractive and where we have some sustainable competitive advantage. Growth strategies and opportunities vary around the Group:

Operating review continued

Operating strategy continued

Organic growth continued

- MASS benefits from an extremely high customer reputation, rare or unique technical capabilities and experience at building long-lasting customer relationships. Much of its revenue derives from long-term service contracts, and it aims gradually to add more of these building-blocks to its revenue stream.
- EID combines a low cost-base by international standards with access to Portugal's extremely strong technical education system. This has allowed it to develop high-performance low-cost defence communications products that can win business in a highly competitive marketplace.
- Chess makes use of its innovative engineers, customer-focused culture and freedom to source sensors from the best international providers to win business against more vertically-integrated larger competitors.
- SEA has used its close long-term relationship with the Royal Navy to build confidence with that important customer, which in turn creates a strong platform for export orders. It is also investing in new technologies where there is an opportunity to build a strong competitive position, for instance in lightweight towed-array sonars and, alongside Chess, decoy launchers.
- MCL has a unique business model, combining a small but innovative engineering team with a wide range of international partnerships to provide highly specialised equipment and services to the UK armed forces and security services.
- ELAC, the newest member of the Group, has built on almost a century of hydro-acoustic knowledge to create a new architecture for sonar systems on a scale that only a few international providers can match. Its systems combine world-class performance with an ability for customers to tailor analysis techniques and data libraries to their own specific needs.

Our businesses have continued to be active in finding new customers, and 2022 has seen some notable successes for ELAC, MCL and, in particular SEA. Discussions with potential customers have opened up some major longer-term opportunities for all of our businesses.

Being part of the Cohort Group brings material advantages to our operating businesses. The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are well able to execute technically but which might otherwise be perceived as risky. Examples in the last year included the award of a €49m order to ELAC for sonar systems for the Italian Navy's new class of submarine and an initial development order for the Royal New Zealand Navy at SEA.

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 that would be hard for independent smaller businesses to establish. Our six operating businesses, while remaining operationally independent, have formed close working relationships with each other and benefit from sharing technical capabilities, customer relationships and market knowledge within the bounds imposed by our various confidentiality obligations. We will continue to work to promote the Group's services and products in wider markets, including through business development visits as and when government restrictions allow.

These strategies have generated long-term customer relationships and good opportunities that give us confidence that we can continue to win substantial new business in the year ahead. Recent examples include a renewal of MASS's support to the Joint Forces Command out to July 2024 and significant (£15m) orders for hearing protection systems at MCL. We also expect to conclude some key long-term supply and support orders for the Royal Navy and systems orders for export naval customers in the coming year.

Acquisitions

Alongside our organic growth strategy, we continue to see opportunities to accelerate our growth by making further targeted value enhancing 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.

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.

We have reviewed a significant number of possible acquisitions over the last year, in some cases leading to active discussions. Our experienced executive team is conscious of the various potential risks that arise from acquisitions and takes a careful approach, with only a small proportion of the opportunities we see being brought to fruition. When we do identify an opportunity that we believe to be value-creating, the close involvement of our senior team means we can be very flexible in terms of transaction structure, and quick in decision making. That gives us some advantage compared to competitors who may have larger resources available.

On 20 August 2021 SEA acquired the reminder of its joint venture, JSK, which is based in Canada, for a net consideration of £0.4m. This was part of SEA's plan to develop and grow its business in Canada, primarily to support the new Canadian Frigate programme.

We acquired 81.84% of Chess in December 2018 for an initial consideration of just over £20m. The acquisition includes an earn-out clause and an option for acquiring the minority interest (18.16%), both based on Chess's performance for the three years ended 30 April 2021. The performance period for determining the value of the earn-out and option ended on 30 April 2021, and we now expect to pay £1.4m (2021: £2.8m) in total on or before 31 October 2022 to acquire the minority shareholding.

Maintain confidence

Cohort's management approach is to allow its subsidiary businesses a significant degree of operational autonomy to develop their potential fully. At the same time we provide light-touch but rigorous financial and strategic controls at Group level to manage and control risks and ensure legislative and regulatory compliance. 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.

We have invested in our Head Office function over the last two years, introducing commercial support to the subsidiaries, particularly for export business. We have also invested in the financial, legal and company secretarial functions, partly to support the subsidiaries but also to deal with the ever-growing tide of compliance requirements. This includes increasingly wide and onerous external audit requirements, which is reflected in rising audit fees, and the need for external support for environmental reporting.

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.

Andrew Thomis
Chief Executive

Subsidiary review

CHESS

chess-dynamics.com

Overview

Chess Dynamics is an innovative, well-respected surveillance, tracking and gunfire control specialist for military and commercial customers. Chess's military customers include defence forces and prime contractors in the UK and overseas for the naval and land sectors.

Based in Horsham, Plymouth and Wokingham, Chess Dynamics designs, develops and manufactures precision stabilised and non-stabilised multi-axis platforms, fire control directors and positioners for electro-optic, radar, communication, security, surveillance, tracking, and targeting systems, and a wide range of high-performance cameras and special sensors.

The Chess portfolio includes the Vision4ce branded real-time video and image processing solutions for electro-optic systems. This covers the supply of rugged hardware (PCs that utilise the latest Intel mobile processors) for harsh environments on land, at sea and in the air, along with integrated software solutions (such as GRIP View video management software and DART video tracking software) incorporating sophisticated image processing algorithms for object detection and tracking.

The more complex tracking and targeting systems are integrated into naval fire-control solutions and sophisticated vehicle-based surveillance, targeting, tracking and force protection systems.

The company is also a major developer and world-wide supplier of counter-sUAV (drone) protection systems including rapid deployment systems for military and security use. It provides a complete service including survey, installation, training, and maintenance across its entire product range, including bespoke engineering solutions.

Chess has been supplying equipment, sub-systems and systems to defence forces and prime contractors since 2005. Cohort acquired a majority share in Chess in 2018. It is led by Managing Director David Tuddenham.

REVENUE

£16.9m

2021: £28.6m

ADJUSTED OPERATING PROFIT

£0.3m

2021: £3.0m

OPERATING CASH FLOW

£(5.8m)

2021: £(1.0m)

Subsidiary review continued

CHESS

David Tuddenham
Managing Director of Chess Technologies

Chess had a very poor 2021/22. Order delays, technical and delivery delays, and continued project issues all negatively impacted on both revenue and trading profit. It has made a better start to 2022/23.

Chess previously operated through two distinct businesses, Chess Dynamics and Vision4ce, both owned by Chess Technologies. During 2021/22, Vision4ce was integrated with Chess Dynamics to ensure that the process improvements at Chess were replicated there, and that the full resources of the business, including its software arm, could be focused on the highest priority tasks.

Chess's revenue is dominated by export customers. Deliveries during 2021/22 for some major contracts that were secured in the previous few years saw delays due to technical issues, including in one instance a customer requested deferral whilst a technical upgrade was developed and tested. Chess also suffered margin deterioration from continuing issues on legacy projects. We have made significant progress on these, and we expect them to be fully resolved in the coming year.

Chess and its customer reached a mutual agreement to terminate one contract in 2021/22. Approximately £6m of revenue had been recognised previously on the project and this was reversed in 2021/22. The profit impact in 2021/22 was minimal and the system has been subsequently sold to a new customer in 2022/23.

Despite the dip in performance in 2021/22, Chess has continued to demonstrate what a good strategic fit it is for the Group. It is a leading supplier within its market and has a strong ethos of innovation and responsiveness. For instance, it is working closely with SEA on developing a new generation of decoy launcher.

Chess's operations were only marginally impacted by the COVID-19 pandemic and lock-down with a few in-country activities being postponed. However, its business winning methods rely significantly on demonstrating its product, often at trade shows and exhibitions which Chess was unable to do during the various COVID-19 restrictions. In the last few months, as restrictions have eased, Chess has been able to renew its activities including demonstrating new products to the US Navy.

Chess's rapid evolution over the last few years has caused it some growing pains, especially in project control and delivery. This, along with an increase in working capital, has resulted in a weak cash performance this year. Cohort has been working with Chess's management to strengthen its processes to ensure it can successfully grow whilst still maintaining its agility and innovative approach. This work continues to focus on improving its project delivery, its commercial approach and ultimately its cash performance, with the aim of ensuring it will be fully able to deliver on its order winning success over the last two years.

We made changes to the senior management and organisation of Chess in 2021/22 following the appointment of David Tuddenham as Managing Director in June 2021. These have led in turn to improvements in processes and controls, which have begun to show a tangible positive impact. Most of Chess's problem projects are now either fully resolved or on a clear path to improvement.

Chess's order book at April 2022 of nearly £41m provides cover for £22m of 2022/23 revenue and our expectation is that Chess should return to growth in the coming year.

"The management changes at Chess have already positively impacted 2022/23 and we expect a stronger trading and cash performance from the business in the coming year."

Subsidiary review continued

EID

eid.pt

Overview

EID is a Portuguese high-tech company with over 35 years' experience and deep know-how in the increasingly critical fields of tactical and naval C3 (command, control and communications). The company's focus is the design, manufacture, delivery and support of advanced high-performance C3 equipment for the global defence and security markets. Its customers are primarily national naval and military forces in Portugal and overseas.

EID changed its operational structure in May 2021, creating single engineering and business development teams to enable a more coordinated focus on product development and to addressing its markets. These changes have already seen progress in developing both its next generation naval communication system and a new soldier system, the latter resulting in the award of a major contract by the Portuguese Army during 2021/22.

The Royal Navy is amongst the customers for its naval communications systems and its products equip over 145 vessels worldwide including the navies of Portugal, the Netherlands, Spain and Belgium and many non-NATO export customers. Its tactical communications products are used extensively in a variety of personal and vehicular applications for armies worldwide.

EID operates from an engineering and production facility near Lisbon and is led by its Managing Director, Frederico Lemos. EID is 80% owned by Cohort, with the remaining 20% of its shares held by the Portuguese Government through its defence investment arm, idD, and innovation agency IAPMEI. EID joined the Group in 2016.

REVENUE

£8.2m

2021: £20.9m

ADJUSTED OPERATING PROFIT

£0.9m

2021: £4.8m

OPERATING CASH FLOW

£1.7m

2021: £5.4m

Subsidiary review continued

EID

Frederico Lemos
Managing Director of EID

"We expect an improved EID performance in 2022/23 but as previously stated, the return to stronger net margins will not be until 2023/24 when we expect significant new naval programmes to commence delivery."

As expected, EID's revenue and profit were lower than in 2020/21, which saw the completion of a large export contract.

EID's reliance on some significant export orders does bring a risk of year-to-year fluctuations in performance. In 2021/22 nearly 50% of EID's revenue was from its domestic customer, the Portuguese MOD. We expect this situation to continue into 2022/23 with key orders for the Portuguese Army and Navy being important to EID's trading performance over the next few years. One significant Army order, on which delivery has already begun, was secured in 2021/22. We expect to see a key naval order in 2023. EID is also actively working with both ELAC and SEA to promote their respective products and solutions for the Portuguese Navy, using EID as a local integrator and support partner.

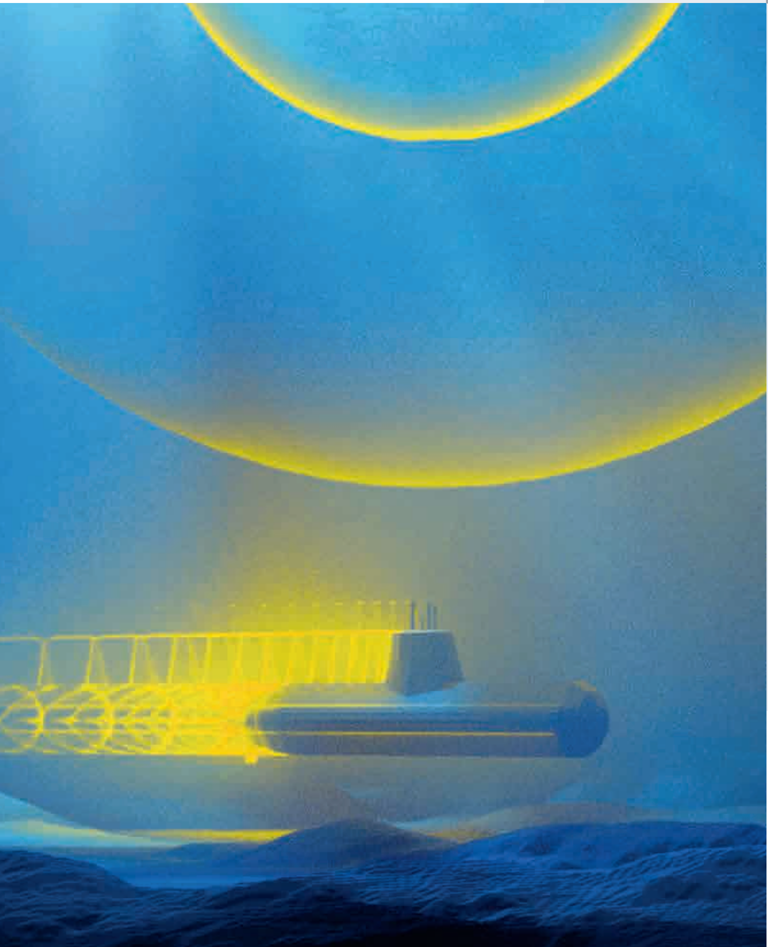
EID had a solid cash performance for the year. Some significant deliveries were made late in the year and the receipts from these will be received in early 2022/23. EID is increasing its stock holding to enable it more readily to meet customer needs.

EID's closing order book of £23m underpins over £11m of revenue for 2022/23, already greater than that achieved in 2021/22. At 75% of revenue expectation for the year this order cover is much greater than at the same time last year, when it was below 50%.

Subsidiary review continued

ELAC SONAR

elac-sonar.de



Overview

ELAC Sonar (ELAC) serves global customers in the naval marketplace. Working with navies, system integrators and shipyards, ELAC supplies mission critical hydro-acoustic naval sensors for underwater surveillance, object avoidance and ranging. These include complete submarine and surface ship sonar suites, submarine rescue sonars, digital underwater communications and echo-sounders for manned and unmanned platforms. ELAC specialises in developing innovative hydro-acoustics, working in partnership with customers to meet their specific needs, offering flexibility through open architectures.

The market-leading digital underwater communication system UT3000 and the open-architecture based KaleidoScope system, developed and successfully delivered throughout the past 20 years, have laid the foundations for the current second-generation, open sonar processing platform and fully digitised hydrophones.

ELAC was founded in 1926 and is located in Kiel, Germany, where it benefits from being close to the German Navy and NATO Centre of Excellence for Confined and Shallow Waters. With several global players in naval shipbuilding, the naval systems industry and the University of Kiel nearby, ELAC has access to excellent resources and networks. ELAC is led by Bernd Szukay and joined the Cohort Group in December 2020.

REVENUE

£21.5m (twelve months)

2021: £8.3m (five months)

ADJUSTED OPERATING PROFIT

£3.8m (twelve months)

2021: £1.2m (five months)

OPERATING CASH FLOW

£6.6m (twelve months)

2021: £0.4m (five months)

Subsidiary review continued

ELAC SONAR

Bernd Szukay
Managing Director of ELAC Sonar (ELAC)

ELAC's full year contribution was stronger than the annualised 2020/2021 equivalent. Much of this growth was due to the Italian sonar contract.

In early July 2021, ELAC secured a contract for over £40m to provide sonar systems for two new U212 Near Future Submarines being supplied by Fincantieri for the Italian Navy. The contract also includes delivery of a special test and crew training system and associated technical services. This is expected to create a capability for the Italian Navy that is unmatched on a submarine of this class.

The contract stretches out to 2030 with the customer having the option for a further two submarines to be supplied with the same system. This project, which is the largest technical delivery contract the Group has ever won, has been overseen by a Programme Advisory Committee set up by Cohort and whose members have extensive knowledge and experience of operating, developing and delivering submarine systems.

We continue to closely review the project and how it is monitored going forward.

In addition to the significant contribution of this project to ELAC's 2021/22 performance, it also saw a number of good orders for its market-leading underwater communication systems, both new, upgrades and spares. ELAC also had a good contribution from higher margin spares, repairs and legacy hydrographic equipment. ELAC continues to add key resources, both people and capital to enable it to deliver its order book and secure further important naval sonar programmes with other navies.

As for 2021/22, ELAC has already 90% coverage of its 2022/23 revenue expectations.

At the time of the acquisition ELAC had agreed in principle to supply another customer with submarine sonar systems, but this has not yet resulted in a finalised contract. A mechanism was agreed with the seller to alleviate some of the operational costs the business would have to bear if this opportunity was delayed or not secured. The cost recovery is payable over two years, with a maximum value of £2.1m if the opportunity is not secured by 1 December 2022. The current year trading performance of ELAC includes £1.1m in respect of this mechanism, which will contribute up to a further £0.5m in 2022/23.

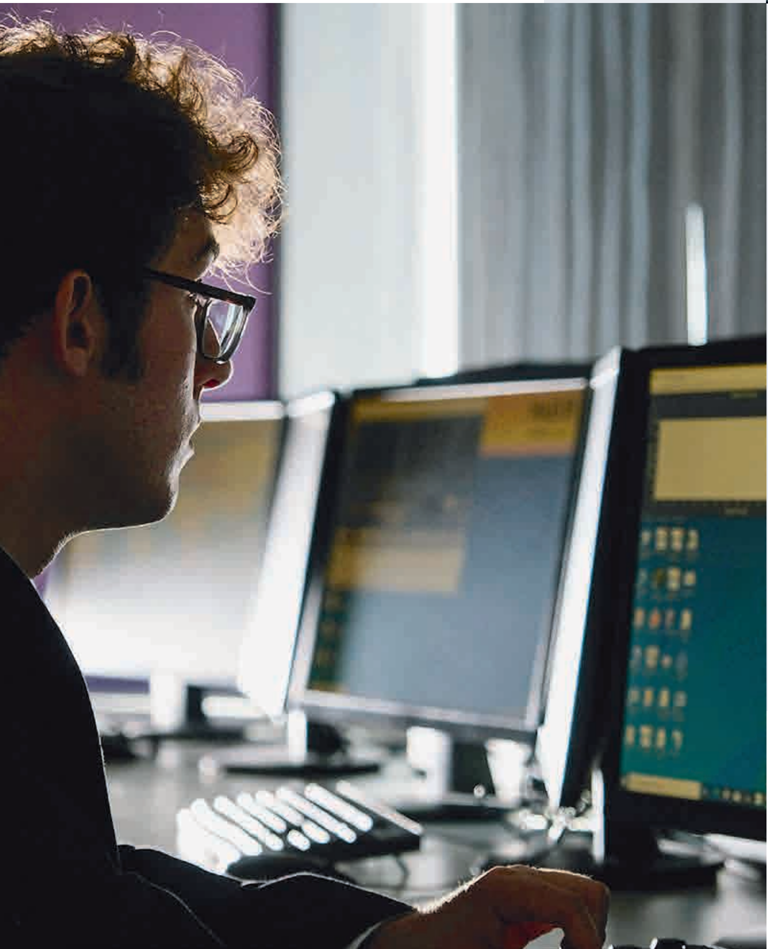
In the coming few years, ELAC will invest in a new facility in the Kiel area to further enhance its offering. Its current facility is now old and is planned to be redeveloped by its landlord for the University of Kiel.

"The underlying ELAC business should continue to grow in the coming year with 90% of its expected revenue for 2022/23 now on order."

Subsidiary review continued

MASS

mass.co.uk



Overview

MASS is a global technology company, trusted by the most secure organisations to provide advanced, cyber hardened digital services centred around data, information and knowledge. MASS has built its reputation through decades in defence, providing training, electronic warfare and cyber security services for governments to keep their confidential information safe. It now offers its data management and protection solutions to other sectors where data security expertise is crucial.

MASS works in partnership with customers to fit solutions to their needs, using highly-skilled, technical experts. The company innovates through new technology and thinking that enables swift adaptation to the changing data environment. MASS also supports opportunities and local initiatives for talented young people in STEM.

MASS operates through four divisions:

- The EWOS (Electronic Warfare Operational Support) division includes the THURBON™ Electronic Warfare (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 Digital Services division offers solutions and training to wider government, including security customers. 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.

Established in 1983, MASS joined the Cohort Group in 2006. MASS is based in Cambridgeshire and it also operates an Electronic Warfare Training Academy in Lincolnshire. MASS is led by Managing Director Chris Stanley.

REVENUE

£38.5m

2021: £39.5m

ADJUSTED OPERATING PROFIT

£9.1m

2021: £8.7m

OPERATING CASH FLOW

£9.9m

2021: £4.6m

Subsidiary review continued

MASS

Chris Stanley
Managing Director of MASS

"MASS continues to demonstrate its strength in its core markets of EWOS and niche technical support to key government capabilities. Its order book of £73m gives good visibility beyond 2023."

MASS had a stronger year despite a small fall in its revenue. The mix of work and flat overheads improved its trading profit.

MASS continued to see the impact of COVID-19 restrictions, particularly in the first half of the financial year on its EWOS training provision. The same issues impacted exercise work at the Joint Forces Command. The nature of MASS's work reflects its long-term investment in defence capability and threat analysis. Short-term changes in operational circumstances can delay MASS's delivery, even when under contract, as we have seen recently with Joint Forces Command support. We now expect that to return to a normal level of activity in 2022/23.

The EWOS business, which is mostly export, saw a further reduction in training and overseas support activity, some slipping into 2023. Digital Services activity was up slightly but the mix drove a stronger trading profit. In the other parts of the business, especially its technical support to key parts of UK defence, MASS was able to increase its activity as COVID-19 restrictions eased.

MASS's net margin increased again to 23.7% (2021: 22.1%). This was due to improved mix, especially in Digital Services, cost savings in delivering some of its long-term work and flat overheads. Together these offset the lower revenue and margin in the EWOS division.

MASS's operating cash flow this year was very strong, catching up on some delayed receipts in 2020/21. We do not expect such a strong cash inflow in 2022/23.

MASS continues to demonstrate its strength in its core markets of EWOS and niche technical support to key government capabilities. Its order book of nearly £73m gives good visibility beyond 2023 although its coverage for 2022/23 of 60% is slightly lower than we have seen in recent years.

Subsidiary review continued

MCL

marlboroughcomms.com

Overview

Marlborough Communications Limited (MCL) is a leading supplier of advanced electronic communications, information systems and signals intelligence technology to the defence and security sectors.

MCL utilises an ever-expanding international network of specialist technology providers, combined with its own bespoke design, engineering and integration skills, to deliver and support a diverse portfolio of C4 and ISTAR capabilities that transform the effectiveness of its customers' operations.

The company's specialist C4IS portfolio includes a full suite of hearing protection equipment for vehicle mounted and dis-mounted operations, communication ancillaries including antennas, while its ISTAR capabilities include signals intelligence, electronic warfare and UAV and UGV technologies. The company supplies customers including the UK MOD, other UK Government departments and defence prime contractors. With an expanding, expert workforce of nearly 40 employees, MCL is adept at identifying the latest technologies and capabilities to suit the unique demands of each customer it works with.

Founded in 1980 and based in Surrey, MCL has been part of the Cohort Group since 2014 and is led by Managing Director Shane Knight.

REVENUE

£21.7m

2021: £18.0m

ADJUSTED OPERATING PROFIT

£2.2m

2021: £2.1m

OPERATING CASH FLOW

£0.6m

2021: £4.3m

Subsidiary review continued

MCL

Shane Knight
Managing Director of MCL

"MCL starts 2022/23 with a record level of order cover for the coming year at 80% and some good new prospects."

MCL grew again in 2021/22 with revenue and adjusted operating profit up by 21% and 5% respectively.

MCL's deliveries in 2021/22 included the autonomous ground vehicles ordered in 2020/21, as well as hearing protection systems for the Army and systems for Royal Navy submarines that now enter a period of long-term support.

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 year saw the order book increase from £12.4m (April 2021) to £22.5m (April 2022) which underpins 80% of its revenue expectations for the coming year. The visibility of MCL's revenue still remains, on average, in the three to six-month range, MCL does see some substantial opportunities in long-term UK naval support programmes, particularly on the new planned frigates for the Royal Navy. Success in these would enable MCL to improve its revenue visibility significantly.

MCL, of all of our businesses, is very much at the forefront of changes in operational tempo at the UK MOD. It has in the last few months seen a significant uplift in activity from the UK MOD, and we anticipate some of this translating to orders in the coming financial year.

MCL moved its operations to a new site, close to its former site in Horley in January of 2022. The new facility provides much improved facilities for developing and trialling its products.

Subsidiary review continued

SEA

sea.co.uk

Overview

SEA delivers systems, products and services into the defence and transport markets alongside performing specialist research and providing services, including training and product support.

In the maritime domain, SEA's engineering capabilities cover a wide range of maritime combat systems requirements, including communications, ship and fleet protection via torpedo and decoy launcher systems, and anti-submarine warfare systems, including towed-array sonar systems, infrastructure and training. As well as providing products and services for UK and export customers in these areas, it carries out technology research on behalf of the UK MOD into future maritime and soldier systems.

SEA also delivers complex data management solutions alongside automated traffic enforcement systems to UK Government and export customers in the transport domain, utilising its award-winning expertise in signal processing and software engineering.

SEA manages its business through three divisions:

- Complex Systems, based at Beckington.
- Maritime Solutions, based at Barnstaple.
- Transport Management, based in Bristol.

The technology and innovation activities of the organisation are underpinned by strong project management and dedicated production and support teams. In the last year SEA has enhanced its senior management team with several new recruits and has adjusted its strategy to align its research and training activities to support its product offerings, rather than being independent business lines.

In the final quarter of the year, SEA combined all of its engineering capability into a single function under one Director, to ensure that the engineering resource is effectively managed and prioritised, and that development and skill gaps are addressed.

SEA was founded in 1987 and joined the Cohort Group in 2007. SEA is located in the UK in Somerset, Bristol and Devon, and is led by Managing Director Richard Flitton.

REVENUE

£31.0m

2021: £28.0m

ADJUSTED OPERATING PROFIT

£3.4m

2021: £2.4m

OPERATING CASH FLOW

£5.7m

2021: £9.8m

Subsidiary review continued

SEA

Richard Flitton
Managing Director of SEA

"Export revenue at SEA was up significantly with orders won in the final quarter of the previous financial year being delivered in 2021/22. Export revenue included development work on an order for the Royal New Zealand Navy."

After a strong order intake in 2020/21, SEA had a solid year with revenue growing by over 10% and trading profit by over 40%.

The change in SEA's revenue over the last six years is analysed by activity as follows:

	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	**2022 £m**
Submarine systems	16.9	7.3	4.7	2.7	4.2	**2.4**
Research	2.1	2.3	4.5	5.2	3.0	**4.9**
Export defence	6.0	7.1	8.2	1.6	2.3	**4.9**
Other defence products and support	11.9	13.2	9.6	11.7	11.1	**12.1**
Transport	5.9	5.3	9.2	7.6	6.4	**6.7**
Subsea	1.9	2.1	2.1	2.9	1.0	**—**
SEA total revenue	44.7	37.3	38.3	31.7	28.0	**31.0**

Submarine systems activity at SEA declined following the cancellation of a major contract in early 2021/22. This contract was terminated by the Australian Government following a change to its strategic stance. Its intention is to move away from a conventional (diesel) powered submarine to a nuclear-powered vessel in alliance with the UK and USA (AUKUS). We are optimistic that, when this programme re-launches, SEA's external communication system, as used on the UK's nuclear submarine, will be the preferred solution.

SEA's research activity saw growth in naval research. SEA's research, training and simulation activities will in future have a greater focus on supporting its main product and service offerings.

Export revenue at SEA was up significantly with orders won in the final quarter of the previous financial year being delivered in 2021/22. Export revenue included development work on an order for the Royal New Zealand Navy. This was to upgrade the external communication system on the ANZAC class of frigates. SEA secured a further follow-on export order from a previous customer for its Torpedo Launcher System.

Revenue from other defence products also increased, a result of higher levels of support activity and the inclusion of revenue from JSK, SEA's Canadian subsidiary.

SEA's transport business saw a 5% rise in revenue with a return to pre-COVID-19 activity levels. The new Clean Air Zone for Bristol provided both order intake and revenue in this year.

Over the past few years, the decline in submarine systems work has resulted in a higher proportion of revenue being derived from less predictable orders. For instance, SEA's transport contracts are typically on short timeframes from win to delivery, usually a few weeks to months. SEA has won nearly £100m of orders in the last two years. This has provided SEA with improved short and long-term visibility, including a number of export contracts for its Torpedo Launcher Systems.

The closing order book of over £75m underpins just over £27m of revenue expectations for 2022/23. SEA's position for UK submarine communication systems and key defence systems for the Royal Navy's surface fleet provides very good prospects for the coming and future years in securing long-term support and delivery orders, some of which will stretch into the early 2030s. SEA secured its first significant orders for the new Dreadnought class of submarine in 2021/22. We also expect follow-on orders for some of its key export contracts.

SEA acquired the other half of its joint venture, JSK, which is based in Canada. This has allowed SEA to fully control the delivery of its Torpedo Launcher Systems to the Canadian Frigate programme and to reinvigorate its efforts to support existing Royal Canadian Navy vessels including the Victoria Class submarines.

Financial review

Net funds much stronger than expected

Simon Walther
Finance Director

"The 2021/22 order intake was 135% (2021: 126%) of the Group's revenue for the year ended 30 April 2022. This was higher than last year, with substantial export orders being secured at ELAC and good order performance at MCL and some recovery at EID."

Revenue analysis

The segmental breakdown of sales in 2021/22 was similar in proportions to 2020/21. In absolute terms we saw a fall in C4ISTAR revenue, driven by lower intercom deliveries from EID, partly offset by higher MCL sales. The slight drop in combat systems revenue was due to lower revenue at Chess where a project was terminated in 2021/22, offset by higher Torpedo Launcher Systems revenue at SEA to export customers. The other segment areas were in line with last year.

The Group saw an increase in revenue with the UK MOD, although it remains below 50% of the Group total revenue. The increase was at MCL and MASS.

Sales to the Portuguese MOD decreased, a result of continued delays to orders for both land and naval systems. A key land system order for the Portuguese Army was secured in 2021/22 albeit later than expected, and this and some delivery delays resulted in revenue being below our expectations. Important naval orders are now expected in 2023 and should start to deliver revenue in 2023/24. The higher German sales reflected a full year contribution from ELAC and some refresh programmes starting for German surface ships.

Security sales were lower as MASS completed its contract with the Metropolitan Police Service in July 2021.

Export defence sales were lower due to completion of a large Middle East order at EID last year. Chess saw declines in revenue as one contract was terminated and deliveries on other contracts were delayed into 2022/23 due to changes in customer requirements. These were partly offset by stronger export sales at SEA following good order intake in 2020/21. MASS's export revenue was lower as training provision to export customers continued to be impaired by COVID-19 restrictions, especially in the first half of the year and these could not be made up in the second half.

The Group's defence and security business is the largest part of our business, accounting for 92% of our revenue this year (2021: 94%). The Group's non-defence revenue was up over 30% compared to last year, with SEA's transport business seeing a slight increase as COVID-19 restrictions eased. MASS education revenue was higher and ELAC saw increased deliveries of legacy commercial echosounder spares.

REVENUE

£137.8m

2021: £143.3m

ADJUSTED OPERATING PROFIT

£15.5m

2021: £18.6m

OPERATING CASH FLOW

+£19.5m

2021: +£16.2m

Financial review continued

Revenue by sector and business

	Chess		EID		ELAC		MASS		MCL		SEA		Group			
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	**%**	2021 £m	%
Defence and security	**16.8**	28.6	**8.2**	20.9	**20.3**	8.3	**35.3**	37.6	**21.7**	18.0	**24.3**	20.6	**126.6**	**92**	134.0	94
Transport	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**6.7**	6.4	**6.7**	**5**	6.4	4
Offshore energy	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	1.0	**—**	**—**	1.0	1
Other commercial	**0.1**	—	**—**	—	**1.2**	—	**3.2**	1.9	**—**	—	**—**	—	**4.5**	**3**	1.9	1
	16.9	28.6	**8.2**	20.9	**21.5**	8.3	**38.5**	39.5	**21.7**	18.0	**31.0**	28.0	**137.8**	**100**	143.3	100

The defence and security revenues are further broken down as follows:

	Chess		EID		ELAC		MASS		MCL		SEA		Group			
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	**%**	2021 £m	%
Direct to UK MOD	**0.1**	—	**—**	—	**—**	—	**21.0**	19.3	**19.3**	16.6	**5.9**	8.0	**46.3**	**34**	43.9	31
Indirect to UK MOD where the Group acts as a sub-contractor or partner	**2.6**	2.1	**0.1**	0.1	**—**	—	**4.9**	4.8	**0.8**	0.4	**10.2**	8.9	**18.6**	**13**	16.3	11
Total to UK MOD	**2.7**	2.1	**0.1**	0.1	**—**	—	**25.9**	24.1	**20.1**	17.0	**16.1**	16.9	**64.9**	**47**	60.2	42
Portuguese MOD	**—**	—	**3.9**	5.9	**—**	—	**—**	—	**—**	—	**—**	—	**3.9**	**3**	5.9	4
German MOD	**—**	—	**—**	—	**4.0**	1.0	**—**	—	**—**	—	**—**	—	**4.0**	**3**	1.0	1
Security	**2.0**	2.4	**—**	—	**—**	—	**3.1**	4.5	**1.6**	1.0	**—**	—	**6.7**	**5**	7.9	6
Export defence	**12.1**	24.1	**4.2**	14.9	**16.3**	7.3	**6.3**	9.0	**—**	—	**8.2**	3.7	**47.1**	**34**	59.0	41
	14.1	26.5	**8.1**	20.8	**20.3**	8.3	**9.4**	13.5	**1.6**	1.0	**8.2**	3.7	**61.7**	**45**	73.8	52
	16.8	28.6	**8.2**	20.9	**20.3**	8.3	**35.3**	37.6	**21.7**	18.0	**24.3**	20.6	**126.6**	**92**	134.0	94

Note: The percentages applied to the defence and security revenue are based on the total revenue for the Group in each year.

Defence and security revenues categorised in market segments:

	Year ended 30 April 2022		Year ended 30 April 2021	
	£m	**%**	£m	%
Combat systems	**19.0**	**14**	22.0	16
C4ISTAR	**75.0**	**54**	79.0	55
Digital services	**14.0**	**10**	14.5	10
Training and simulation	**9.6**	**7**	9.5	7
Research, advice and support	**7.5**	**6**	7.4	5
Other	**1.5**	**1**	1.6	1
Total defence and security revenue	**126.6**	**92**	134.0	94

Total revenue by type of deliverable:

	Year ended 30 April 2022		Year ended 30 April 2021	
	£m	**%**	£m	%
Product	**82.7**	**60**	90.7	63
Services	**55.1**	**40**	52.6	37
Total revenue	**137.8**	**100**	143.3	100

Financial review continued

Operational outlook

Order intake and order book

	Order intake		Order book	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Chess	**15.2**	57.7	**40.7**	42.3
EID	**11.4**	4.3	**23.1**	20.0
ELAC	**57.1**	7.2	**56.8**	21.2
MASS	**34.1**	25.6	**72.8**	77.2
MCL	**31.8**	21.8	**22.5**	12.4
SEA	**36.8**	63.7	**75.1**	69.3
	186.4	180.3	**291.0**	242.4

The 2021 order book includes £23.2m of order book acquired with ELAC in December 2020.

The increase in the Group's order book reflects the strong order intake at ELAC and increased order intake at EID, MASS and MCL offsetting the unwinding of some our longer-term orders, especially at MASS. These are typically renewed on a multi-year cycle, and we expect a negative effect on our order book from these contracts as deliveries take place.

The 2021/22 order intake was 135% (2021: 126%) of the Group's revenue for that year.

The revenue on order (order cover) for the coming year is 78% (2021: 64%) as at 30 April 2022, based on consensus external revenue forecasts. This had risen to 90% in July.

The Group's order intake and order book are the contracted values with customers and do not include any value attributable to frameworks or other arrangements where no enforceable contract exists. The order intake and order book include contractual changes to existing orders including extensions, variations and cancellations.

Chess's order intake of £15.2m was mainly orders for European land forces, including extensions to a larger order received in 2020/21. Chess's order intake is net of an order cancelled by mutual agreement for which the equipment developed has now been supplied to a new customer in 2022/23. Chess's order intake included over £4m of spares and repairs and we have recently invested in its logistics and support team to grow this important revenue stream. Chess's closing order book of £40.7m included £22.0m for delivery in 2022/23. Chess is well positioned for further naval and land programmes which we hope will convert to orders in the coming year. As expected, Chess's order intake was lower than 2020/21, which was dominated by two large orders from European customers. The actual order intake was weaker than we had expected in the year and this in part contributed to the weaker performance. As we saw last year, weaker margins on some projects due to delays, customer deployment changes and technical challenges continued. These challenging projects have mostly been closed out. The now established new management team at Chess, and stronger underpinning of revenue expectations for 2022/23, give us confidence that Chess will deliver a stronger performance for the coming year, more akin to 2020/21.

EID's order intake for this year was higher at £11.4m (2021: £4.3m), including a long-awaited order from the Portuguese Army. EID's order book of £23.1m provides £11.3m of underpinning for 2022/23, which is already ahead of 2021/22. As we stated last year, the need for EID to secure orders, especially in its naval markets, remains important for its medium to long-term order book and growth and we expect a significant naval order for the Portuguese Navy to be secured in 2023. The stronger start point and some good prospects should see EID improve its performance in 2022/23 but it will still be short of the levels achieved historically.

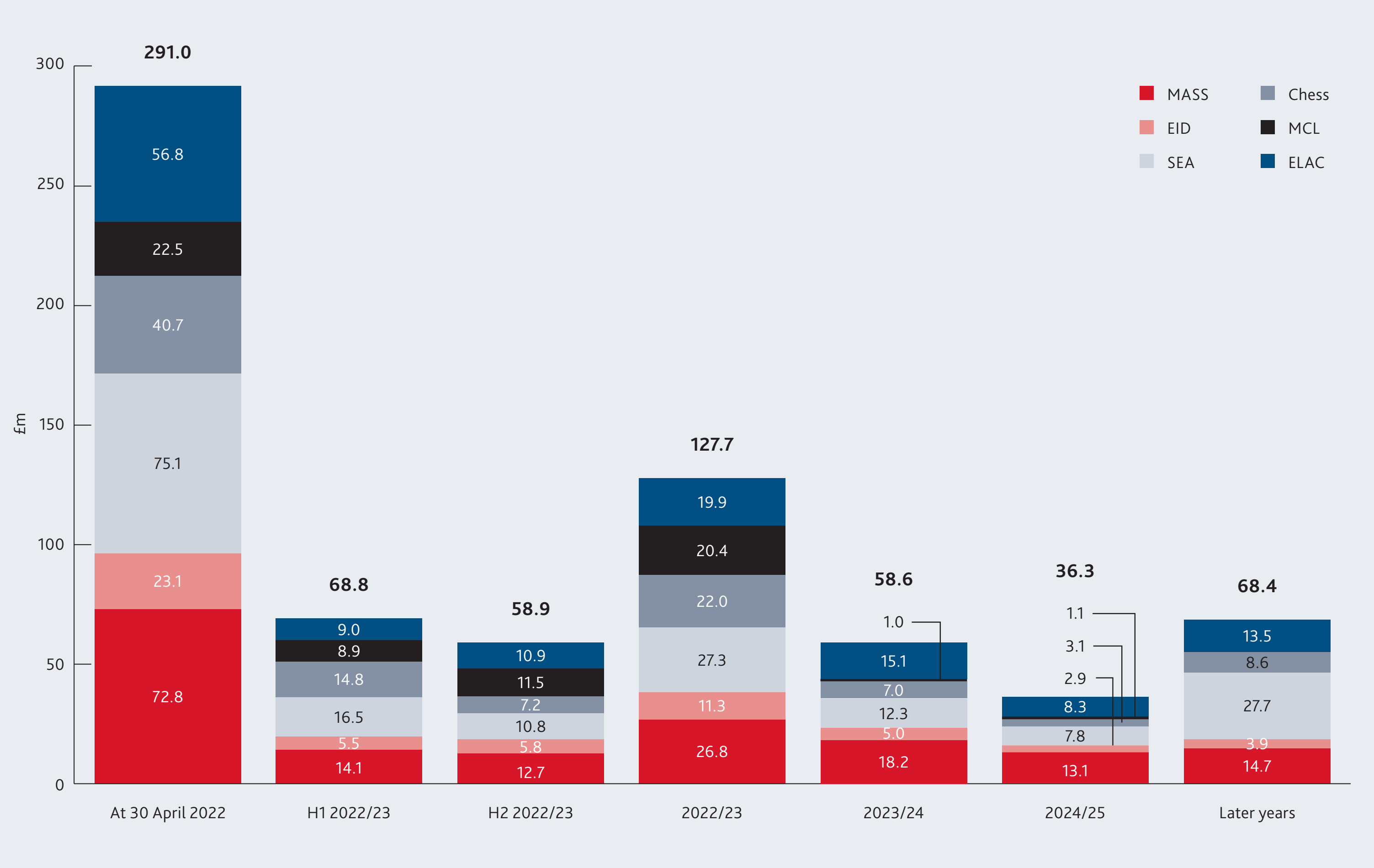
ELAC, as expected had a very strong order intake for 2021/22, including over £40m for sonar development and delivery on two new Italian submarines. ELAC secured orders for other navies including the German, UK's Royal Navy and Japan. ELAC also received nearly £7m of various spares and support orders, reflecting its widely installed product base, especially for underwater communication systems. ELAC's order book of £56.8m includes £19.9m to be delivered in 2022/23. We expect ELAC to perform in line with 2021/22, before including the income from the agreed mechanism with Wärtsilä, which will be lower as this mechanism concludes in November 2022.

Financial review continued

Operational outlook continued

Delivery of the Group's order book into revenue

The table below shows the expected delivery of future revenue from the current order book.



"The Group order book underpins 78% of the 2022/23 consensus analysts forecasts for revenue. This has increased to 90% in July."

Financial review continued

Operational outlook continued

Delivery of the Group's order book into revenue continued

MASS's order intake of £34.1m included the exercise of an option by the customer of over £11m to extend MASS's support to the UK's Joint Forces Command out to July 2024, a service MASS has been providing for nearly 20 years. MASS's closing order book of £72.8m includes nearly £27m of revenue to be delivered in 2022/23. Following a good year in 2021/22, we expect MASS to only show modest growth in the coming year. With the easing of COVID-19 restrictions, we are seeing MASS's level of operational activity, particularly in training returning to pre-COVID-19 levels.

At MCL, order intake of £31.8m was much higher than last year (2021: £21.8m) and included over £15m of hearing protection related orders, including for the first time, Armoured Fighting Vehicle crews and further extensions to its work on autonomous vehicles for the British Army of nearly £7m. MCL's closing order book of £22.5m includes £20.4m to be delivered in 2022/23, an historically high level of cover for MCL. Our long-term aim remains to strengthen MCL's order book and prospects to give it more visibility of future workflows and we have made some progress in respect of this in the current year. MCL, by its nature, sees changes in UK MOD (by far its major customer) activity quicker than our other businesses, and the current international situation gives MCL some positive momentum. We expect MCL to grow again in the coming year.

SEA's order intake of £36.8m was, as expected, not as strong as last year (£63.7m) which included a ten-year support contract to the UK Royal Navy's minor sonars at nearly £25m. Significant orders secured in 2021/22 included continued work on ECS and other systems for the UK's submarine fleet of over £4m, including the first significant orders for the new Dreadnought class. SEA also secured a follow-on order from the Philippines for its Torpedo Launcher System and an initial development order for deploying its external communication system onto a surface ship for the Royal New Zealand Navy's ANZAC frigate class. SEA's recently acquired Canadian business, JSK secured over £1m of orders in the period from August 2021. SEA's Transport division had a better year with order intake of nearly £8m (2021: £7m), reflecting an easing of COVID-19 restrictions. SEA's closing order book of £75.1m underpins over £27m of revenue for 2022/23 and we expect it to continue to grow in the coming year and achieve a net margin approaching 12%. We are optimistic that SEA will secure further export orders as well as long-term Royal Navy support orders in the coming year.

A significant proportion of Cohort's business will continue to be derived from the UK MOD, either directly or indirectly. The UK Government presented its latest Strategic Defence and Security Review in early 2021. The Review gave high priority to a number of current and future capabilities where the Group's offerings are strong, including submarines, special forces, cyber and secure communications, and from which we derived revenue of £33.6m this year (2021: £40.8m). The decrease was due to a hiatus in some of MCL's deliveries for hearing protection, orders for which significantly picked up in 2021/22. The UK Government followed up the review with a unique four-year spending commitment for UK defence which included an additional £16bn of spending up to March 2025, an increase of over 10% over the previous defence spending plans for the same period. The invasion of Ukraine by Russia and the concerted response by NATO has resulted in a reinforced focus on defence and may drive NATO members' defence spending levels to achieve the agreed minimum level of 2.0% of GDP. The UK has set its objective of achieving 2.5% by 2030 which would add around £55bn to UK defence spending over the next eight years.

Unlike last year, the Group's businesses are not dependent upon a single critical order to achieve their respective revenue targets for 2022/23. The Group infill for the coming year of around 22% is an historically low level. The level of infill required varies from 39% at MASS to around 10% at ELAC.

Funding resource and policy

At 30 April 2022, the Group's cash and readily available credit was £51.1m (2021: £42.6m). A very high proportion of our ultimate customers are governments or government agencies, with a clear need to invest in defence and security. The international and domestic security environment still calls for greater resources to be devoted to defence and counterterrorism in the UK and many other countries, especially in the light of recent events in Ukraine. As already mentioned, 78% of our revenue (based on consensus analyst forecasts) for 2022/23 was on contract at 30 April 2022 providing further assurance, and this has since increased to 90%. The Board considers the Group to be a going concern.

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 banking facility also provide it with the resources to conduct its acquisition strategy.

The Group completed a renewal of its banking facility on 18 July 2022. The new facility is for three years to July 2025 with options to extend it for a further two years to July 2027. The revolving credit facility (RCF) has been agreed on broadly similar terms to the previous facility (which was due to expire in November 2022). The RCF is for an initial £35m to be drawn and an option (accordion) to draw a further £15m. The facility has been extended from two to three banks with the addition of Commerzbank to NatWest and Lloyds.

The Group's bank borrowings have been reported as due within one year as the facility in place as at 30 April 2022 expires in November 2022.

NatWest is the Group's primary bank in the UK, especially for clearing purposes and day-to-day transactions. Commerzbank undertakes a similar role in Germany for ELAC.

The Group's facility in place as at 30 April 2022 was for £40m of which £29.3m was drawn, leaving £10.7m available to be drawn down. The facility itself provides the Group with a flexible arrangement to draw down for acquisitions and overdraft. The Group's banking covenants were all passed for the year ended 30 April 2022. Looking forward, we expect this to continue out to 31 July 2023 and beyond within the new facility, the covenants for which are the same as the facility in place at 30 April 2022.

The facility is available to the UK and German members of the Group and is fully secured over the Group's assets, including those of Chess. EID's assets are excluded but the shares that the Group owns in EID are included as part of the Group's security package with the banks.

The UK Group has separate bilateral facilities with each of NatWest and Lloyds for instruments such as forward exchange rate contracts, bank guarantees and letters of credit. In addition, the Group is free to arrange such facilities with other banks where pricing and operational efficiency warrant it. MCL, for example, has a forward exchange facility with Investec Bank. The Group has a bilateral facility in place with Commerzbank for provision of similar banking instruments to ELAC in Germany.

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 Baa3. 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 monthly 13-week cash forecasts, retaining flexibility whilst trying to ensure an acceptable return on its cash.

Financial review continued

Funding resource and policy continued

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 in Portugal. The cash is spread across a number of institutions to minimise capital risk.

EID provides no security over its assets and its wide range of banks enable it to be well supported in executing export business, specifically in respect of foreign exchange contracts, guarantees and letters of credit.

EID has a local overdraft facility of €2.5m with Santander. This was undrawn as at 30 April 2022.

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 net funds at 30 April 2022 were £11.0m (30 April 2021: £2.5m), better than expected due to timing of receipts, delayed capital expenditure and the slipping of the Chess minority buyout, which is now expected to complete in the first half of 2022/23. Looking forward, we expect the Group's net funds at 30 April 2023 to be lower, as the currently seen timing advantage is expected to unwind. The Group is expected to see an increase in net funds by 30 April 2024 from 2023, if there is no further corporate activity. Looking forward into 2023 through to 2025, the Group expects to invest in a new facility for its ELAC business in Kiel.

In addition to its cash resources, the Group has in issue 41.2m ordinary shares of 10 pence each. Of these shares 0.7m (2021: 0.2m) 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 1.8m at 30 April 2022 (2021: 1.7m).

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

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

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

In terms of reporting asset values, we have in place a natural hedge of borrowing in euros to acquire a euro asset (ELAC) but over time, as the asset grows and the loan diminishes, this hedge will 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 transaction to be certain, usually on contract award. We mark these forward contracts to market at each reporting date, recognising any gain or loss in the income statement.

The Group has maintained its progressive dividend policy, increasing its dividend this year by 10% to a total dividend paid and payable of 12.20 pence per share (2021: 11.10 pence).

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

	Dividend Pence	Growth over previous year %	Earnings cover (based upon adjusted earnings per share)	Cash cover (based upon net cash inflow from operations)
2022	**12.2**	**10**	**2.6**	**3.9**
2021	11.1	10	3.0	3.6
2020	10.1	11	3.7	2.8
2019	9.1	11	3.8	2.3
2018	8.2	15	3.5	4.0
2017	7.1	18	3.9	0.2

Looking forward the Group plans to maintain a policy of growing its dividend each year and we expect the rate of growth over time to align with the expected adjusted earnings per share growth of the Group.

The Group's cash generation in 2022 was stronger than the expected flat performance for the year. In summary, the Group's cash performance was as follows:

	2022 £m	2021 £m
Adjusted operating profit	**15.5**	18.6
Depreciation and other non-cash operating movements	**2.8**	2.4
Working capital movement	**4.2**	(0.1)
	22.5	20.9
Acquisition of ELAC	**—**	(1.3)
Costs paid in respect of acquiring ELAC	**—**	(0.6)
Acquisition of JSK joint venture	**(0.4)**	—
Restructuring and subsea disposal at SEA	**—**	(0.7)
Tax, dividends, capital expenditure, interest, loans and other investments	**(13.6)**	(11.1)
Increase in funds	**8.5**	7.2

The higher cash outflow in tax, and dividends, etc. was mostly due to a net investment in own shares of £2.6m, £2.0m higher than last year. 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 makes its debtor risk low. The year-end debtor days in sales were 44 days (2021: 38 days). This calculation is based upon dividing the revenue by month, working backwards from April, into the trade debtors balance (excluding revenue recognised not invoiced) 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 increase has been mostly at Chess and is a result of very high revenue in the final quarter and not receiving payments until the early part of 2022/23.

Financial review continued

Tax

The Group's tax charge for the year ended 30 April 2022 of £1,541,000 (2021: charge of £1,554,000) was at a rate of 15.1% (2021: 22.00%) of profit before tax. This includes a current year corporation tax charge of £2,577,000 (2021: £4,254,000), a prior year corporation tax credit of £300,000 (2021: £310,000) and a deferred tax credit of £736,000 (2021: £2,390,000).

The Group's overall tax rate was below the standard corporation tax rate of 19.00% (2021: 19.00%). The decrease is due to the lower contribution of taxable profits from Portugal (at 22.0%) and an R&D credit recognised in Portugal (2021: no R&D credit) partly offset by a higher contribution from Germany (at 31.7%). The Group continues to take a prudent approach to the potential outcomes of a tax audit in Portugal and R&D credits recognised in the UK.

The Group has reported research and development expenditure credits (RDEC) for the UK in accordance with IAS 20 and shown the credit of £1,004,000 (2021: £1,029,000) in cost of sales and adjusted the tax charge accordingly. The RDEC has been reversed in reporting the adjusted operating profit for the Group to ensure comparability of operating performance year on year.

Looking forward, the Group's effective current tax rate (excluding the impact of RDEC reporting) for 2022/23 is estimated at 18.0% compared with 13.5% of the pre-RDEC adjusted operating profit less interest for 2021/22. This rate going forward reflects a combination of lower Portuguese derived profits and higher German profits as well as rising UK rates (to 25%) in late 2022/23. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2020/21 and 2021/22.

Exceptional items

The exceptional items this year are £0.7m of net income (2021: £1.3m net cost). This includes the costs of acquiring all the shares in SEA's joint venture operation in Canada, JSK, and a profit recognised on the Group's existing investment in this joint venture on acquiring the remaining shares. The remainder of the exceptional income arose from the Group no longer having any earn-out payment obligation on the acquisition of Chess.

Adjusted earnings per share

The adjusted earnings per share (EPS) of 31.08 pence (2021: 33.63 pence) are 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 (20%) and Chess (18.16%).

The reconciliation is as follows:

	Adjusted operating profit £m	Adjusted earnings per share Pence
Year ended 30 April 2021	18.6	33.63
Chess (81.84% owned)	(2.7)	(5.38)
100% owned businesses throughout the year ended 30 April 2022	1.0	2.99
EID (80% owned)	(4.0)	(7.78)
ELAC (twelve months in 2022)	2.6	6.37
Change in tax rate (excluding RDEC): 13.5% (2021: 17.4%)	—	1.48
Other movements including dilution and interest	—	(0.23)
Year ended 30 April 2022	**15.5**	**31.08**
Decrease from 2021 to 2022	(17%)	(8%)

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

Accounting policies

There were no significant accounting policy changes in 2021/22.

Simon Walther
Finance Director

Risk management

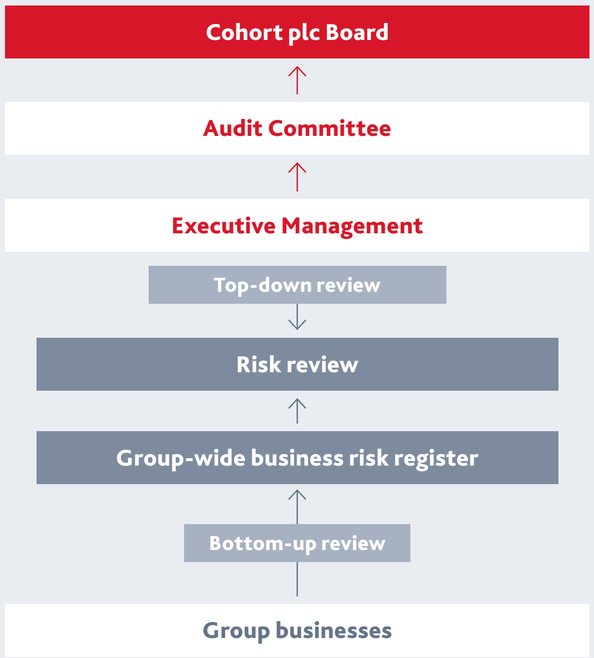
Risk management

The key risks and the approach we take to their management are set out below. Certain additional risks are explained elsewhere in the Annual Report. Specifically, the impact of the war in Ukraine, the COVID-19 pandemic and resulting economic market risks (which still include Brexit) are discussed in the Chairman's statement and Operational review and the cyber risk to the Group is discussed within the Corporate governance report, alongside our ethical and behavioural risks. Our risk in respect of our key resource, our employees, is explained within this Risk management section but also expanded upon in the Business model and Stakeholder engagement sections of this report. These should be considered alongside this section to give a complete picture of our risks and their management and control.

The Group reviews, analyses and addresses the risks it faces through the Audit Committee, Board, Group Executive and 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.

Risk management framework



"The Group reviews, analyses and addresses the risks it faces through the Audit Committee, Board, Group Executive and subsidiary management meetings, and subsidiary project and functional reviews."

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Business risk		
Capacity to grow the Group		
As an AIM-listed group, Cohort's strategy is to grow, both organically and by acquisition. This gives rise to the risk of the Group not having the capacity to grow in line with our strategic objectives. Specific elements of this risk include our ability to win new business and design new and competitive products and solutions, whilst ensuring that we meet our obligations to our customers and identify and execute suitable value-adding acquisitions. It also includes having sufficient people of the right skill sets to deliver our existing commitments and develop our future products and solutions (see below).	The elements of this broad business risk are addressed below, especially the risks in respect of customers, operations, acquisitions and treasury. At a higher level, our federated model of relatively small, independent businesses enables us to respond more quickly to changing market and business conditions. Through this independence, each business is able to retain a good degree of innovation and responsiveness. This model also allows our businesses to keep close to customer requirements and technical changes to enable them to identify the need for new products and solutions and how best to achieve this, whether through our own development or utilising third-party technologies. To ensure that the business growth opportunities are value adding, whether new business, products, services or acquisitions, appropriate controls are in place in our subsidiaries' businesses and at Group level to lessen the risks of such undertakings.	
Market risk		
Customers		
The Group's single most important customer remains the UK MOD. £46.3m of revenue came directly from this source in 2022 (2021: £43.9m), 34% (2021: 31%) of Group revenue. In addition, £18.5m (2021: £16.3m) of Group revenue, 13% (2021: 11%), was sourced ultimately from the UK MOD but received via other contractors. Any event which affects the Group's reputation with the UK MOD could also put this revenue at risk.	The increase in the proportion of the Group's revenue to its ultimate primary customer in 2022 compared with 2021 reflects the stronger performance at MCL and SEA as well as the overall decline in revenue at Chess and EID where the UK MOD is a much smaller customer. In the immediate future we expect the revenues, direct and in-direct with the UK MOD to remain at least at this absolute level, but as we see a recovery in revenue at Chess and EID, the latter over the next two years, the proportion of the Group's revenue with the UK MOD is expected to gradually decline. Revenue from the Portuguese MOD, which is also a home market for the Group, was lower at £3.9m (3%) in 2022 (2021: £5.9m; 4%). The fall in revenue from the Portuguese domestic customer was a result of slippage of orders, particularly a naval programme, which we now expect to be secured in late 2022/23. Germany is also a home market for the Group following the acquisition of ELAC Sonar (ELAC). Sales of £4.0m (3%) in 2021/22 (2021: £1.0m; 1%) were higher than last year, in part due to 12 months being reported (2021: five months) by ELAC and higher supplies for German frigate overhauls. Non-defence sales (which include security) increased to £18.0m (13%) from £17.2m (12%). The increase was due to slightly higher transport revenue where the deployment of traffic camera systems increased following the easing of COVID-19 restrictions. Higher education sales at MASS offset slightly weaker security sales following completion of the Metropolitan Police contract and no Subsea sales at SEA in 2021/22 after the business was sold in August 2020. £48.8m of revenue (35%) was delivered to defence and security export customers this year compared with £60.7m (42%) in 2021. This decline was partly expected with high EID deliveries to a Middle East customer in 2021 not being repeated. Chess sales were also down, mostly in export with delayed orders and slippage of some deliveries to European customers. These reductions were partly offset by the full year contribution from ELAC (2021: five months). £33.6m (2021: £40.8m), 24% (2021: 28%) of Group revenue, representing 53% (2021: 68%) of revenue derived from the UK MOD, was in relation to the Astute and other submarine programmes, nuclear deterrent programme 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 UK Government's latest Strategic Defence and Security Review. This revenue stream is expected to be higher in the coming financial year following some key order wins in the final quarter of 2021/22.	

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
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 the People section of our Sustainability report, we endeavour to provide an environment in which skilled employees are attracted to our business through the nature and variety of work and the level of responsibility we can provide. We maintain close links with our military and security customers, which 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 Armed Forces 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 that the Group is able to develop its own people and that skills are maintained into the future, especially in the light of shrinking military establishments. In the last year, as our order book has expanded and operating activity has returned to near pre-COVID-19 levels, we have been expanding our work force across the Group, especially at Chess, ELAC and SEA. In some cases, we have experienced a challenging environment to recruit the right skills with challenges in both availability and cost. In some specific areas, especially software and cyber, we have seen even more marked wage inflation. In all cases we have continued to engage closely with our employees, ensuring we develop and compensate them appropriately and continue to offer a working environment that they find both interesting and rewarding. We have already put in place an Employee Value Proposition programme at MASS and are rolling this out across the Group to ensure we attract and retain the key skills the Group requires now and into the future.	Increased
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. We have continued to see some suppliers struggling to meet delivery schedules because of COVID-19. This has been particularly noticeable where the level of a supplier's output to the defence sector is low, and the supplier is more dependent on the commercial aerospace and automotive markets. We have seen delivery times increase, particularly for semiconductors and certain other components. We have, where appropriate, ordered products and components ahead of schedule to ensure we meet customer expectations. This has resulted in a higher working capital commitment. In the last year, lead times have steadied, but remain longer than we had previously seen pre-COVID-19. We have seen the additional impact of inflation, especially in supplies of products with high energy inputs, e.g., ceramics. As discussed below in operations, we continue to try and manage this inflation by looking for alternatives or passing on costs where we can through higher pricing. Many longer-term contracts include an index-based price adjustment which automatically compensates for some or all supply inflation. In most cases, bought-in parts and equipment are a small proportion of total cost, so the inflationary impact can be managed. Nevertheless, this is certainly a higher risk for the Group in the coming year.	Increased

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
Operations (Chess, EID, ELAC, MASS and SEA)		
The subsidiary trading and business risks are similar in the cases of Chess, EID, ELAC, 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 be developed as part of the contract. iii. Due to the nature of their niche technical skills requirement, Chess, EID, ELAC, MASS and SEA all have a fixed level of core software and hardware engineering and technical expertise.	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 costs are recognised taking account of risk and the estimated cost at completion (including any contingency). 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. Risks from higher inflation and lengthening delivery times have been seen across the Group. We have increased stock holdings of key components to ensure delivery risk is mitigated as far as possible. In the case of inflation, we have tried to fix prices with our supplier base and where this is not possible have used index-based pricing, particularly in long-term contracts, to protect our margins. We have seen component prices rise, in some cases significantly and have as far as possible reflected these costs in bids and tenders. The risk of staff shortages 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. Chess was acquired in December 2018. Chess brought with it more production, including machining, than seen elsewhere in the Group. As highlighted previously, we have seen operational, project and commercial weaknesses at Chess. We made progress last year by appointing Operations, Project and Technical Directors to the business. Further work was also completed during the last year to improve Chess's delivery performance and tighten its commercial processes. We did not see the full benefits of these until late in this financial year. The acquisition of ELAC in December 2020 added further manufacturing and testing capability to the Group. ELAC, having been owned by various public listed companies over the last 20 years, has very good control processes in place. However, its recent win of the large Italian submarine sonar contract is a significant development and delivery step for the business and the Group has put in place a Project Advisory Committee (PAC) to act as a review panel for the project and to be able to advise ELAC and the Cohort Board. This PAC comprises individuals with extensive experience in the submarine and sonar domains.	Unchanged
Operations (MCL)		
MCL's revenue visibility is short at typically three to six months. This carries risk to employee utilisation and predictability of revenue and profit.	MCL's employee levels are low, 2022: 39 (2021: 36), and its people 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 2022/23 is higher than last year's at 80% (2021/22: 55%) and is a result of increased activity from UK MOD, particularly for hearing protection and drones in the final quarter of our financial year. MCL has significant exposure to the UK MOD (over 90% of its revenue). As we reported last year, the marked increase in the UK MOD budget and agreed four-year spending plan gave MCL some positive momentum and we are seeing this now translate into orders. MCL is very much the Group's weathervane in respect of UK MOD spend.	Decreased

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
Managed service contracts		
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. The long-term nature of these contracts does expose the Group to the impact of high inflation.	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. SEA are in discussions with the UK MOD to secure a long-term service contract to support various SEA products in service with the Royal Navy, including Torpedo Launcher Systems and Sea Gnat countermeasures systems. The Group manages the inflation risk in these contracts through index-based pricing. Elements of these long-term contracts are contracted by the customer as required (e.g., purchases of spares) and are priced at that point in time, taking account of actual costs.	
Export contracts		
The Group's subsidiaries seek to win and deliver solutions and services outside its geographical home markets, the UK, Germany 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 timing of some export contracts can be more difficult to predict.	The Group's long-term strategy is to grow its export business, both in terms of volume and markets. This provides mitigation against reliance on any single customer, in particular the UK MOD. Total export activity in 2022 represented 35% (2021: 42%) of the Group's revenue. Revenue derived directly and indirectly from the UK, German and Portuguese defence ministries represent 47% (2021: 42%), 3% (2021: <1%), 3% (2021: 4%) of the Group total respectively. The completion of deliveries by EID on one export contract in 2020/21 accounts for most of the decline, together with weaker export revenue at Chess. Our commercial employees 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 of 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. COVID-19 may impact our export markets with individual customer defence budgets coming under pressure. We may also see more positive demand drivers arising from changes in regional security stances and disputes, notably the recent invasion of Ukraine by Russia. The unpredictability of some export contracts, especially in terms of timing, remains a risk. Any increase in defence spending by NATO members may have both a positive impact on the volume and predictability of the Group's revenue.	
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 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 to the customer and meets the needs of the individual team members. During the year ended 30 April 2022, the Group acquired the remaining 50% shares in JSK (Canada) to ensure that we are able to fully support the Canadian Future Frigate programme.	

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Strategic risk		
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 experienced 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. During the year ended 30 April 2022, the Group continued to review potential businesses with a view to them joining the Cohort Group. One small acquisition completed in the year when SEA's 50% owned joint venture in Canada, JSK, was fully acquired. The work on this acquisition was led by SEA's management team with oversight from the Cohort headquarters. One ongoing acquisition process was aborted during the year following a review of the market prospects.	Unchanged
Financial risks		
Treasury		
A key risk is that the Group deposits monies with banks that are a credit risk, putting our cash resources at risk. A risk for the Group is that its pools of cash and facilities, in the UK, Germany and Portugal, are insufficient for local needs. In addition to our own cash, the Group has facilities with banks to provide debt (structured and overdraft) and other financial products (bonds, foreign exchange instruments etc.) to enable us to carry out our operations efficiently and to execute our strategy of growth by acquisition and organically. 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 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 Baa3-rated institutions (including Germany and 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. Over the last 12 months, the credit ratings of most of our banks (see note 15) have remained steady. 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, Germany 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. In July 2022, the Group completed a new bank facility with Commerzbank, Lloyds and NatWest. NatWest remains the Group's primary bank in the UK, especially for clearing purposes and day-to-day transactions. Commerzbank performs a similar role in Germany. The facility is a revolving credit facility for three years out to July 2025 with options to extend for a further two years to July 2027. The facility is for £35m with an accordion in place to extend it by a further £15m to £50m in total. Of the Group's existing facility at 30 April 2022 (£40.0m), £29.4m was drawn at 30 April 2022. The existing and new facilities provide the Group with a flexible arrangement to draw down for acquisitions and overdrafts. The renewal of the Group's banking facility for three years (with two option years) and our strong net funds position as at 30 April 2022 provide the Group with a robust financial strength for at least the next 12 months. The Group's new facility is available to all the Group's entities (excluding EID) through an offset arrangement. The existing and new facilities are secured against all the Group's UK and German 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, overdraft, foreign exchange contracts, guarantees and letters of credit. The Group regularly monitors its covenant position and considers the impact of proposed transactions upon our 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 2022 and expects to continue to do so. The impact of IFRS 16 'Leases' is ignored for the purpose of our banking covenants.	Decreased

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Financial risks continued		
Currency risk		
The Group has contracts with overseas customers and suppliers requiring payment or receipt in currencies other than sterling (in the UK) and euros (in Germany and Portugal). The Group's exposure to credit risk at 30 April 2022 in respect of financial derivatives (forward foreign exchange contracts) was £10.7m of payable and £23.8m of receivable (2021: £5.9m of payable and £17.5m of receivable). The financial derivatives at 30 April 2022 were held with NatWest and Investec Bank (30 April 2021: NatWest and Investec Bank). 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. There is a risk of weaker margin or bid loss if exchange rates materially deteriorate from the Group's perspective between bid and contract. There is also an opportunity of margin improvement from favourable exchange rate movements in the same period. The Group does not enter into speculative forward exchange contracts. At 30 April 2022, the Group's primary foreign exchange contracts were to cover exposures to the US dollar at SEA, which has a number of sales in US$ and increased euro buys for supplies, mainly at MCL. The Group does not hedge the exposure to euro/sterling fluctuations that arise from its ownership of either EID or ELAC. The currency risks the Group faces have increased, especially in respect of the US$ requiring the Group to review more regularly its supplies to be paid in foreign currency. The stronger US$ against the pound sterling, if it persists, should improve the Group's competitive position in US$ based markets.	Unchanged
Revenue		
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 and critical accounting judgements of the notes to the accounts, and as such, may from time to time have a degree of risk. The 2022 net bad debt charge was £0.2m (2021: £nil) on Group revenue of £137.8m (2021: £143.3m). 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 ensure 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 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 collapses such as Carillion in the past highlight that prime contractor risk needs to be monitored. The cash and bank deposit risk is discussed under Treasury above.	Unchanged

	2022 £m	2021 £m
Trade receivables	**24.4**	30.2
Other receivables including contract assets	**31.8**	36.4
Cash and bank deposits	**40.4**	32.3

Stakeholder engagement

Engaging with our stakeholders

We maintain strong relationships across all our stakeholder groups.

People

- This year the Board reinstated its in-person visits to subsidiaries and the Directors were able to tour the sites and engage with employees.
- The Board received monthly health and safety reports which included updates on safety incidents involving employees and incidents of COVID-19 throughout the Group.
- Board members attended the Cohort Business Excellence Awards to commend individuals for their achievements.
- Board members contributed to Q&A sessions held for the Learning Development Programme and Business Development Conference.

FURTHER DETAILS ARE SET OUT IN THE PEOPLE SECTION OF OUR SUSTAINABILITY REPORT

Customers

- The Board received regular updates on key customers through the monthly reporting mechanism, in the presentations to the Board meetings by the Managing Directors and through input from the Managing Directors into the strategy planning.
- Our Group engagement principles show our customers how we will work with them.
- The Chief Executive was invited to meet with selected customers when they visited subsidiary sites.
- The Board visited the DSEI industry event in London in September 2021 and engaged with visitors and customers.

Suppliers and partners

- The Board received updates on relationships with key suppliers and strategic partners through the monthly reporting mechanism and the year-end compliance reports.
- Our Group engagement principles show our suppliers how we will work with them.

Communities and our environment

- The Board has created and endorsed a Group Environmental Policy.
- Engagement by our subsidiaries in the communities within which they operate is reported to the Board throughout the year where appropriate.

FURTHER DETAILS ARE SET OUT IN THE SOCIAL SECTION OF OUR SUSTAINABILITY REPORT

Shareholders

- Live Q&As hosted for shareholders after Preliminary results and Interim results webcast presentations.
- Regular meetings with institutional shareholders.

FURTHER DETAILS ARE SET OUT IN THE CORPORATE GOVERNANCE REPORT

Stakeholder engagement continued

Board engagement with stakeholders

The Board has set out below how it has engaged with each group of key stakeholders.

Shareholders

The Board gives the utmost importance to engaging with shareholders.

Annual General Meeting

Our AGM is one of the key methods of communicating with the Company's shareholders. The AGM is an opportunity for the Chair, the Senior Independent Director, the Committee Chairs and the rest of the Cohort plc Board to meet with shareholders, hear their views and answer their questions about the Group and its business. All voting is conducted by way of a poll and all shareholders are encouraged to submit voting instructions by proxy in advance of the AGM to ensure that they are able to participate in the decision making of the Company and have their votes recorded. Details of proxy votes received are made available on the Company's website (cohortplc.com) following the meeting.

This year the Company is expecting to be able to host a physical AGM on 27 September 2022 at Armourers' Hall, 81 Coleman Street, London, EC2R 5BJ and the Notice of AGM for Cohort plc is being sent to shareholders together with this Annual Report. A Capital Markets Day event will be held at the same location immediately after the AGM, which will provide shareholders and analysts with the opportunity to understand the business better and hear about the latest innovations from the subsidiary businesses.

The Board also hosted live Q&A sessions for shareholders following the year-end announcement in July and after the Interim results in December.

Responding to shareholders

The Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the Board, and that all Directors are made aware of issues and concerns raised by shareholders. When appropriate, the Committee Chairs will engage with shareholders where an issue has been raised relevant to the work of their committee.

Other shareholder engagement

Further engagement with our shareholders takes place through meetings with institutional shareholders, the Annual Report and Accounts, the Interim Report, social media, webcasts and email for RNS alerts. The Chairman, together with the Company Secretary, responds to any written enquiries received from investors.

The Executive Directors host presentations to market analysts on the Group's performance twice per year and as outlined above, will host a Capital Markets Day event together with the other members of the Board following the 2022 AGM.

Group website

The Company uses the Group website (cohortplc.com) as a key source of information for all of our stakeholders; our website contains information on the business of the Group, corporate governance, all regulatory announcements, key dates in the financial calendar and other important shareholder information.

Customers, suppliers and partners

From mid-2021 our business development teams were once again able to meet with their customers face-to-face and resume attendance at industry conferences and exhibitions. The teams worked within remaining local restrictions to enable travel, and also continued to attend meetings by video conference.

Our engagement principles

Our engagement principles show what our customers, partners and suppliers can expect from us when they work with the Cohort Group.

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're 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.

Communities and our environment

Our approach to engagement with our communities and to environmental sustainability is included in our Sustainability report.

People

Details of our engagement with our people are set out in our Sustainability report.

Stakeholder engagement continued

Section 172 statement

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

Section 172 matters	How the Board has had regard to these matters	Page reference
▶ the likely consequences of any decisions in the long term	▶ Board strategy discussions and oversight	59
	▶ Effective risk management	38-44
	▶ Proactive acquisition programme, regularly considering potential acquisitions throughout the year	18
	▶ Our business model and strategic plan	9-11
▶ the interests of the Company's employees	▶ Protecting our employees throughout the COVID-19 pandemic, enabling home working and providing a COVID-19 secure workplace when appropriate	8
	▶ Implementing hybrid working arrangements where appropriate in response to employee feedback	
	▶ Regular health and safety reporting to the Board	
	▶ Investment in our employees through training and other initiatives	50-52
▶ the need to foster the Company's business relationships with suppliers, customers and others	▶ Partnering with our customers to develop innovative solutions	12-13
	▶ High-level engagement with key defence customers	45
	▶ Our Group engagement principles	46
	▶ Building the relationship with the UK MOD through involvement in group activities such as the Department of Equipment and Support	
	▶ Hosting regular review meetings with customers	
	▶ Prompt payment of suppliers	106
	▶ Ethical business conduct	53
▶ the impact of the Company's operations on the community and environment	▶ Community initiatives were undertaken throughout the year	52
	▶ SEA and EID hold ISO14001 accreditation and three other subsidiaries are in the process of evaluating or working towards this	49
	▶ Promoting STEM opportunities	52
	▶ Supporting charities	53
	▶ Environmental reporting	48-49
▶ the desirability of the Company maintaining a reputation for high standards of business conduct	▶ Environmental Policy statement adopted	49
	▶ Strong emphasis on our Ethical Policy	53
	▶ Updated Anti-Bribery Policy and procedures	
	▶ Regular training for employees on key compliance areas	
	▶ Whistleblowing hotline	
▶ the need to act fairly as between shareholders of the Company	▶ Shareholder engagement practices	45-46

In discharging their duties under Section 172, the Directors also take into account any other matters which they consider relevant to the decision being made together with the Company's purpose, values and strategic objectives. Further details on how the Board operates and reflects stakeholder views in its decision making are set out in the Corporate governance report.

Sustainability

Group commitment to sustainability

As a Group we are aware of the increasing importance of sustainability and are focused on our environmental, people, social and governance priorities. We are committed to monitoring how our business activities impact on our stakeholders and acting in accordance with high levels of ethics and governance.

Environmental sustainability

The Group is committed to managing the environmental impact of its activities, and to improving resource efficiency and reducing waste. As part of the Group's commitment to sustainability, the Board has created and endorsed a Group Environmental Policy. This outlines how our businesses work together with our employees, contractors, suppliers, customers and communities to ensure high standards of environmental protection through a variety of actions including:

- compliance with all relevant environmental legislation;
- preparing and publishing environmental reports for our stakeholders;
- reviewing the environmental impact of our activities, and following good business practices to manage this;
- improving resource efficiency and reducing waste wherever we can;
- having measures in place for effective and expedient incident control, investigation and reporting;
- where relevant, having regard to environmental factors in business decisions; and
- engaging and communicating with our employees and other stakeholders on environmental matters.

Ownership of our Environmental Policy rests with the Cohort plc Board, and the Board is responsible for providing the strategic vision and direction on all environmental related matters. The Board is also committed to supporting our subsidiaries and ensuring that this policy is effectively implemented across the Group.

Each subsidiary Managing Director has responsibility for implementing an Environmental Policy and procedures appropriate for that business, and for communicating that policy to their employees to ensure that they are aware of their responsibilities. They must also ensure that environmental issues are given adequate consideration in the planning and day-to-day undertaking of all business activities.

In addition, the Board expects all employees in the Group to be ambassadors of good environmental practices and to report any practices that do not meet the required standards.

carbon footprint standard
CO_2e Assessed
Organisation

Colleagues at Chess getting involved in volunteering work at Warnham Nature Reserve as part of Wellbeing Week 2022.

Sustainability continued

Environmental sustainability continued

Performance – energy and greenhouse gas (GHG) reporting

Cohort reports our environmental performance in accordance with the UK Government's Streamlined Energy and Carbon Reporting Guidance (SECR) as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The GHG emissions have been assessed following the GHG Protocol Corporate Accounting and Reporting Standard and has used the 2021 emission conversion factors published by Department for Environment, Food and Rural Affairs and the Department for Business, Energy & Industrial Strategy. The assessment follows the dual reporting approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

The table to the right summarises the GHG emissions for reporting year 1 May 2021 to 30 April 2022. As a business we have been assessing our carbon emissions since 2019 and have provided both last year's assessment results and the baseline year for comparison.

Over the assessment period Scope 3 emissions have increased due to a resumption in travel following the lifting of restrictions imposed during the COVID-19 pandemic. We have continued to use virtual meetings where appropriate. We also note that the accuracy and quality of data collection has improved since we started assessing our carbon emissions in 2019.

The table below summarises our GHG emissions for the reporting year 1 May 2021 to 30 April 2022:

Scope	Activity	2019/20 Location based tCO_2e	2020/21 Location based tCO_2e	**2021/22 Location based tCO_2e**
Scope 1	Site gas	167.32[1]	143.50	**189.16**
	Van travel and distribution	67.19	69.47	**48.94**
	Company car travel	70.63	50.29	**71.47**
	Site gas oil	38.74	6.89	**0.00**
	Refrigeration & A/C	0.84	0.00	**1.04**
Scope 1 subtotal		344.71	270.15	**310.62**
Scope 2	Electricity generation	536.47	429.87	**366.89**
Scope 2 subtotal		536.47	429.87	**366.89**
Scope 3	Flights	1,725.18	90.86	**370.90**
	Employee-owned car travel (grey fleet)	138.24	70.54	**106.76**
	Electricity transmission and distribution	45.55	36.97	**32.47**
	Hire cars	39.60	14.56	**26.60**
	Rail travel	23.08	1.02	**8.28**
	Taxi travel	4.88	0.94	**3.66**
	Bus travel	<0.01	<0.01	**<0.01**
Scope 3 subtotal		1,976.52	214.88	**548.67**
Total tonnes of CO_2e		2,857.71	914.90	**1,226.17**
Total market-based tCO_2e		N/A	N/A	**1,171.96**
Tonnes of CO_2e per employee (all scopes)		4.45	1.52	**1.74**
Tonnes of CO_2e per £m turnover (all scopes)		23.58	6.40	**11.34**
Total energy consumption (kWh)[2]		3,791,999	3,467,995	**3,273,720**

1. Gas emissions have been adjusted to reflect improvement in data accuracy.
2. Total energy consumption includes electricity, gas and Company owned vehicles (Scope 1 and 2).

Environmental incidents

There have been no internal or external environmental incidents throughout this reporting period at any of our locations. Relevant staff receive training updates to enable them to effectively manage such events if they occur.

Energy and waste efficiency initiatives

The subsidiaries of the Cohort Group have implemented a range of energy efficiency and waste reduction measures. All UK sites have undertaken assessments to develop and adopt Carbon Reduction Plans, in accordance with PPN 06/21.

A team from SEA attended an Environmental Awareness in Defence course at Cranfield University this year. This has already had a positive impact on ways of working at SEA and enabling it to demonstrate to MOD that SEA is working in a way that minimises its impact on the environment.

ISO 14001

SEA underwent a successful ISO 14001 reaccreditation audit with no non-conformances recorded. Their continual improvement of energy efficiency was noted by the auditor. EID recently attained their first ISO 14001 accreditation. MCL is working towards ISO 14001, and MASS along with Chess are in the final stages of the accreditation process.

Waste and recycling

SEA is now zero to landfill and has increased staff training on environmental and waste improvement. EID has implemented a waste sorting scheme to increase recycling.

Energy efficiency

At ELAC Sonar, all lighting is being replaced with LED units. In addition, PCs and other electrical equipment are being replaced with more energy efficient models. MCL, Chess and SEA have switched to green energy tariffs. MCL are encouraging suppliers to consider alternatives to air freight where possible.

Looking forward

Measures outlined in the UK subsidiary Carbon Reduction Plans will start to roll out in the coming year. These include:

- SEA are holding product lifecycle reviews to consider component reusability and recyclability. They are also looking to introduce reusable/returnable packaging.
- Chess, SEA and MASS will be working to replace their vehicle fleet cars with electric or hybrid vehicles at the end of current lease periods. Additional EV charging points will be installed at subsidiary sites.

Sustainability continued

People

Our capabilities and customer relationships all ultimately derive from our people. Across the Group, our people can make a difference, fulfil their potential, develop their careers, and are rewarded for what they do.

We recognise that our success hinges on the attitudes and behaviours of our people. We create a climate and culture that encourages them to deliver outstanding performance for our customers, operating with uncompromising ethics. We encourage our people to role model our values that capture and articulate the spirit of the Group.

NUMBER OF PERMANENT EMPLOYEES AT 30 APRIL 2022

1,050

22	1,050
21	1,005
20	906
19	907

Our values

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

We are an agile group of smart thinkers, with the ability to create solutions and the tenacity to see things through. If we say we'll do something, then we'll do it.

We're 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're 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's how we come to better understand the challenges before us and adapt swiftly to reach the most effective solution.

Sustainability continued

People continued

Employee engagement

It is critical to the success of our business that our employees feel valued and engaged and are well informed about happenings at Group level as well as within their own businesses and their subsidiary peers.

Board visits to subsidiaries

The Board places great importance on visiting subsidiary sites throughout the year to engage directly with local management and employees. This enables the Directors to understand the priorities for local management so that they can have regard to their interests in decision making.

This year, Board member visits to the subsidiaries' sites were able to resume in person after the COVID-19 restrictions. The Board undertook a varied programme including presenting recognition awards at EID in Portugal, engagement sessions with technology developers at MCL, and a site tour at ELAC Sonar. The Board engaged with the Managing Directors on an individual basis to ensure a conduit to employees was maintained.

The Board discussing technology updates with colleagues from MCL.

Group communications

The Group cascades employee communications to the subsidiary businesses through a Group intranet, update presentations, and direct all-employee emails. The Group intranet features regular updates from the Chief Executive and updates at key times of the reporting calendar, as well as sharing important information about internal activities happening across the subsidiaries. Employees have good awareness of the financial and economic factors affecting the Group's performance. Where possible communications are translated into the local language.

Internal communications

Each subsidiary has its own internal communications programme, delivered across a variety of channels appropriate to each business. Regular town hall meetings and informal employee briefings, where employees' questions can be answered by local leadership, have now been able to resume, but online communications continue to support hybrid working.

Employee feedback

All of our subsidiaries conduct regular employee engagement surveys, and the key outcomes are put into an action plan for the local management team to implement. The results of these surveys are reported to the Cohort plc Board. In 2021 MASS undertook an Employee Value Proposition project using employee surveys and workshops to better define their brand and employee proposition. An action plan to support employee engagement initiatives will be rolled out across the Group in the coming year.

Reward and recognition

Each year we host the Cohort Business Excellence Awards, where we acknowledge the key achievements and dedication of those teams and individuals who have shown true delivery of our values, made a real difference to the success of our business, or been commended for their excellence in service to our customers. The awards event was held as a luncheon celebration and was attended by the Board.

The recipients of this year's top award were a team from Marlborough Communications who successfully negotiated a contract renewal providing communications ancillaries and hearing protection to the UK Armed Forces. They worked incredibly hard to give the customer confidence with a complex project.

The larger subsidiaries also run their own annual employee recognition events and smaller thank-you awards.

Training and development

The success of our business depends on our ability to deliver innovative solutions to our customers. This drives us to attract the best talent and to nurture this ability within our employees, providing them with a stimulating workplace and career development, and supporting the creation of long-term value for our business. Many training schemes operate at subsidiary level, including the use of online solutions such as LinkedIn Learning, recently introduced at MASS.

At Group level, our Leadership Development Programmes are designed to equip our current and future leaders with the skills to effectively deliver the strategic priorities of the business and respond to the competitive and changing environment we operate within. In 2021/22 we ran a Leadership Development Programme with a group of 22 participants, including participants from the newly integrated ELAC Sonar. The Board was able to engage with the individuals who are being developed to grow the Group in the future through a Q&A session. A new programme will be starting in Autumn 2022.

Apprenticeship programmes

Across the Group we run a number of apprenticeship programmes, incorporating both technical and non-technical specialisms. The UK based Cohort businesses are utilising their Apprenticeship Levy funding for new apprentices or adding to the skills of the existing employees.

The Towards Excellence Project in action at EID discussing problems, ideas and opportunities for improvement.

Harry Shone from SEA receiving his Advanced level apprenticeship in Engineering Manufacture and Level 3 NVQ Extended Diploma in Electrical & Electronic Engineering.

Sustainability continued

People continued

MASS Apprenticeship and Graduate Talent and Development Programmes

The MASS apprenticeship programme was launched with the first intake of apprentices in 2021. The training programme mirrors their graduate training and is provided by the same external trainers. This training is undertaken in addition to their external studies towards their recognised qualification and develops their personal skills and helps them build relationships within the work environment.

The Talent and Development programme provides a focus on personal development for graduates or employees with only a few years' work experience. The 12-month training programme includes skills development, and individual coaching sessions for participants to review their learning and how they can incorporate this into their day-to-day work. Andrew Leigh, Head of Software development at MASS, ran a course on Engineering in Business as part of the programme. The objective of this module is to increase awareness of junior staff as to how engineering decisions and processes can affect delivery to the required cost, schedule and budget, to improve business outcomes for both customer and supplier.

As well as embracing technology and bringing new ideas to shape the future of the business, the apprentices are helping to bridge industry skill gaps and, along with the graduates, are enabling MASS to create a diverse talent pool within the business.

Health and wellbeing

The subsidiaries took part in many activities during the year to promote the health and wellbeing of their people. Our Employee Assistance Programmes are available for employees to access and are regularly promoted.

Once again Mental Health Awareness Week was given particular focus:

SEA launched their Wellbeing Centre on their intranet, highlighting four main sub-sections, and encouraging people to make use of the benefit.

MASS focused their activity for the week on being active by launching the MASS 5K challenge. Physical activity is proven to reduce the risk of mental health problems. Colleagues were encouraged to walk, wheel, bike ride or run the 5k distance either all at once or over a few days, to get outside and have fun. Fundraising for the MIND charity was part of the challenge.

Chess highlighted the Time to Talk campaign encouraging people to start a conversation and open up about their mental health. They aim to reduce mental health stigma and create a supportive community where people can feel empowered to seek help when needed.

Social sustainability

STEM

At a Group level we maintain close links with academic institutions, and we are Enterprise Partners of the Institute of Engineering and Technology.

We actively promote STEM (Science, Technology, Engineering and Maths) locally by supporting schools and colleges, providing opportunities for work experience and promoting our businesses at careers fairs, in order to motivate and inspire the next generation of young scientists and engineers. Students are sponsored at various levels across the Group, including at Kiel University.

FUTURENEST Mentoring

SEA's Business Development Director, Peter Hodgkinson, has been mentoring a student into the defence industry through the UKNEST FUTURENEST programme. UKNEST is a forum that promotes activities within science, technology, engineering and maths (STEM) with a primary focus on the UK Naval industry. Influenced by the MOD and UK industry, the forum is dedicated to developing initiatives that enhance future naval capabilities. FUTURENEST helps to recruit, train and develop the careers of talented individuals across the Navy. The mentee, an electrical engineer student from Cardiff University, received a grant to assist with their study and research, alongside the benefit of Peter's extensive Naval industry knowledge. On his mentoring journey so far, Peter said: "It is important to ensure that undergraduate engineers are given an opportunity to understand the opportunities that working in the maritime defence industry offers and to ensure they have a simple route into a career in maritime defence if they chose. The NEST scholarship programme achieves both aims and it has been a pleasure to work with some of the highly talented young people who have expressed an interest in maritime defence as a career."

STEM/Community Engagement at MCL

The first ever MCL STEM event was held at Avenue Primary Academy in Sutton, Greater London, a school which supports children with specialist needs. MCL's SKYDIO drone and "Spot" the quadruped robot were used in the demonstration at the school. After the event, the school sent over feedback "The headteacher received so many thank you phone calls from the parents, we can't thank you enough for turning up to our school with the robot 'dog' and drone. Lots of the children were amazed that they can work in engineering through many different routes."

ARMED FORCES COVENANT
EMPLOYER RECOGNITION SCHEME
SILVER AWARD
2017

Communities and charities

We recognise the enormous contribution that our Armed Forces make to protect our nation and the work that we do helps them carry out their vital tasks more effectively. Across the Group, we employ many military veterans and current reservists, and celebrate their achievements during Armed Forces Week. At SEA we had one employee mobilised in early 2022 who spent three weeks on deployment with the Royal Navy.

We are proud to be a signatory to the Armed Forces Covenant, and under the Defence Employer Recognition Scheme we hold three Silver Awards at MASS, SEA and Cohort plc, and a Bronze Award for Chess Dynamics.

Sustainability continued

Social sustainability continued

Charities

Our subsidiaries are active participants in their local communities and engage in local initiatives and provide charitable support. In a challenging year our teams managed to provide valuable support for both local and national charities.

CHARITY DONATIONS IN 2022 BY THE GROUP

£29,900

(2021: £28,000)

SSAFA

Cohort plc is proud to be an active sponsor of the UK Armed Forces charity SSAFA Corporate Friends Scheme. In 2021 the Group sponsored the SSAFA Christmas Carol Concert, annual dinner and industry networking events.

ssafa the Armed Forces charity

Governance

Cohort is committed to the highest standards of governance and ethics. The Group has a strong ethical culture, supported by our Ethics Policy as published on our website (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.

Ethical business conduct

It is Cohort's policy to conduct all of our business in an honest and ethical manner. Our Ethics Policy sets out the values and standards of behaviour expected from all those working for or on our behalf. It requires all of our representatives to comply with the laws and regulations in the countries in which we operate and we require anyone who becomes aware of behaviour which may contravene our policy to report it and to seek advice. We provide a confidential and anonymous whistleblowing facility to support this.

Anti-bribery

Cohort has a culture of zero tolerance towards bribery and corruption. 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 all of its employees on joining. Employees in roles with a greater risk of exposure to bribery are required to undertake annual refresher training.

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 January 2022. Our policy is supported by comprehensive procedures to be followed when any member of the Group works with third parties to ensure thorough due diligence is carried out and repeated at regular intervals and that our agents and other third parties have satisfactory standards and procedures in place.

Cyber risk and data security

The Group introduced an Information Security Policy (ISP) in January 2019, replacing its previous Security Policy Framework.

The ISP covers the physical and cyber security of our information including that held on behalf of third parties. It also addresses business continuity and disaster recovery procedures and encompasses our responsibilities in respect of the Data Protection and other non-personal information we handle.

Each business within the Group reports annually to the Board on its compliance with the ISP and this compliance is currently audited by an internal team of information assurance and cyber experts from MASS. MASS's own compliance with the ISP is audited externally.

The Group's ISP is frequently reviewed, taking account of best practice and requirements in government and industry.

We continue to monitor phishing attempts and other cyber threats and to raise awareness of these risks across the Group.

Our data protection policies and processes are embedded in our culture through mandatory training for all employees which must be undertaken at least every two years.

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 (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 on the Corporate Governance page of our website (cohortplc.com). The Group's Anti-Slavery Policy was first adopted in April 2016 and was updated in September 2020.

We require the same high standards from all of our suppliers, contractors and other business partners.

safecall

Whistleblowing

Our whistleblowing line is hosted by SafeCall and provides a channel for confidential and anonymous reporting in more than 68 languages. Details of the service are provided in the local language at our European subsidiaries. The Chief Executive reviews all whistleblowing reports and every report is investigated with support from the General Counsel and Company Secretary. The Senior Independent Director acts as the escalation contact for whistleblowing reports. Our Whistleblowing Policy provides protection and support for whistleblowers raising a genuine concern.

FURTHER DETAILS OF OUR CORPORATE GOVERNANCE STRUCTURE ARE SET OUT IN THE CORPORATE GOVERNANCE REPORT

Board of Directors and Company Secretary

Member of the Board of Directors
Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee
C Chair

Board of Directors

C

Nick Prest CBE
Chairman

Nick became Chairman of Cohort on flotation in March 2006.

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 and Chairman of Shephard Media until 2020.

Andrew Thomis
Chief Executive

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

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, Andrew 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. Andrew is a Fellow of the Institution of Engineering and Technology.

Simon Walther
Finance Director

Simon joined Cohort as Finance Director in May 2006.

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 as Chief Accountant for P&O European Ferries in 1995. He has over 25 years' industry-relevant experience, with previous senior finance roles at Alvis and BAE Systems.

Stanley Carter
Non-executive Director

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.

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 UK MOD's central staff, in procurement and at government research establishments, and represented the UK on NATO technical committees. He received an award for the invention of a missile launcher from the UK MOD. He has held a number of directorships in technology companies and has degrees in Technology and Behavioural Science and an MSc in Information Systems. Stanley will retire with effect from the end of the 2022 AGM.

Board of Directors and Company Secretary continued

Member of the Board of Directors

Member of the Remuneration Committee

Member of the Audit Committee

Member of the Nomination Committee

C Chair

C

Edward Lowe

Independent Non-executive Director

Edward was appointed to the Board on 1 July 2019 and became Chair of the Remuneration Committee on 23 July 2019.

Edward joined Racal Electronics in 1980 and, over a 20-year period, undertook a variety of commercial, sales and managerial roles. In 2000, he was appointed Vice President within Thales UK with responsibility for the commercial, sales and strategy functions. In 2005 he was appointed Managing Director of the Thales UK naval activities and led the international business line for naval platforms and services. In 2010 he was appointed Chief Operating Officer for Thales UK with operational responsibility for all Thales UK activities.

C

Jeff Perrin

Independent Non-executive Director and Senior Independent Director

Jeff joined Cohort in July 2015. He is Chair of the Audit Committee and was appointed Senior Independent Director on 23 July 2019.

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. He was Chairman of the private equity-backed defence company Chess Technologies Limited from 2008 until the acquisition of a majority share by Cohort on 12 December 2018.

Beatrice Nicholas

Independent Non-executive Director

Dr Beatrice Nicholas joined Cohort on 1 September 2021.

Beatrice started her career at the GEC Hirst Research Centre in 1984, moving to GEC Marconi Avionics in 1995, where she held several senior management positions. As part of the wider consolidation in the sector, GEC Marconi Avionics became part of BAE Systems in 1999 and then Selex Galileo Limited in 2012, subsequently part of the Leonardo Group.

In 2010 she was appointed Senior Vice President with responsibility for leading the electronic warfare business. In 2013, she was appointed Director of Engineering for the Airborne and Space division of Leonardo UK Limited, with responsibility for the execution of all engineering projects within the division.

Between 2017 and early 2022, she established and operated an independent consultancy, Beatrice Nicholas Consulting Limited, advising on diversity and inclusion.

Raquel McGrath

Company Secretary and General Counsel

Raquel was appointed as Company Secretary and General Counsel from 1 October 2020.

Raquel graduated from the University of Bristol in 1991 with a Bachelor of Laws LLB (Hons) followed by Law Society Finals at the College of Law, Chester, in 1993. She started her career as a Solicitor and Articled Clerk with Slaughter and May in London before moving to Melbourne to work with Allens as a Senior Associate. Raquel has held the role of General Counsel and Company Secretary at a number of UK AIM listed and large private companies. Raquel joined Cohort plc in November 2019 before taking over the role of Company Secretary from Simon Walther in October 2020, in addition to being appointed General Counsel for the Cohort Group.

Executive Management Team

David Tuddenham

Managing Director of Chess Technologies

David was appointed to the role of Group Managing Director Chess Technologies (incorporating Chess Dynamics Ltd, Chess Dynamics Inc and Vision4ce Ltd) in June 2021.

David studied at Loughborough University gaining a BEng in Manufacturing Engineering and Management. He is a Chartered Engineer and Member of the IET. In his early career he worked for large international companies including Honeywell, Teledyne, TRW and IDEX, initially in site leadership roles, ultimately taking on senior management positions. During this time, he gained experience of delivering low-volume, high-technology solutions within regulated industries including aerospace and oil & gas.

In 2011 David left Teledyne to join Chess Dynamics as Operations Director, helping to deliver operational excellence in support of the rapid and sustained growth of the business. David was promoted to Deputy Managing Director in 2014, becoming Managing Director of Chess Dynamics Ltd in 2016 before being appointed Group Managing Director of Chess Technologies in June 2021.

Frederico Lemos

Managing Director of EID

Frederico was appointed as Executive President of EID in December 2020.

Frederico has more than 20 years' experience in defence, both in the public and private sectors. Before joining EID, he was based in the UAE as Embraer's Vice President for Defence for the Middle East and Asia regions. Prior to that he occupied different positions in defence business development with Embraer and OGMA (Embraer group), as well as Project and Programme Manager at the Portuguese Air Force HQ, where he served as a career officer.

Frederico graduated as an Aerospace Engineer at the Portuguese Air Force Academy and Lisbon University IST in 2003 and holds an Executive MBA from INSEAD.

Bernd Szukay

Managing Director of ELAC Sonar

Bernd was appointed as Joint Managing Director of ELAC Sonar in 2020.

Bernd served in the German Navy leaving as a Lieutenant Commander. During this time, he was mainly involved in naval procurement and testing, and graduated in communications engineering and business administration. Bernd has since gained over 20 years' experience in the commercial sector, both in IT/telecommunications and defence. He has held roles in product management, strategy and key account management with Siemens, T-Systems, and Raytheon Anschütz.

In 2012, Bernd joined L-3 Communications ELAC Nautik, as Director for Sales and Marketing. In recent years, he has been working with Ole Schneider to drive the realignment of the product portfolio, strategy, and go-to-market approach.

Chris Stanley

Managing Director of MASS

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

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 and most recently filling the position of Managing Director.

Executive Management Team continued

Shane Knight
Managing Director of MCL

Shane was appointed as Managing Director of MCL in January 2019.

Shane served in the Army until his final appointment as a Captain in the Royal Signals. Throughout his Army career he worked in a range of posts within the electronic warfare arena. He joined MCL in 2003 as Business Development Manager (Communications) and became Sales and Marketing Director in 2011 before his appointment to Managing Director in 2019. Shane has over 15 years' business experience in the international defence sector.

Richard Flitton
Managing Director of SEA

Richard was appointed as Managing Director of SEA in January 2021.

Richard graduated from the University of Brighton with a BEng (Hons) in Mechanical & Control Systems Engineering. He also holds an MBA from the University of Warwick.

Richard's early career was as an engineer working on high-performance visualisation and simulation products in both commercial and defence markets at Hughes Rediffusion. He moved on to take senior technical and leadership roles at Evans and Sutherland (E&S) in both the UK and US. He was ultimately appointed to a board level position at E&S in the US and was Managing Director of E&S UK, heading a division delivering real-time computer graphics systems for customers in the aerospace, defence, simulation, training, entertainment and scientific sectors.

Subsequently Richard moved to EADS Astrium where he led a business unit delivering military satellite ground systems. In 2008 he joined TRL Technology, now a subsidiary of L3 Harris, delivering high-grade cyber security solutions, integrated C2 and sensors and effectors in the Electronic Warfare and ISR domain. After taking on several senior roles at TRL, his most recent appointment there was as Managing Director.

Corporate governance report

Nick Prest CBE
Chairman

Introduction

Cohort has placed a great importance on corporate governance since its flotation in 2006 and has, as far as practicable, modelled its corporate governance structure on a recommended corporate governance code.

Since 2018 Cohort has applied the QCA Corporate Governance Code (the QCA Code), being appropriate for a company with the size and structure of Cohort, and our Corporate governance report for the year ended 30 April 2022 is based upon the QCA Code.

The QCA Code sets out ten principles in three broad categories and I have set out below the Group's application of each principle to the extent that the Board considers these to be appropriate to Cohort. Where our practices depart from the expectations of the QCA 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 QCA Code.

As Chairman of the Board, I take primary responsibility for corporate governance. An important part of my role is to build strong relationships with shareholders and other stakeholders and to ensure that the views expressed by shareholders are communicated to and considered by the Board. As set out in the 2021 Annual Report and as further set out in the Remuneration Committee report, we implemented a new Executive Long Term Incentive Plan and introduced an advisory vote on the Remuneration Policy at the 2021 AGM.

In September 2021 we welcomed Beatrice Nicholas on to our Board. Beatrice had a long and successful career in the defence industry and has brought a wealth of experience in engineering, project management and general management to Cohort.

The voting pattern at our 2021 AGM indicated a broad measure of shareholder support in relation to Corporate Governance matters. We nevertheless continue to keep these matters under close review and to pay careful attention to shareholder views.

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

Governance structure

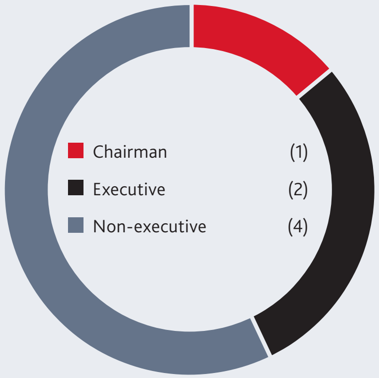
Corporate governance framework

The Board of Directors[1]
Nick Prest CBE (Chair)

Audit Committee[1]	Remuneration Committee[1]	Nomination Committee
Jeff Perrin (Chair)	Edward Lowe (Chair)	Nick Prest CBE (Chair)
Edward Lowe	Jeff Perrin	Jeff Perrin
Beatrice Nicholas	Nick Prest CBE	Edward Lowe
	Beatrice Nicholas	

1. Beatrice Nicholas joined the Board, the Audit Committee and the Remuneration Committee on 1 September 2021.

Board composition



Corporate governance report continued

Deliver growth

Principle 1. Establish a strategy and business model which promote long-term value for our shareholders

The Board, led by the Chairman, sets the Group's strategic direction and is responsible to Cohort's stakeholders for the leadership, oversight and long-term success of the Group.

The Group's Business model is set out in our Strategic report. We believe this promotes long-term value for our shareholders as demonstrated by our five years' financial performance (see page 132) and our key performance indicators set out in our Strategic report 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.

In addition to our scheduled Board meetings, the Board meets for an annual strategy day at which it conducts an in-depth annual review of strategy and the business plans of Cohort and its subsidiaries. This provides the Executive Directors and the Non-executive Directors in particular, with an opportunity to discuss execution and delivery of strategy in-depth with the Executive Directors and to challenge the Group's corporate strategy. The Board also visits the subsidiary Managing Directors for an in-depth review of the execution of strategy at each business throughout the year. In between our formal annual strategy reviews, strategic issues and emerging risks are frequently discussed by the Board.

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.

Some of the key activities which we have undertaken to promote long-term value are set out in our Section 172 statement.

Principle 2. Seek to understand and meet our shareholders' needs and expectations

Cohort places a great deal of importance on communication with all shareholders and details of how we achieve this are set out in Stakeholder engagement. The Company also meets with its institutional shareholders and analysts and receives regular feedback from its institutional shareholders, either directly or via its Nomad, Investec. The Board is keen to ensure that shareholders are provided with the opportunity to engage with the Board and has continued to host live Q&A sessions following the 2020/21 financial year announcement in July 2021 and the Interim results announcement in December 2021.

We also carefully consider any voting guidance reports received from organisations such as Institutional Shareholder Services.

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

Principle 3. Take into account wider stakeholder and social responsibilities and their implications for our long-term success

Consideration of all of the Group's stakeholders is an integral part of the Board's discussions and decision making. Stakeholders include shareholders, our employees, customers, partners, suppliers and local communities. Further details are set out in our Stakeholder engagement report.

In particular, we believe that our employees 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 (see Strategic report) depends upon us being agile and responsive (see People in our Sustainability report). The Board receives a monthly report on health and safety across the Group.

We facilitate named or anonymous feedback by employees through our whistle-blowing arrangements. These are managed by an independent 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.

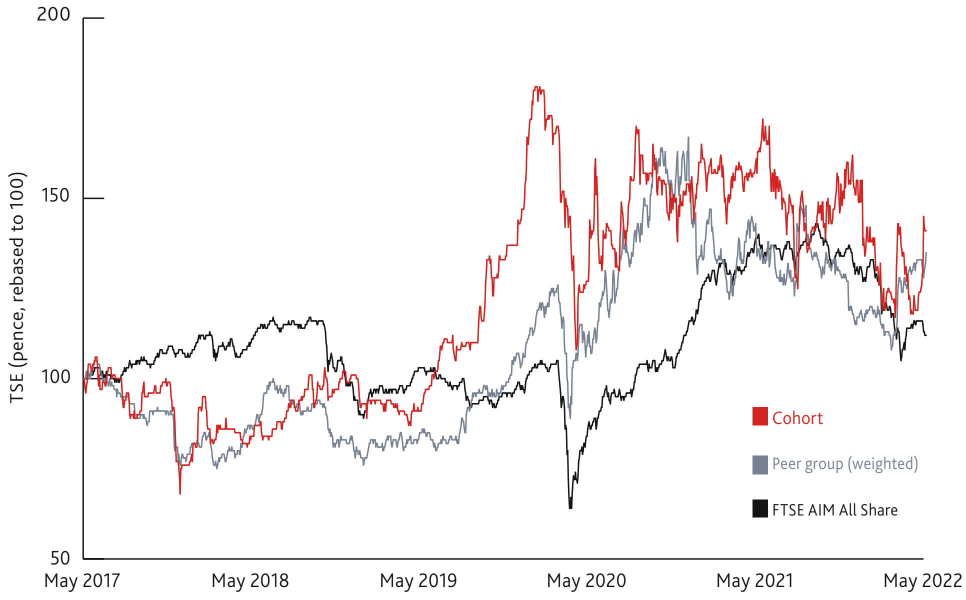
Our customers and suppliers are in many instances long-term partners and an important part of our culture is to establish and maintain relationships of trust (see Stakeholder engagement).

Principle 4. 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 and the Risk management section.

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 key risks of the Group are presented in the Risk management section.

Total shareholder return five-year performance



The weighted peer group companies comprises Avon, Babcock, Chemring, QinetiQ and Ultra Electronics.

Corporate governance report continued

Deliver growth continued

Principle 4. 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 relatively small size of Cohort 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 team.

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 and function heads, the Board is able to monitor the business and respond in a timely manner to issues and opportunities as and when they arise.

Principle 5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board

As at 30 April 2022, the Board of Directors comprised of me, two Executive Directors, Andrew Thomis and Simon Walther, and four Non-executive Directors, Stanley Carter, Jeff Perrin, Beatrice Nicholas and Edward Lowe.

The Board considers that Jeff Perrin, Beatrice Nicholas and Edward Lowe are independent Non-executive Directors.

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, will be subject to annual re-election.

Board Committees

The Board has established three Committees: Audit, Nomination and Remuneration, each having written terms of reference, which can be viewed on the Company's website (cohortplc.com).

The reports of the three Committees are reported separately.

Audit Committee

The Audit Committee is comprised of three independent Non-executive Directors in accordance with the QCA Code, being Jeff Perrin (Chair), Beatrice Nicholas and Edward Lowe. The Audit Committee's role is set out in the Audit Committee report.

Nomination Committee

The Board established a Nomination Committee in April 2021. The Nomination Committee comprises me as Chair and two independent Non-executive Directors, Jeff Perrin and Edward Lowe. The Nomination Committee's role is set out in the Nomination Committee report. The Committee meets as required.

Remuneration Committee

The Committee is comprised of Edward Lowe (Chair), Beatrice Nicholas, Jeff Perrin and me. The Board is of the opinion that the composition of the Committee is compliant with the UK Corporate Governance Code (the UK Code) as it comprises three independent Non-executive Directors (one serving as Chair) and a Chairman who was independent on appointment. All four members of the Committee have considerable experience of managing remuneration schemes for senior executives in public and private companies, both large and small.

The Remuneration Committee's role is set out in its report.

Company Secretary

Raquel McGrath acts as secretary to the Board and its Committees. The Company Secretarial department supports the Board, ensuring good information flows and advising on all corporate governance matters.

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 the subsidiary Managing Directors to review strategic and financial plans and, as mentioned above, the Board also holds a strategy day in addition to the scheduled meetings. The scheduled Board and Committee meetings and attendance of the members during the year ended 30 April 2022 were as follows:

	Board (9 scheduled meetings)	Audit Committee (3 meetings)	Remuneration Committee (2 meetings[1])	Nomination Committee (no meetings)
N Prest CBE (Chairman)	9/9	—	2/2	—
S Carter (Non-executive Director)	7/9	—	—	—
Beatrice Nicholas (Independent Non-executive Director)[1]	7/7	2/2	—	—
J Perrin (Independent Non-executive Director and Senior Independent Director)	9/9	3/3	2/2	—
E Lowe (Independent Non-executive Director)	9/9	3/3	2/2	—
A Thomis (Chief Executive)	9/9	—	—	—
S Walther (Finance Director)	9/9	—	—	—

1. Beatrice Nicholas Joined the Board on 1 September 2021.

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

All the Non-executive Directors give adequate time to fulfil thoroughly their responsibilities to Cohort and, as Chairman, I monitor this.

Principle 6. 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	■	■			
E Lowe	■		■		
S Carter	■		■		■
J Perrin	■	■	■	■	
B Nicholas	■		■		

Corporate governance report continued

Maintain a dynamic management framework continued

Principle 6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities continued

The Board biographies give an indication of the breadth of skills and experience.

Cohort is predominantly a defence company and collectively the Board has experience of engineering, financial, commercial, sales and marketing and general management functions in a range of defence companies, large and small, operating in and supplying to a large number of countries throughout the world. We consider this collective experience to be an important contributor to Cohort.

Each member of the Board takes responsibility for maintaining their skill set, which includes formal training and seminars. We also commission tailored executive coaching for our senior executives from time to time.

The Company Secretary, a qualified solicitor, is responsible within the Company for advising the Board on its legal and regulatory responsibilities and on corporate governance matters. The Company Secretary and the Cohort Group Head of Human Resources also advise the Non-executive Directors independently of the Executive Directors on any matter in which the Executive Directors are personally interested, for example their own remuneration.

When necessary, external advice is sought, on legal, personnel, financial and governance matters. The primary sources are the Company's Nomad and the Company's lawyers.

Principle 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Our approach to evaluation of the Board's effectiveness is that it should be a continuous process rather than just a periodic event. It is my responsibility as Chairman to stimulate and orchestrate this process, consulting colleagues both individually and collectively. As part of the process, I must obtain the views of colleagues on my own performance. Evaluation should embrace at the individual level skills, personality and commitment and at the collective level processes and teamwork.

It is important that this largely informal process is supplemented periodically with a formal review and our policy in Cohort is to do this every few years. Outputs from both our informal process and the periodic formal review include plans for skills development, alterations to our processes and ideas for succession. Succession planning is an important component of Board evaluation.

Further details of our Board evaluation process and details of the last formal review can be found on our website (cohortplc.com).

Principle 8. Promote a corporate culture that is based on ethical values and behaviours

The Group has a strong ethical culture, supported by our policies and processes as further described in the Governance section of our Sustainability report.

Principle 9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board has ultimate responsibility for corporate governance, which it discharges either directly, or through its Committees and through the management structure outlined below.

Group management

The Cohort Board holds nine scheduled meetings 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 as required to consider particular issues. We aim as a Board to visit each of the subsidiaries at least once a year. The Non-executive Directors and I meet at least once a year without the Executive Directors present.

The Board receives a detailed monthly Board report 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 Cohort website (cohortplc.com). The Group Executive Committee meets at least four times per calendar year, comprising Cohort Executive Directors, subsidiary Managing Directors, and Group Heads of Strategy, Communications, Commercial, Legal and Human Resources.

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 and sit on the Board of each subsidiary. The Non-executive Directors and I occasionally attend subsidiary Executive Management meetings. In addition to the matters reserved for the Board, there is a formal Delegation of Authority Policy which is approved by the Board and provides a framework for effective decision making at the subsidiary level together with appropriate Board oversight.

Build trust

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

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 in this report and in Stakeholder engagement.

Board Committees

The reports to shareholders of the Audit, Nomination and Remuneration Committees are shown separately.

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

Nick Prest CBE
Chairman

Audit Committee report

Jeff Perrin
Independent Non-executive Director and Senior Independent Director

Auditor's remuneration

	2022 £'000	2021[1] £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**78**	77
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**289**	282
Total audit fees	**367**	359
Other accounting services	**—**	7
Interim review fee	**48**	53
Total non-audit fees	**48**	60
Total fees paid to the auditor and its associates	**415**	419
Charged to profit for the year	**415**	419

1. The 2021 figures include cost overruns of £54,000.

Introduction

Up until 31 August 2021, the Audit Committee comprised two independent Non-executive Directors. From 1 September 2021 the Audit Committee membership was increased to three independent Non-executive Directors following the appointment of Beatrice Nicholas. The Audit Committee 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 QCA Corporate Governance Code and to maintain an appropriate relationship with the independent auditor of the Group.

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

Jeff Perrin is Chair of the Audit Committee, being a qualified Chartered Certified Accountant and having experience of the defence industry in this and previous roles. The current terms of reference of the Audit Committee were reviewed and updated in October 2019.

A review is expected in the coming year to address changes in reporting, including Task Force on Climate-related Disclosure, which will apply to the Group from 1 May 2022.

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 and profit recognition on fixed-price contracts

The judgement applied in recognising revenue on a contract over time as performance obligations are completed is in respect of the input costs incurred and the attributable margin. The latter is particularly a judgement in respect of estimating the cost to complete on a particular contract and the remaining risk and associated contingency. 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 reduce.

Recoverability of trade and other receivables

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

Goodwill

The Group has recognised goodwill and other intangible assets in respect of the acquisitions of Chess, MASS, SEA, MCL, EID and ELAC. 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 assets 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 Chess, MASS, SEA, MCL, EID and ELAC has been tested for impairment as at 30 April 2022; this is an area of judgement. In each case there was no impairment. The Group's 2022 post-tax WACC of 10.8% is higher than the 2021 equivalent of 7.6%, which reflects higher interest rates and higher volatility in respect of Cohort plc's shares. These post-tax WACC amounts are equivalent to a pre-tax WACC of 16.2% (2021: 10.4%).

Sensitivity was applied to the impairment tests to deliver a material impairment of goodwill as reported in note 9.

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.

Audit Committee report continued

Consideration of the financial statements continued

Alternative performance measures (APMs)

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 2022 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 the operating profit as reported under IFRS by excluding amortisation of other intangible assets, all of which arises on the acquisition of subsidiaries; research and development expenditure credits (RDEC), which were prior to the 2019 Annual Report and Accounts shown in the reported tax figure; exceptional items, including costs of acquisitions and reorganisations; and foreign exchange movements from non-trading activities, including marking forward exchange contracts to market.

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

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Adjusted operating profit	**15.5**	18.6	18.2	16.2	15.2
Operating profit (IFRS)	**11.1**	7.8	10.7	5.9	10.3

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

It is the Board's opinion that the trading performance of the Group is better reflected by the adjusted operating profit.

Adjusted earnings per share

This is based upon the adjusted operating profit after taking account of tax applying to adjusted operating profit and interest, to enable the Group to report an 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 to the accounts.

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 2022. 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 (RSM UK Audit LLP) was appointed in November 2019.

The analysis of RSM UK Audit LLP (2021: RSM UK Audit LLP) remuneration is shown in the table above. The payments made to RSM UK Audit LLP in 2021 include additional fees incurred as part of that audit.

Fees payable to RSM UK Audit 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.

Jeff Perrin
Chair of the Audit Committee

Nomination Committee report

Nick Prest CBE
Chairman

The Nomination Committee is chaired by me and the other members are two independent Non-executive Directors, Jeff Perrin and Edward Lowe.

Key responsibilities

The Committee is appointed by the Board and its terms of reference are available on the Company's website (cohortplc.com). The Committee meets as required and no formal meeting was needed in the reporting year. The members of the Nominations Committee did, however, discuss the various matters for which the Committee is responsible in the course of other meetings and undertook work to support the Executive Directors in relation to appointments below Board level.

The key responsibilities of the Committee are:

- to regularly review the structure, size and composition of the Board (including the skills, knowledge, experience and diversity of the Board) and to make recommendations to the Board with regard to any changes;
- to keep the leadership needs of the organisation under review, including succession planning, in relation to both Executives and Non-executives, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- to be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise; and
- to undertake any work requested by the Board or Chief Executive to select or approve appointments below Board level.

Re-appointment of Directors

The Company's Articles of Association require any Director who has not been appointed or re-appointed at either of the two previous Annual General Meetings of the Company to retire, and for one third of the Directors to retire by rotation each year. Under Article 103.1.2 the requirement for one-third of the Directors to retire by rotation each year shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not offer himself for re-election. This year, Stanley Carter is retiring with effect from the end of the AGM and is not offering himself for re-election. Edward Lowe, being eligible, offers himself for re-election at the 2022 AGM. The Board has considered the performance and commitment to the role of Edward Lowe and has recommended his re-election to the Board on the basis that his contribution is, and continues to be, important to the Company's long-term sustainable success.

Nick Prest CBE
Chair of the Nomination Committee

Remuneration Committee report

Edward Lowe
Independent Non-executive Director

I am pleased to present the Remuneration Committee (the Committee) report for the year ended 30 April 2022.

The view of the Committee is that the levels of remuneration are in line with industry peers and the Directors' Remuneration Policy (the Policy) has, as intended, supported delivery of the strategy, and focused the management team on delivering strong financial and operational performance. The current year has seen a weaker trading performance but another very strong year of order intake, laying a good foundation for 2022/23 and beyond. The Group cash performance was also very strong and combined with the renewed bank facility provides the Group with the firepower to deliver its record order book and continue its strategy.

The new policy for Long Term Incentive Plans (LTIP) was implemented in 2021/22 and the first year when long-term bonuses will be paid and shares vest under the new policy will be in 2024/25 based on the three-year period ended 30 April 2024. For the current and intervening year (financial years 2021/22 and 2022/23) the previous long-term incentive policy will continue to determine Executive remuneration.

This report is split into three sections:

- this annual letter summarising the work of the Committee in 2021/22;
- a statement of the current Directors' Remuneration Policy (the Policy), including the LTIP; and
- the Annual report on remuneration, which provides details of the remuneration earned by Executive Directors and the Non-executive Directors in the year ended 30 April 2022.

Outcomes for 2021/22

The Executive Directors and the Group Executive Management have continued to drive the Group's strategy. The key highlights are discussed in the Operating review. The Group delivered a weaker trading performance, as indicated when we published our Interim results in December 2021. The Group did however secure over £186m of orders, ended the year with a record £291m order book and generated a better than expected level of cash inflow.

Performance related pay

Cohort's current and revised Remuneration Policies are set out below. In both cases they are weighted heavily towards incentivising the long-term performance and growth of the Group.

The Committee must be satisfied with the level of performance during the performance period taking account of a range of factors and has the ability to adjust awards if it considers that the calculated numbers are out of line with the underlying business performance of the Group. For 2021/22, the Committee gave careful consideration to the weaker trading performance, but also to the wider operational context including the difficult circumstances of the COVID-19 pandemic and the excellent performance in terms of cash and order intake.

The Group's financial performance for the year resulted in in-year bonus awards for the Executive Directors at 33% of maximum and long-term performance awards at 19% of the maximum level. Full details are shown below.

The Committee considered that this calculated level of award (being at a significantly lower level than recent years) was an appropriate and merited outcome. The Committee also considered it appropriate to award basic salary increases of 5% to the Executive Directors with effect from 1 May 2022, this increase being in line with the average increases being paid across the Group.

It is to be noted that the remuneration of the Group's subsidiary Managing Directors is structured very similarly to that of the Executive Directors and is also migrating to the revised scheme in the same timescales as for the Executive Directors. The Committee has also been keen to promote the involvement of all Cohort employees in the long-term success of the Group and to this end has been pleased to see continuing strong interest by employees in the Share Incentive Plan (SIP) and the Save as You Earn (SAYE) schemes.

During 2022/23, the Committee will continue to monitor the existing remuneration arrangements and guide the introduction of the revised Policy.

Should you have any queries in relation to this report please do not hesitate to contact me through the Company Secretary.

Edward Lowe
Chair of the Remuneration Committee

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Basic salary	To provide competitive fixed remuneration. To attract and retain Executive Directors of a calibre required to deliver growth for the business. Intended to reflect that paid to senior management of comparable companies. Reflects individual experience and role.	Normally reviewed annually by the Committee considering remuneration levels for comparable companies of a similar size and complexity, industry sector or location. Individual salary adjustments take into account each Executive Director's performance against agreed challenging objectives and the Group's financial circumstances, with significant adjustments infrequent and normally reserved for material changes in role, a significant increase in the size or complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance.	No prescribed maximum salary or maximum increase in salary. Increases are awarded having given consideration to those awarded across the wider workforce.	Not applicable.
Benefits	As above.	Executive Directors are entitled to benefits such as family private health insurance, income protection during periods of long-term illness absence and life assurance. Executive Directors are eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with emerging market practice.	A maximum is not pre-determined. Benefit values can vary year on year depending on premiums and the maximum is the cost of providing the relevant benefits. The maximum level of participation in all-employee share plans is subject to the limits imposed by the Inland Revenue.	Not applicable.
Retirement allowance	To reward sustained contribution by providing retirement benefits.	The Company pays a retirement allowance in lieu of pension contributions. Where this is operated via salary sacrifice the Company passes on the National Insurance saving of 10% of the sacrificed salary back to the Executive as additional retirement allowance.	For Cohort Executive Directors the retirement allowance is set at 4% of basic salary in line with the current general workforce contribution level. National Insurance saving on allowance delivered via salary sacrifice is set at 10% of the salary sacrificed.	Not applicable.
In-year performance bonus	Rewards the achievement of annual financial business performance targets.	Paid annually in cash. 0% to 10% of salary payable based on full year adjusted operating profit performance against budget calculated as follows: ▶ Zero if performance below 95% of budget. ▶ Linear increase from 0% to 10% as performance goes from 95% to 105% of budget. Plus 0% or 5% of salary payable based on full year operating cash flow performance against budget calculated as follows: ▶ Zero if performance is below budget. ▶ 5% if performance is at or exceeds budget. Recovery provisions apply in cases of restatement of financial results for the relevant financial year.	15% of salary.	Actual performance compared to budget for the financial year for adjusted operating profit and operating cash flow (both excluding the impact of any in-year acquisitions and disposals). Both adjusted operating profit and operating cash flow shall be calculated after deducting the costs of all bonus payments, including the cost of Restricted Shares. Financial measures determine 100% of the bonus calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances.

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Long-term performance awards – scheme to operate for 2021/22 and 2022/23 and ceases 30 April 2023	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable growth and the interests of shareholders. Encourages long-term shareholding and discourages excessive risk taking.	Annual award based on the historic annualised profit growth of the Group over a (up to[1]) four-year performance period prior to award comprised of: 1. Up to 50% of basic salary split: ▶ two fifths as a cash bonus; ▶ two fifths as Restricted Shares; and ▶ one fifth in either cash or Restricted Shares at the Executive's discretion. The award increases from 0% to 50% of salary on a linear basis as achievement against the performance measure increases from 0% to 10%. 2. An award of share options with market value exercise price at the discretion of the Remuneration Committee. Restricted Shares vest in four equal tranches, 25% on award and 25% on each of the following three anniversaries of award, subject to continued employment. No dividends are paid on Restricted Shares before vesting. Tax and National Insurance (employee and employer) are borne on awards of Restricted Shares by the Company on behalf of the Executive. Recovery provisions for both cash and Restricted Shares apply in cases of restatement of financial results for the relevant financial year.	Cash and Restricted Shares valued at up to 50% of basic salary. In addition, the income tax and National Insurance (employee and employer) arising from the award of Restricted Shares is settled by the Company on the Executive's behalf. An option award over a maximum number of shares calculated as 20% of basic salary divided by exercise price.	Compound annualised growth rate per share[2] in adjusted profit before interest and tax (after excluding non-controlling interests) between the year ended 30 April 2018 and the year ended 30 April 2022. For the avoidance of doubt, amortisation of other intangible items, marking forward exchange contracts to market at the period end and such exceptional items as the Committee, in its absolute discretion, decides shall be excluded from the calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances. The level of award of share options is discretionary and is based on the Remuneration Committee's overall assessment of both the individual performance of each Executive Director and the financial performance of the Group.
Long-term performance awards – scheme to operate from 2021/22 onwards and first awards under this scheme, if earned, will vest in the year ending 30 April 2025 **First award approved in the Remuneration Committee of 2 November 2021**	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable growth and the interests of shareholders. Encourages long-term shareholding and discourages excessive risk taking. As already stated, this new scheme was introduced from 1 May 2021 to replace the existing scheme. The new scheme will make awards for the first time for the year ending 30 April 2024.	Annual award based on the future annualised profit growth of the Group over a three-year performance. An additional two-year holding period applies after the end of the three-year vesting period. Up to 125% of basic salary split: ▶ one third as a cash bonus; and ▶ two thirds as performance shares. No award of share options. Awards will vest subject to the performance criteria set out above and following audit clearance of the Group accounts in the relevant third year. Executive Directors are required to hold any shares arising from the vesting of their award, net of any shares sold to meet personal tax and social security obligations, for a period of two years from the vesting date. An overall reward period of five years. Employers National Insurance is borne by the Company. Recovery provisions for both cash and Restricted Shares apply in cases of restatement of financial results for the relevant financial year.	Cash and Restricted Shares valued at up to 125% of basic salary for the base year. The income tax and employee National Insurance on all awards are settled by the Executive. Employers National insurance is settled by the Company on all awards. The shares element is awarded as number of shares based on the two-thirds of salary figure divide by the average mid-market share price of Cohort plc shares for the five business days prior to the award under this scheme.	Compound annualised growth rate per share[2] in adjusted profit before interest and tax (after excluding non-controlling interests) between the year ended 30 April 2021 and the year ending 30 April 2024. For the avoidance of doubt, amortisation of other intangible items, marking forward exchange contracts to market at the period end and such exceptional items as the Committee, in its absolute discretion, decides shall be excluded from the calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances.

1. On appointment and until the participant has been in position for a period of four financial years, the long-term performance period will increase in line with increasing tenure up to the maximum performance period of four years.
2. Being the weighted average number of Cohort plc shares in issue.

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy continued

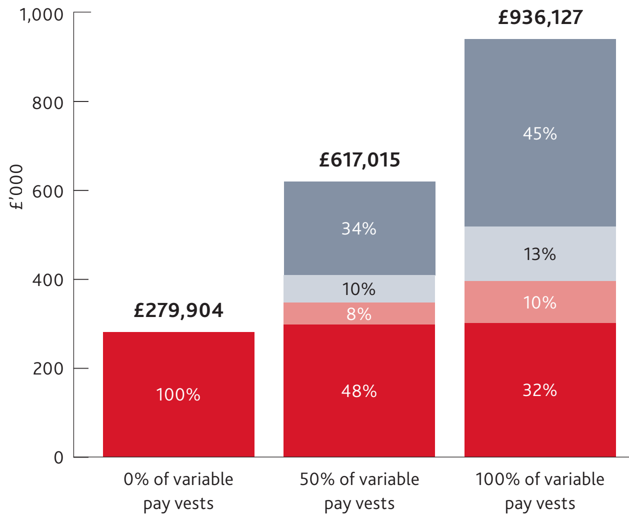
Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Share ownership levels	To increase alignment between Executives and shareholders.	Executive Directors are encouraged to build a holding of shares in the Company during their tenure with the Company. The Committee keeps the level of the Executive Directors' shareholding under review. Sale of shares in the Company by an Executive Director is only allowed with the approval of the Chairman.	Levels were set for 2021 onwards.	CEO at 200% of salary. FD at 150% of salary. Subsidiary MDs at 100% salary.
Chairman and Non-executive Directors' fees	To provide compensation in line with the demands of the roles at a level that attracts high-calibre individuals and reflects their experience and knowledge.	Base fee for Chairman and Non-executive Directors. Normally reviewed annually. The Company reimburses any reasonable expenses that a Non-executive Director incurs in carrying out their duties as a Director, including travel, hospitality related and other modest benefits, if appropriate. If there is a temporary material increase in the time commitments for Non-executive Directors, the Board may pay extra fees to recognise the additional workload. The Non-executive Directors are entitled to participate in the Company private health insurance scheme at their own expense should they wish to do so.	No maximum. Fees are set taking into account internal benchmarks such as the salary increase for the general workforce and external benchmarks of fees paid by companies of a similar size and complexity.	Not applicable.
Service contracts		The Executive Directors 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.	Not applicable.	Not applicable.

Remuneration Committee report continued

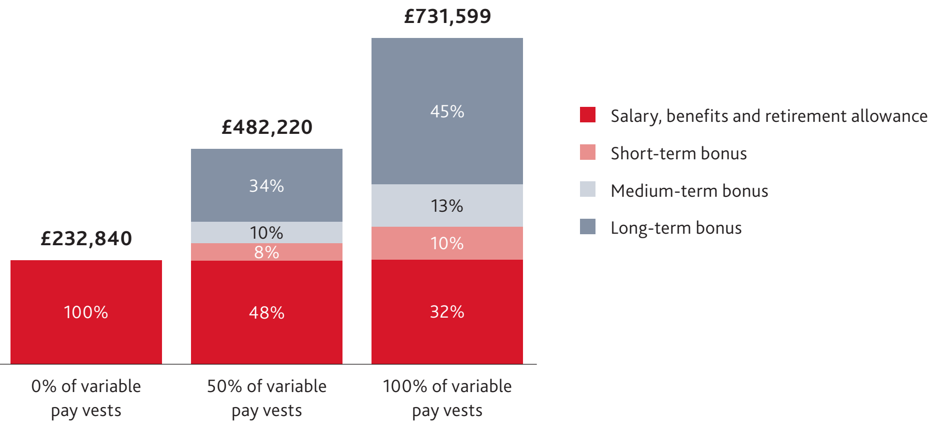
Illustration of the application of the Remuneration Policy

The charts below illustrate how the Policy would function for minimum, 50% of maximum performance and maximum performance for each Executive Director. These charts address the current Policy, which ceases 30 April 2023.

Chief Executive – Andrew Thomis



Finance Director – Simon Walther



Assumptions for charts above:

1) Salary levels are based on those applying from 1 May 2022. The retirement allowance is 4% of annual basic salary. Other benefits relate to private health insurance and executive medical.

2) Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

The actual application of the Remuneration Policy for the Executive Directors for the year ended 30 April 2022 was as follows:

	Salary £	In-year bonus £	Long-term bonus £	Share awards £	Benefits in kind £	Retirement allowance £	Emoluments £	Pension contributions £	Total £
A Thomis	270,000	13,500	10,285	33,492	2,700	10,800	340,777	364	341,141
S Walther	211,000	10,550	8,038	26,168	2,064	8,440	266,260	364	266,624

Remuneration Committee report continued

Annual Report on Remuneration

The role of the Remuneration Committee (the Committee) is to:

- establish a formal and transparent policy on Executive remuneration and to set remuneration packages for-individual Executive-Directors (the-Group Chief Executive and Finance Director) and the Group Executive Management (the Managing Directors of the subsidiary businesses);
- assess the performance of the individual Executive Directors and Group Executive Management against these packages and determine the related remuneration;
- undertake the role, in conjunction with the Chief Executive, of proposing remuneration packages for individuals to the Board for new appointments; and
- undertake any other tasks appropriate to the Committee requested by the Board.

Remuneration summary

The key elements of the Executive Directors' Remuneration Policy as it applied in 2021/22 and to apply in 2022/23 are summarised below:

Fixed pay	Salary	CEO: £270,0000 FD: £211,000 This will rise by 5.0% for both the CEO to £283,500 and the FD to £221,550 from 1 May 2022.
	Retirement allowance	4% of salary.
	Benefits	Includes private health insurance, annual medicals, and life assurance.
In-year performance bonus	Maximum opportunity	15% of salary.
	Operation	Up to 10% based on performance against budget of adjusted operating profit. Up to 5% based on performance against budget of operating cash flow.
Long-term performance awards scheme, ceases 30 April 2023	Maximum opportunity	50% of salary, plus tax and National Insurance paid on Executive's behalf in respect of Restricted Shares awarded only.
	Operation	Up to 50% of salary based on a compound annual growth rate in performance, per share, between the beginning and end years of a four-year performance period ending on 30 April 2022, split as follows: ▶ two fifths in cash; ▶ two fifths in Restricted Shares; and ▶ one fifth in either cash or Restricted Shares at the Executive's discretion. Restricted Shares vest in four equal tranches, 25% on award and a further 25% on each of the three following annual anniversaries of award. Tax is paid on award by the Company on the Executive's behalf in respect of the Restricted Shares. Malus and clawback provisions apply. All awards can be reduced to zero at the discretion of the Committee.

Remuneration Committee report continued

Annual Report on Remuneration continued

Remuneration summary continued

The new Long Term Incentive Plan (LTIP) commenced on 1 May 2021. The maximum award to each Director was as follows:

	Cash award £	Share award £	Total award £	Share awards No. of shares
A Thomis	108,646	217,292	325,938	43,650
S Walther	85,000	170,000	255,000	34,150

The number of shares awarded is based upon the share award (£) divided by the mid-market average share price for the five business days up to 19 January 2021 of £4.978 per share.

The final award is expected to vest in August 2024 based on the performance for three years ended 30 April 2024.

Retirement allowance

From 1 April 2019, the Company has paid (and will continue to pay) to the Executive Directors 4% of annual salary as a retirement allowance. This payment does not count towards the Executive Directors' determination of bonus. This is a result of the impact of HMRC tax regulations in respect of a cap on annual pension contributions of £4,000. This is in line with pension contribution rates to the wider workforce.

Directors' interests in the equity of Cohort plc

	At 30 April 2022 Number of 10p ordinary shares	At 30 April 2021 Number of 10p ordinary shares
S Carter	**9,094,202**	9,094,202
N Prest CBE	**1,791,738**	1,791,738
A Thomis	**234,623**	216,617
S Walther	**221,553**	210,248
J Perrin	**4,000**	4,000

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 2021 and 30 April 2022 are analysed as follows:

	A Thomis	S Walther
At 30 April 2021	216,617	210,248
Shares awarded under Restricted Share Scheme	11,024	8,624
Shares acquired under Cohort plc Share Incentive Plan	330	330
Cohort plc shares purchased through Cohort plc SAYE scheme	1,993	673
Purchases of shares at £5.25 per share on 14 December 2021	424	—
Automatic dividend reinvestment in shares (within an ISA and/or a SIPP)	4,268	1,728
Shares sold on transfer to ISA	(33)	(50)
At 30 April 2022	**234,623**	**221,553**

The Executives' shareholdings at 30 April 2022 represent 473% of Andrew Thomis' and 571% of Simon Walther's annual salaries respectively (at 30 April 2021 the respective levels were 533% and 662%) and are based upon the market price of Cohort plc shares at those respective dates: £5.44 at 30 April 2022 and £6.42 at 30 April 2021. These levels exceed shareholding targets set by the Remuneration Committee.

Of the above shareholdings at 30 April 2022, 20,470 (2021: 25,408) of Andrew Thomis' and 16,015 (2021: 19,880) of Simon Walther's are held on trust by the EBT as part of the Restricted Share Scheme and do not receive a dividend.

None of the Chairman's or the Non-executive Directors' shareholdings are held as part of the Restricted Share Scheme (2021: £nil).

Performance incentives

The Cohort Executive Directors' bonus scheme was agreed by the Board on 19 June 2013 following a recommendation from the Committee. This scheme has applied for the year ended 30 April 2022.

At the Committee meeting held on 12 July 2022, the following awards were made to the Executive Directors:

i. In-year and long-term cash bonuses totalling £42,373 for the year ended 30 April 2022 (2021: £101,987). See the split in table 2.

ii. Restricted Share awards were approved as follows:

	In respect of the year ended 30 April 2022		In respect of the year ended 30 April 2021	
	Actual number of shares	**Estimated value of shares £**	Actual number of shares	Actual value of shares £
A Thomis	**2,790**	**15,429**	11,024	66,274
S Walther	**2,180**	**12,055**	8,624	51,850
	4,970	**27,484**	19,648	118,124

The in-year performance achieved resulted in 5% of salary being awarded as an in-year bonus for the year ended 30 April 2022 (5% for the year ended 30 April 2021). The long-term performance achieved was below the maximum over the performance period resulting in cash bonus payments of 3.81% (2021: 16.94%) of salary and Restricted Share Awards with a value of 5.71% (2021: 25.42%) of salary, together 9.52% of salary, for the year ended 30 April 2022 (42.36% for the year ended 30 April 2021).

The total estimated value received by the Executive Directors in respect of the Share awards, including income tax and employee National Insurance, was £59,660 in respect of the year ended 30 April 2022 (2021: £222,875). The Restricted Share awards in respect of the year ended 30 April 2021 were approved at the Committee meeting of 12 July 2021 and were awarded on 1 August 2021. The Restricted Share awards in respect of the year ended 30 April 2022 are expected to be awarded in August 2022. The actual number of shares awarded was calculated using the average mid-market share price for the year ended 30 April 2022 of 553.0 pence (2021: 601.2 pence). The total estimated Restricted Share award value is based on the Executive's marginal tax and National Insurance rates prevailing at time of award.

Ordinary shares under option granted during the year ended 30 April 2022 and outstanding at 30 April 2022 were as shown in Table 1 below. No share options will be awarded in 2022 as stated in last year's update to the Remuneration policy.

Remuneration Committee report continued

Annual Report on Remuneration continued

Performance incentives continued

The mid-market price of Cohort plc 10 pence ordinary shares at 30 April 2022 was 544 pence (2021: 642 pence); the lowest and highest market prices in the year were 670.0 pence and 460.0 pence respectively.

No bonuses are payable or share options awardable to the Non-executive Directors. Cash and share bonus schemes for the Group Executive Management have been established for the year ended 30 April 2022, with a similar framework to that of the Cohort Executive Directors, with varying levels of percentage of salary, none exceeding those set out above for the Executive Directors, subject to the discretion of the Committee.

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

Chairman and Non-executive Directors

Nick Prest CBE was 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. Edward Lowe was appointed Non-executive Director on 1 July 2019. Beatrice Nicholas was appointed Non-executive Director on 1 September 2021. These appointments can be terminated upon three months' notice being given by either party.

Directors' remuneration

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

Table 1: Directors' share options

	At 1 May 2021 Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2022 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
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 2016 share option scheme (unapproved)								
– Option price of £3.760 per share	1,809	—	—	—	**1,809**	25 Aug 2017	26 Aug 2020	7
– Option price of £3.900 per share	9,846	—	—	—	**9,846**	10 Aug 2018	11 Aug 2021	7
– Option price of £4.875 per share	7,569	—	—	—	**7,569**	28 Aug 2019	29 Aug 2022	7
– Option price of £6.200 per share	8,411	—	—	—	**8,411**	28 Aug 2020	29 Aug 2023	7
– Option price of £5.390 per share	—	9,675	—	—	**9,675**	16 Aug 2021	16 Aug 2024	7
Save As You Earn (SAYE) scheme								
– Option price of £4.900 per share	1,993	—	(1,993)	—	**1,993**	1 Sep 2018	2 Sep 2021	
– Option price of £4.475 per share	933	—	—	—	**933**	6 Sep 2019	7 Sep 2022	
– Option price of £6.700 per share	902	—	—	—	**902**	4 Sep 2020	5 Sep 2023	
– Option price of £5.830 per share	—	1,333	—	—	**1,333**	3 Sep 2022	1 Oct 2024	
	39,441	11,008	(1,993)	—	**48,456**			

	At 1 May 2021 Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2022 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
S Walther								
Cohort plc 2016 share option scheme (approved)								
– Option price of £3.900 per share	307	—	—	—	**307**	10 Aug 2018	11 Aug 2021	7
– Option price of £6.200 per share	4,645	—	—	—	**4,645**	28 Aug 2020	29 Aug 2023	7
Cohort plc 2016 share option scheme (unapproved)								
– Option price of £3.900 per share	7,397	—	—	—	**7,397**	10 Aug 2018	11 Aug 2021	7
– Option price of £4.875 per share	5,922	—	—	—	**5,922**	28 Aug 2019	29 Aug 2022	7
– Option price of £6.200 per share	1,936	—	—	—	**1,936**	28 Aug 2020	29 Aug 2023	7
– Option price of £5.390 per share	—	7,569	—	—	**7,569**	16 Aug 2021	16 Aug 2024	7
Save As You Earn (SAYE) scheme								
– Option price of £3.900 per share	673	—	(673)	—	**—**	1 Sep 2018	2 Sep 2020	
– Option price of £4.475 per share	1,021	—	—	—	**1,021**	6 Sep 2019	7 Sep 2022	
– Option price of £6.700 per share	376	—	—	—	**376**	4 Sep 2020	5 Sep 2023	
– Option price of £5.830 per share	—	926	—	—	**926**	3 Sep 2021	1 Oct 2024	
	22,277	8,495	(673)	—	**30,099**			

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.

Remuneration Committee report continued

Annual Report on Remuneration continued

Directors' remuneration continued

Both Andrew Thomis and Simon Walther have participated in the Cohort plc Share Incentive Plan (SIP) which was launched on 1 September 2018. As at 30 April 2022, contributions were made by each of £1,200. This would convert to 221 Cohort plc ordinary shares as at 30 April 2022 based on the closing share price of 544 pence per share. On 8 October 2021, contributions of £1,800 each were converted to 330 ordinary shares each at 546.0 pence per share.

The terms of the Cohort plc SIP are set out in note 20.

Andrew Thomis exercised 1,993 share options held under the Cohort plc SAYE scheme on 11 January 2022 when the mid-market price of Cohort plc ordinary shares was 538.0 pence per share. All shares were retained.

Simon Walther exercised 673 share options held under the Cohort plc SAYE scheme on 1 October 2021 when the mid-market price of Cohort plc ordinary shares was 551.0 pence 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 £4,033 (2021: £22,424).

Table 2: Directors' remuneration

	Salary 2022 £	In-year cash bonus 2022 £	Long-term cash bonus 2022 £	Restricted Share awards 2022 £	Benefits in kind 2022 £	Retirement allowance 2022 £	Emoluments 2022 £	Pension contributions 2022 £	Total 2022 £
Executive Directors									
A Thomis	**270,000**	**13,500**	**10,285**	**33,492**	**2,700**	**10,800**	**340,777**	**364**	**341,141**
S Walther	**211,000**	**10,550**	**8,038**	**26,168**	**2,064**	**8,440**	**266,260**	**364**	**266,624**
Non-executive Directors									
N Prest	**102,500**	—	—	—	—	—	**102,500**	—	**102,500**
S Carter	**46,250**	—	—	—	—	—	**46,250**	—	**46,250**
E Lowe	**50,000**	—	—	—	—	—	**50,000**	—	**50,000**
J Perrin	**50,000**	—	—	—	—	—	**50,000**	—	**50,000**
B Nicholas	**31,250**						**31,250**		**31,250**
Total	**761,000**	**24,050**	**18,323**	**59,660**	**4,764**	**19,240**	**887,037**	**728**	**887,765**

Beatrice Nicholas was appointed Non-executive Director on 1 September 2021.

	Salary 2021 £	In-year cash bonus 2021 £	Long-term cash bonus 2021 £	Restricted Share awards 2021 £	Benefits in kind 2021 £	Retirement allowance 2021 £	Emoluments 2021 £	Pension contributions 2021 £	Total 2021 £
Executive Directors									
A Thomis	260,750	13,038	44,182	125,045	1,980	10,430	455,425	364	455,789
S Walther	204,000	10,200	34,567	97,830	1,980	8,160	356,737	364	357,101
Non-executive Directors									
N Prest	90,000	—	—	—	—	—	90,000	—	90,000
S Carter	45,000	—	—	—	—	—	45,000	—	45,000
E Lowe	45,000	—	—	—	—	—	45,000	—	45,000
J Perrin	45,000	—	—	—	—	—	45,000	—	45,000
Sir Robert Walmsley	30,000	—	—	—	—	—	30,000	—	30,000
Total	**719,750**	**23,238**	**78,749**	**222,875**	**3,960**	**18,590**	**1,067,162**	**728**	**1,067,890**

Sir Robert Walmsley retired on 31 December 2020.

The Restricted Share awards include tax and employee National Insurance.

Remuneration Committee report continued

Annual Report on Remuneration continued

Directors' remuneration continued

CEO remuneration as a multiple of the average remuneration of all employees

	2019	2020	2021	**2022**
Salary	5.38	5.76	5.58	**5.59**
Total remuneration	9.59	10.27	9.31	**7.89**

Salary includes benefits in kind and retirement allowance. Total remuneration includes all bonuses.

The decrease in the total remuneration ratio from 2021 to 2022 reflects the increase in the size of the Group following the full year addition of ELAC (previously five months included in results), and for the CEO, a lower bonus and share scheme award offset by a small increase in salary.

Relative spend on pay

The following table shows actual expenditure of the Group on remuneration of all employees compared with distributions to shareholders and profit retained:

	Total remuneration expenditure	Other expenditure as a percentage of total remuneration			
		Dividends paid to shareholders		Profit retained	
	£'000	£'000	%	£'000	%
2022	**59,764**	**4,684**	**8**	**5,308**	**9**
2021	51,881	4,247	8	1,652	3
2020	47,815	3,853	8	5,074	11
2019	43,109	3,464	8	1,781	4

The total shareholder return performance graph is shown on the Corporate governance report.

Directors' report

Introduction

The Directors present their report and the audited financial statements of Cohort plc for the year ended 30 April 2022. Cohort plc is a company incorporated in and operating from England. Its registered address is One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW.

Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Accounts, accordingly, the following sections of the Annual Report and Accounts are incorporated into this Directors' report by reference:

- Strategic report
- Corporate governance report
- Audit Committee report
- Remuneration Committee report
- The financial statements together with the notes to those financial statements.

Principal activities

The principal activity of the Company is that of a holding company. The principal activities of the Group are described in our Operating review. The Company's subsidiary undertakings, including those located outside the UK, are listed in note 11 of the financial statements.

Business review

The Strategic report provides a review of the Group's business performance during the year, its strategy and likely future developments, its key performance indicators, and a description of the principal risks and uncertainties facing the business. The Chairman's statement is included in the Strategic report section.

Since 30 April 2022, the Group has signed a new bank facility extending the facility to 18 July 2025 with options to extend it for a further two years to July 2027. The facility is on similar terms to that in place at 30 April 2022.

Dividends

The Directors recommend a final dividend of 8.35 pence (2021: 7.60 pence) per 10 pence ordinary share which, subject to shareholder approval, is due to be paid on 4 October 2022 to ordinary shareholders on the register on 26 August 2022. Together with the interim dividend of 3.85 pence paid on 14 February 2022, the full dividend for the year will be 12.20 pence (2021: 11.10 pence), an increase of 10% over last year.

Directors and their interests

Brief biographies of the current Directors are set out on pages 54 and 55 (Board of Directors), Beatrice Nicholas joined the Board on 1 September 2021, the other members of the Board were in office throughout the year and up to the date of signing these accounts. No other Directors served on the Board in the year. Details of the Directors' interests in the equity of the Company are disclosed in the Remuneration Committee report.

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.

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors during the reporting period and these remain in force at the date of this report.

The Company's rules about the appointment and replacement of Directors, together with the powers of Directors, are contained in the Articles of Association (the Articles) (available on the Company's website cohortplc.com). Changes to the Articles must be approved by special resolution of the shareholders. A summary of the matters reserved for the Board is included in the Corporate governance report and a copy is available on the Company's website (cohortplc.com).

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

Disclosure	Report
Directors who served throughout the year	Remuneration Committee report
Directors retiring by rotation	Nomination Committee report
Directors' biographies	Board of Directors
Directors' interests	Remuneration Committee report
Directors' share options	Remuneration Committee report

Table 2: Significant shareholdings and voting rights

As at 12 July 2022, the following interests of shareholders in excess of 3% have been notified to the Company:

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
S Carter	22.14	9,094,202	Direct
Schroders Investment Management	13.42	5,533,560	Direct
Liontrust Asset Management	11.59	4,776,790	Direct
Canaccord Genuity Wealth Management	8.40	3,463,763	Direct
N Prest	4.35	1,791,738	Direct
Unicorn Asset Management	3.34	1,375,000	Direct
Herald Investment Management	3.28	1,352,500	Direct

Research and development

During the year ended 30 April 2022 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure, was £11.2m (2021: £9.5m).

Directors' report continued

Going concern

The Group's financial statements have been prepared on the going concern basis.

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through a facility which was renewed in July 2022. Both the current domestic economic conditions (including the COVID-19 pandemic) 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.

Capital structure

Details of the 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 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.

Subject to the provisions of the Company's Articles and the Companies Act 2006, at a general meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought at the Annual General Meeting on 27 September 2022 are set out in the Notice of Annual General Meeting.

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 2022, the EBT held 663,845 Cohort plc ordinary shares, 1.61% of the issued share capital (2021: 172,744; 0.42%). The maximum number of shares held at any time in the year ended 30 April 2022 was 663,845, 1.61% of the issued share capital at that time. Shares in Cohort plc are acquired and disposed of by the EBT for the purposes of satisfying employee share options, Share Incentive and Restricted Share Schemes, details of which are shown in note 20.

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

Under its Articles, the Company has authority to issue up to half of its issued shares as new ordinary shares. This approximates to 20.6m shares at 30 April 2022.

Change of control

There are a number of 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 Committee report.

International Financial Reporting Standards (IFRS)

The Group and parent company's reported results for the year ended 30 April 2022 are prepared in accordance with UK adopted International Accounting Standards (IFRS). Information about the use of financial instruments by the Company and its subsidiaries is given in note 18 to the financial statements.

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

Details of our engagement with employees and how the Directors have considered their interests throughout the year are set out in our Stakeholder engagement summary.

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 2022 the Group made charitable donations of £29,900 (2021: £28,000), mainly in respect of military and local charities. The Group made no political donations during the year (2021: £nil).

Environment

The Company is required to disclose its UK energy use and associated greenhouse gas emissions (GHG) under the Streamlined Energy and Carbon Reporting (SECR) Regulations, which came into force on 1 April 2019. Details of our report are set out in our Sustainability report. This is the third year that the Company has undertaken a GHG emissions assessment to comply with SECR.

Provision of information to the auditor

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.

RSM UK Audit LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming AGM.

Approved by the Board of Directors on 28 July 2022 and signed on its behalf by:

Raquel McGrath
Company Secretary

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

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with UK adopted International Accounting Standards (IFRS) and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

The Group financial statements are required by law and accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted International Accounting Standards (IFRS);
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Cohort plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board on 28 July 2022

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Independent auditor's report
to the members of Cohort plc

Opinion

We have audited the financial statements of Cohort plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 April 2022 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 notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

	Group	Parent company
Key audit matters	▶ Revenue recognition – polices and assessment and project accounting ▶ Goodwill impairment	▶ Investment in Subsidiaries impairment
Materiality	▶ Overall materiality: £750,000 (2021: £890,000) ▶ Performance materiality: £562,500 (2021: £667,000)	▶ Overall materiality: £750,000 (2021: £890,000) ▶ Performance materiality: £562,500 (2021: £667,000)
Scope	Our audit procedures covered 98% of revenue, 83% of adjusted operating profit (Absolute Value*) and 97% of total assets (post consolidation adjustments**).	

* We have calculated the absolute value of each component subject to a full scope audit and compared this to the aggregate of the absolute value of the adjusted operating profit for all components in the Group.

** We have calculated this % based on each components total assets 30 April 2022 position post consolidation adjustments.

Independent auditor's report continued
to the members of Cohort plc

Key audit matters

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

Revenue recognition – polices and assessment and project accounting (Group)	
Key audit matter description	The Group has set out the critical accounting judgements in relation to revenue recognition on page 132. Contract receivables and payables arising under IFRS 15 are set out in notes 13 and 14. The Group derives revenue from a range of contract types including those where control passes at a point in time, support contracts and licence revenue as well as complex contracts that are operated on an input model as described below. The application of the appropriate revenue recognition criteria is key to the recognition of revenue within the accounts and has been deemed a key audit matter due to the judgemental nature of assigning the revenue recognition type. The Group recognises revenue on a number of 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 reporting 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. The effect of these matters is that, as part of our risk assessment, we determined that the cost to complete estimates have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and revenue recognition has been deemed a key audit matter due to the estimation uncertainty and the allocation of audit resources. Note that we have also identified fraud risks with regards to Point in time revenue (Completeness and cut off) and Over time revenue limited to ongoing contracts at year end. (Existence, Valuation, Completeness and Cut off) and Contract Assets assertions Existence and Valuation (Revenue over time ongoing contracts at year end).
How the matter was addressed in the audit	1. Audit of revenue recognition policies and discussion of the policies with management to check that they are appropriate based on the service supplied, contractual terms and relevant accounting standards. 2. Challenging managements' assessment of the performance obligations and transaction price in the contracts sampled to check this is in accordance with IFRS 15. 3. Performance of tests of detail on a sample of accrued revenue and deferred revenue items to check the items are accounted for in accordance with the revenue recognition policy as well as specific cut off testing for revenue recorded either side of the year end. 4. Recalculation of the revenue recognised on a sample of contracts, including significant new contracts entered into during the year, corroborating the details to the underlying contracts and anticipated margin to project managers' assessment of costs to complete. 5. Challenge of project managers' estimates of costs to complete through assessment of historical accuracy of budgets and interviews with project managers on the projects tested in detail. 6. Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness.

Impairment of goodwill (for the Group) and investment in subsidiaries (Cohort plc Company only)	
Key audit matter description	The Group has a Goodwill balance of £50.15m (2021: £43.7m) relating to historic acquisitions as described in note 9 in the consolidated financial statements. In addition, the Parent company holds significant investments in subsidiaries at cost of £91.1m (2021: £91.0m). Management assess goodwill and investments in subsidiaries for impairment using discounted cash flow (DCF) models to estimate the value in use of the Group's cash-generating units (CGUs) and compare this to the carrying values of the CGU. The use of a DCF model requires management to make estimates involving judgement, including forecasts of revenue and profitability and application of appropriate discount rates and as a result the matter was considered to be one of most significance in the Group and parent company audits and therefore determined to be a key audit matter.
How the matter was addressed in the audit	1. Corroboration of inputs to the DCF models to relevant external and internal financial information and challenge of management assumptions. 2. Comparison of historical forecasted performance to current year actual financial performance to assess reliability of forecasting. 3. Comparison of forecast financial performance to post-year-end trading to assess reliability of forecasting. 4. Verification of management's discount rate to externally available sources. 5. Engagement with valuation specialist in regard to consideration of discount rate applied in management's DCF models. 6. Challenge of forecasts focussed on CGU for which the DCF models showed lowest headroom. 7. Audit of management's sensitivity analysis and check of arithmetic accuracy. 8. Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness.

Independent auditor's report continued
to the members of Cohort plc

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£750,000 (2021: £890,000)	£750,000 (2021: £890,000)
Basis for determining overall materiality	5% of adjusted operating profit	4% of net assets – capped at Group materiality
Rationale for benchmark applied	Adjusted operating profit is the key benchmark against which the business is assessed by management and investors.	The holding company is primarily focused on the investments that it holds.
Performance materiality	£562,500 (2021: £667,000)	£562,500 (2021: £667,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £38,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £38,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of 19 components, 13 of which are based in the UK, 1 in the USA, 1 in Canada, 2 in Germany and 2 in Portugal.

Full scope audits were performed for six components, specified procedures for two components to respond to identified fraud risks at the Group level, specified procedures for one component limited to certain procedures over completeness and cut off revenue assertions*** and analytical procedures at the Group level for 13 components.

	Number of components	Revenue	Adjusted Operating Profit (Absolute Value)	Total Assets***
Full scope audit	6	82%	83%	97%
Specified procedures***	1	16%	—	—
Analytical procedures	13	2%	17%	3%
Total	19	100%	100%	100%

Further specific audit procedures over the Group consolidation and areas of significant judgement including impairment of goodwill, business combinations, share-based payments, defined benefit pension liability, leases and taxation were performed.

Of the above, full scope audits for two components were undertaken by component auditors.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- auditing the forecasts prepared by management from year end 30 April 2022 to 30 April 2025;
- review of post-year-end trading of the Group and comparison to the forecasts supplied by management; and
- auditing the sufficiency of going concern disclosures in the financial statements, including whether commentary regarding the new facility entered into by the Group is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report continued
to the members of Cohort plc

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 77, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

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

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

Independent auditor's report continued
to the members of Cohort plc

Auditor's responsibilities for the audit of the financial statements continued
The extent to which the audit was considered capable of detecting irregularities, including fraud continued

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
UK adopted International Accounting Standards/Financial Reporting Standard 101 "Reduced Disclosure Framework"	▶ Review of the financial statement disclosures and testing to supporting documentation. ▶ Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	▶ Inspection of advice received from internal/external tax advisers. ▶ Inspection of correspondence with local tax authorities. ▶ Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.
AIM listing rules	▶ Review of announcements made during the year via RNS to identify potential instances of non-compliance.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition – polices and assessment and project accounting	Please refer to the Key Audit Matters section above regarding how the matter was addressed in the audit.
Management override of controls	▶ Testing the appropriateness of journal entries and other adjustments. ▶ Assessing whether the judgements made in making accounting estimates are indicative of a potential bias. ▶ Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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

16 August 2022

Consolidated income statement
for the year ended 30 April 2022

	Notes	2022 £'000	2021 £'000
Revenue	1	**137,765**	143,308
Cost of sales		**(81,160)**	(89,951)
Gross profit		**56,605**	53,357
Administrative expenses		**(45,515)**	(45,549)
Operating profit	1	**11,090**	7,808
Comprising:			
Adjusted operating profit	1	**15,525**	18,609
Amortisation of other intangible assets (included in administrative expenses)	9	**(6,865)**	(10,103)
Research and development expenditure credits (RDEC) (included in cost of sales)		**1,004**	1,029
Charge on marking forward exchange contracts to market value at the year end (included in cost of sales)	18	**716**	(410)
Exceptional items (included in administrative expenses)			
Gain on acquisition of JSK	31	**342**	—
Cost of acquisition of JSK	31	**(70)**	—
Cost of acquisition of ELAC	30	**—**	(106)
Adjustment to earn-out on acquisition of Chess	29	**438**	(38)
Cost of restructuring at SEA		**—**	(651)
Loss on disposal of SEA's subsea business		**—**	(522)
		11,090	7,808
Finance income	4	**6**	17
Finance costs	5	**(868)**	(768)
Profit before tax		**10,228**	7,057
Income tax charge	6	**(1,541)**	(1,554)
Profit for the year	3	**8,687**	5,503
Attributable to:			
Equity shareholders of the parent		**9,202**	5,463
Non-controlling interests		**(515)**	40
		8,687	5,503

Earnings per share		Pence	Pence
Basic	8	**22.55**	13.38
Diluted	8	**22.42**	13.24

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 2022

	2022 £'000	2021 £'000
Profit for the year	**8,687**	5,503
Items which may be subsequently reclassified to profit or loss:		
Foreign currency translation differences on net assets of oversea subsidiaries, net of loans used to acquire oversea subsidiaries	**(422)**	4
Changes in retirement benefit obligations	**1,002**	355
Other comprehensive income for the period, net of tax	**580**	359
Total comprehensive income for the year	**9,267**	5,862
Attributable to:		
Equity shareholders of the parent	**9,785**	5,616
Non-controlling interests	**(518)**	246
	9,267	5,862

Consolidated statement of changes in equity
for the year ended 30 April 2022

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 2020	4,096	29,657	(1,564)	846	(3,600)	46,108	75,543	6,246	81,789
Profit for the year	—	—	—	—	—	5,463	5,463	40	5,503
Other comprehensive income for the year	—	—	—	—	—	153	153	206	359
Total comprehensive income for the year	—	—	—	—	—	5,616	5,616	246	5,862
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Issue of new shares	8	299	—	—	—	—	307	—	307
Equity dividends	—	—	—	—	—	(4,247)	(4,247)	—	(4,247)
Dividend from subsidiary with non-controlling interest	—	—	—	—	—	754	754	(754)	—
Vesting of Restricted Shares	—	—	—	—	—	290	290	—	290
Own shares purchased	—	—	(1,418)	—	—	—	(1,418)	—	(1,418)
Own shares sold	—	—	821	—	—	—	821	—	821
Net loss on selling own shares	—	—	1,093	—	—	(1,093)	—	—	—
Share-based payments	—	—	—	406	—	—	406	—	406
Deferred tax adjustment in respect of share-based payments	—	—	—	3	—	—	3	—	3
Transfer of share option reserve on vesting of options	—	—	—	(332)	—	332	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,238	—	1,238	—	1,238
At 30 April 2021	4,104	29,956	(1,068)	923	(2,362)	47,760	79,313	5,738	85,051
Profit for the year	—	—	—	—	—	9,202	9,202	(515)	8,687
Other comprehensive income for the year	—	—	—	—	—	583	583	(3)	580
Total comprehensive income for the year	—	—	—	—	—	9,785	9,785	(518)	9,267
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Issue of new shares	17	571	—	—	—	—	588	—	588
Equity dividends	—	—	—	—	—	(4,684)	(4,684)	—	(4,684)
Vesting of Restricted Shares	—	—	—	—	—	279	279	—	279
Own shares purchased	—	—	(2,923)	—	—	—	(2,923)	—	(2,923)
Own shares sold	—	—	282	—	—	—	282	—	282
Net loss on selling own shares	—	—	363	—	—	(363)	—	—	—
Share-based payments	—	—	—	572	—	—	572	—	572
Deferred tax adjustment in respect of share-based payments	—	—	—	(204)	—	—	(204)	—	(204)
Transfer of share option reserve on vesting of options	—	—	—	(291)	—	291	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	962	—	962	—	962
At 30 April 2022	**4,121**	**30,527**	**(3,346)**	**1,000**	**(1,400)**	**53,068**	**83,970**	**5,220**	**89,190**

Company statement of changes in equity
for the year ended 30 April 2022

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 2020	4,096	29,657	(1,564)	846	(3,600)	20,878	50,313
Profit for the year	—	—	—	—	—	5,820	5,820
Transactions with owners of the Company, recognised directly in equity							
Issue of new shares	8	299	—	—	—	—	307
Equity dividends	—	—	—	—	—	(4,247)	(4,247)
Vesting of Restricted Shares	—	—	—	—	—	290	290
Own shares purchased	—	—	(1,418)	—	—	—	(1,418)
Own shares sold	—	—	821	—	—	—	821
Net loss on selling own shares	—	—	1,093	—	—	(1,093)	—
Share-based payments	—	—	—	406	—	—	406
Deferred tax adjustment in respect of share-based payments	—	—	—	3	—	—	3
Transfer of share option reserve on vesting of options	—	—	—	(332)	—	24	(308)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,238	—	1,238
Total contributions by and distributions to owners of the Company	8	299	496	77	1,238	794	2,912
At 30 April 2021	4,104	29,956	(1,068)	923	(2,362)	21,672	53,225
Profit for the year	—	—	—	—	—	14,513	14,513
Transactions with owners of the Company, recognised directly in equity							
Issue of new shares	17	571	—	—	—	—	588
Equity dividends	—	—	—	—	—	(4,684)	(4,684)
Vesting of Restricted Shares	—	—	—	—	—	279	279
Own shares purchased	—	—	(2,923)	—	—	—	(2,923)
Own shares sold	—	—	282	—	—	—	282
Net loss on selling own shares	—	—	363	—	—	(363)	—
Share-based payments	—	—	—	572	—	—	572
Deferred tax adjustment in respect of share-based payments	—	—	—	(204)	—	—	(204)
Transfer of share option reserve on vesting of options	—	—	—	(291)	—	31	(260)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	962	—	962
Total contributions by and distributions to owners of the Company	17	571	(2,278)	77	962	9,776	9,125
At 30 April 2022	**4,121**	**30,527**	**(3,346)**	**1,000**	**(1,400)**	**31,448**	**62,350**

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

Consolidated and Company statement of financial position
as at 30 April 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Assets					
Non-current assets					
Goodwill	9	**50,145**	43,663	**—**	—
Other intangible assets	9	**9,641**	15,093	**—**	—
Right of use asset	10a	**9,615**	7,076	**172**	200
Property, plant and equipment	10b	**12,310**	12,536	**140**	209
Investment in subsidiaries	11	**—**	—	**91,110**	91,038
Deferred tax assets	17	**1,361**	600	**85**	77
		83,072	78,968	**91,507**	91,524
Current assets					
Inventories	12	**22,777**	12,892	**—**	—
Trade and other receivables	13	**56,161**	66,692	**18,438**	18,398
Derivative financial instruments	18	**793**	38	**—**	—
Cash and cash equivalents	15	**40,367**	32,294	**—**	—
		120,098	111,916	**18,438**	18,398
Total assets		**203,170**	190,884	**109,945**	109,922
Liabilities					
Current liabilities					
Trade and other payables	14	**(53,985)**	(50,326)	**(10,498)**	(10,487)
Derivative financial instruments	18	**(861)**	(679)	**—**	—
Lease liability	10a	**(1,515)**	(1,571)	**(117)**	(100)
Bank borrowings	15	**(29,362)**	(50)	**(35,510)**	(13,447)
Provisions	16	**(8,878)**	(2,786)	**—**	—
Other payables	29	**(1,400)**	(2,800)	**(1,400)**	(2,800)
		(96,001)	(58,212)	**(47,525)**	(26,834)
Non-current liabilities					
Deferred tax liabilities	17	**(1,353)**	(2,735)	**—**	—
Lease liability	10a	**(8,631)**	(5,984)	**(70)**	(121)
Bank borrowings	15	**(8)**	(29,780)	**—**	(29,742)
Provisions	16	**(1,139)**	(1,140)	**—**	—
Retirement benefit obligations	26	**(6,848)**	(7,982)	**—**	—
		(17,979)	(47,621)	**(70)**	(29,863)
Total liabilities		**(113,980)**	(105,833)	**(47,595)**	(56,697)
Net assets		**89,190**	85,051	**62,350**	53,225
Equity					
Share capital	19	**4,121**	4,104	**4,121**	4,104
Share premium account		**30,527**	29,956	**30,527**	29,956
Own shares	21	**(3,346)**	(1,068)	**(3,346)**	(1,068)
Share option reserve		**1,000**	923	**1,000**	923
Other reserves	29	**(1,400)**	(2,362)	**(1,400)**	(2,362)
Retained earnings		**53,068**	47,760	**31,448**	21,672
Total equity attributable to the equity shareholders of the parent		**83,970**	79,313	**62,350**	53,225
Non-controlling interests		**5,220**	5,738	**—**	—
Total equity		**89,190**	85,051	**62,350**	53,225

The accompanying notes form part of the financial statements.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit after tax was £14,513,000 (2021: £5,820,000).

The financial statements on pages 83 to 132 were approved by the Board of Directors and authorised for issue on 28 July 2022 and are signed on its behalf by:

Andy Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Consolidated and Company cash flow statements
for the year ended 30 April 2022

		Group		Company	
	Notes	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Net cash in/(out) flow from operating activities	23	**19,525**	16,216	**13,880**	(1,984)
Cash flows from investing activities					
Interest received		**6**	17	**269**	99
Purchases of property, plant and equipment	10b	**(2,005)**	(1,247)	**(31)**	(51)
Acquisition of ELAC Sonar (net of cash acquired)	30	**—**	(1,311)	**—**	(24)
Acquisition of JSK (net of cash acquired)	31	**(372)**	—	**—**	—
Net cash (used in)/generated from investing activities		**(2,371)**	(2,541)	**238**	24
Cash flows from financing activities					
Issue of new shares		**588**	307	**588**	307
Dividends paid	7	**(4,684)**	(4,247)	**(4,684)**	(4,247)
Purchase of own shares	21	**(2,923)**	(1,418)	**(2,923)**	(1,418)
Sale of own shares	21	**282**	821	**282**	821
Drawdown of borrowings	15	**—**	12,110	**—**	12,110
Repayment of borrowings	15	**(50)**	(7,180)	**—**	(7,089)
Repayment of lease liabilities	10a	**(1,916)**	(1,948)	**(112)**	(89)
Net cash (used in)/generated from financing activities		**(8,703)**	(1,555)	**(6,849)**	395
Net increase/(decrease) in cash and cash equivalents		**8,451**	12,120	**7,269**	(1,565)
Represented by:					
Cash and cash equivalents and short-term borrowings brought forward		**32,294**	20,567	**(13,447)**	(11,882)
Cash flow		**8,451**	12,120	**7,269**	(1,565)
Exchange		**(378)**	(393)	**—**	—
Cash and cash equivalents and short-term borrowings carried forward		**40,367**	32,294	**(6,178)**	(13,447)

	At 1 May 2021 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	**At 30 April 2022 £'000**
Net funds reconciliation				
Group				
Cash and bank	32,294	(378)	8,451	**40,367**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	32,294	(378)	8,451	**40,367**
Loan	(29,742)	410	—	**(29,332)**
Finance lease	(88)	—	50	**(38)**
Debt	(29,830)	410	50	**(29,370)**
Net funds	2,464	32	8,501	**10,997**
Company				
Cash and bank	—	—	—	**—**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	—	—	—	**—**
Loan	(29,742)	410	—	**(29,332)**
Overdraft	(13,447)	—	7,269	**(6,178)**
	(43,189)	410	7,269	**(35,510)**
Debt	(43,189)	410	7,269	**(35,510)**

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.

Notes to the financial statements
for the year ended 30 April 2022

1. Segmental analysis

For management and reporting purposes, the Group, during the year ended 30 April 2022, operated through its six trading subsidiaries: Chess, EID, ELAC Sonar (ELAC), MASS, MCL and SEA. ELAC was part of the Group for the five months ended 30 April 2021. 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 and therefore disaggregated information is not regularly reported to the Board. On this basis, the Board, which is deemed to be the chief operating decision maker, considers each trading subsidiary a separate operating segment.

The principal activities of the trading subsidiaries are described in the Strategic report.

All are UK operations with the exception of EID, which is based in Portugal, and ELAC, which is based in Germany. 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.

Business segment information about these subsidiaries is presented below:

2022	Chess £'000	EID £'000	ELAC £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue								
External revenue	16,905	8,219	21,518	38,405	21,745	30,973	—	137,765
Inter-segment revenue	—	8	—	106	—	—	(114)	—
	16,905	8,227	21,518	38,511	21,745	30,973	(114)	137,765
Segment adjusted operating profit	314	860	3,770	9,138	2,255	3,385	—	19,722
Unallocated corporate expenses	—	—	—	—	—	—	—	(4,197)
Adjusted operating profit	314	860	3,770	9,138	2,255	3,385	—	15,525
(Charge)/credit on marking forward exchange contracts to market value at the year end	(182)	—	—	(2)	(13)	769	—	716
Costs of acquisition of JSK (50%)	—	—	—	—	—	(70)	—	(70)
Gain on acquisition of JSK (50%)	—	—	—	—	—	342	—	342
Adjustment to earn-out on acquisition of Chess	—	—	—	—	—		—	438
Amortisation of other intangible assets	(3,288)	(216)	(3,274)	—	—	(87)	—	(6,865)
Research and development expenditure credits (RDEC)	26	—	—	264	24	690	—	1,004
Operating profit/(loss)	(3,130)	644	496	9,400	2,266	5,029	—	11,090
Finance cost (net of income)	(39)	(1)	(389)	(64)	(21)	(122)	—	(862)
Profit/(loss) before tax	(3,169)	643	107	9,336	2,245	4,907	—	10,228
Income tax charge								(1,541)
Profit after tax								8,687

Notes to the financial statements continued
for the year ended 30 April 2022

1. Segmental analysis continued

2022 Other information	Chess £'000	EID £'000	ELAC £'000	MASS £'000	MCL £'000	SEA £'000	Central £'000	Group £'000
Capital additions	138	77	668	237	616	237	32	2,005
Depreciation of property, plant and equipment	295	69	523	229	113	880	100	2,209
Depreciation of right of use assets	510	61	377	247	72	319	98	1,684

Balance sheet	Chess £'000	EID £'000	ELAC £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Assets								
Segment tangible assets	33,496	19,455	11,692	11,772	4,230	29,758	(8,747)	101,656
Goodwill and other intangible assets	5,854	12,883	2,450	12,500	2,398	23,701	—	59,786
Deferred tax asset								1,361
Cash								40,367
Consolidated total assets	39,350	32,338	14,142	24,272	6,628	53,459		203,170
Liabilities								
Segment liabilities	(14,319)	(15,713)	(10,926)	(11,090)	(6,085)	(18,925)	(5,503)	(82,561)
Current tax liability								(696)
Deferred tax liability								(1,353)
Bank borrowings								(29,370)
Consolidated total liabilities	(14,319)	(15,713)	(10,926)	(11,090)	(6,085)	(18,925)		(113,980)

The above figures include 100% of Chess and EID. The non-controlling interest, 18.16% for Chess and 20.00% for EID, is reported separately in the income statement and Group reserves.

Notes to the financial statements continued
for the year ended 30 April 2022

1. Segmental analysis continued

2021	Chess £'000	EID £'000	ELAC £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue								
External revenue	28,641	20,952	8,290	39,487	17,980	27,958	—	143,308
Inter-segment revenue	—	—	—	70	—	—	(70)	—
	28,641	20,952	8,290	39,557	17,980	27,958	(70)	143,308
Segment adjusted operating profit	3,018	4,834	1,173	8,742	2,071	2,353	—	22,191
Unallocated corporate expenses	—	—	—	—	—	—	—	(3,582)
Adjusted operating profit	3,018	4,834	1,173	8,742	2,071	2,353	—	18,609
(Charge)/credit on marking forward exchange contracts to market value at the year end	(679)	—	—	—	267	2	—	(410)
Costs of acquisition of ELAC	—	—	(75)	—	—	—	—	(106)
Loss on disposal of SEA's subsea operations	—	—	—	—	—	(522)	—	(522)
Costs of restructuring at SEA	—	—	—	—	—	(651)	—	(651)
Adjustment to earn-out on acquisition of Chess	—	—	—	—	—	—	—	(38)
Amortisation of other intangible assets	(6,319)	(237)	(3,547)	—	—	—	—	(10,103)
Research and development expenditure credits (RDEC)	117	—	—	262	39	611	—	1,029
Operating profit/(loss)	(3,863)	4,597	(2,449)	9,004	2,377	1,793	—	7,808
Finance cost (net of income)	(48)	(1)	(48)	(64)	(2)	(113)	—	(751)
Profit/(loss) before tax	(3,911)	4,596	(2,497)	8,940	2,375	1,680	—	7,057
Income tax charge								(1,554)
Profit after tax								5,503

Notes to the financial statements continued
for the year ended 30 April 2022

1. Segmental analysis continued

2021 Other information	Chess £'000	EID £'000	ELAC £'000	MASS £'000	MCL £'000	SEA £'000	Central £'000	Group £'000
Capital additions	410	71	370	111	81	153	51	1,247
Depreciation of property, plant and equipment	243	85	157	368	93	919	92	1,957
Depreciation of right of use assets	487	108	180	206	107	346	76	1,510

Balance sheet	Chess £'000	EID £'000	ELAC £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Assets								
Segment tangible assets	26,711	14,186	21,043	13,115	4,558	28,752	(9,872)	98,493
Goodwill and other intangible assets	9,142	2,666	9,987	12,500	2,398	22,063	—	58,756
Current tax asset								741
Deferred tax asset								600
Cash								32,294
Consolidated total assets	35,853	16,852	31,030	25,615	6,956	50,815		190,884
Liabilities								
Segment liabilities	(12,017)	(11,256)	(15,336)	(9,923)	(8,078)	(15,201)	(1,457)	(73,268)
Deferred tax liability								(2,735)
Bank borrowings								(29,830)
Consolidated total liabilities	(12,017)	(11,256)	(15,336)	(9,923)	(8,078)	(15,201)		(105,833)

The above figures include 100% of Chess and EID. The non-controlling interest, 18.16% for Chess and 20.00% for EID, is reported separately in the income statement and Group reserves.

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.

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.

Notes to the financial statements continued
for the year ended 30 April 2022

1. Segmental analysis continued

Geographical segments

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

	2022 From the UK £'000	**2022 From Portugal £'000**	**2022 From Germany £'000**	**2022 Total £'000**	2021 From the UK £'000	2021 From Portugal £'000	2021 From Germany £'000	2021 Total £'000
UK	**80,713**	**106**	**264**	**82,541**	76,927	132	21	77,080
Germany	**82**	**47**	**3,942**	**4,071**	50	—	960	1,010
Portugal	**—**	**3,946**	**—**	**3,946**	—	6,276	—	6,276
Other European countries	**11,591**	**2,050**	**6,973**	**20,127**	17,618	2,448	3,300	23,366
Asia Pacific	**12,025**	**2,070**	**9,084**	**22,195**	14,018	11,931	3,501	29,450
Africa	**22**	**—**	**105**	**127**	—	146	61	207
North and South America	**3,595**	**—**	**1,150**	**4,758**	5,453	19	447	5,919
	108,028	**8,219**	**21,518**	**137,765**	114,066	20,952	8,290	143,308

All Group assets, tangible and intangible, are located in the UK with the exceptions of EID, which is located in Portugal, and ELAC, which is based in Germany. EID's and ELAC's assets and liabilities are shown above.

Market segments

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

	2022 £'000	2021 £'000
Defence (including security)	**126,613**	133,912
Transport	**6,741**	6,410
Other commercial	**4,411**	1,948
Offshore energy	**—**	1,038
	137,765	143,308

The offshore energy business (part of SEA) was sold in August 2020.

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

	2022 £'000	2021 £'000
Product	**82,631**	90,743
Services	**55,134**	52,565
Total revenue	**137,765**	143,308

Product includes bespoke product, customised systems and sub-systems and is hardware and/or software. Services include operational support and training.

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

Notes to the financial statements continued
for the year ended 30 April 2022

1. Segmental analysis continued

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2022 is as follows:

	2022					2021				
	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
Chess	**90**	**—**	**—**	**8,945**	**—**	—	—	1,006	—	5,611
EID	**—**	**3,924**	**—**	**—**	**—**	—	5,935	—	10,206	—
ELAC	**—**	**—**	**—**	**—**	**5,678**	—	—	—	—	—
MASS	**20,999**	**—**	**5,749**	**—**	**1,554**	19,288	—	4,566	—	—
MCL	**19,281**	**—**	**—**	**—**	**—**	16,562	—	—	—	—
SEA	**5,951**	**—**	**2,609**	**—**	**1,581**	7,998	—	2,111	—	—
	46,321	**3,924**	**8,358**	**8,945**	**8,813**	43,848	5,935	7,683	10,206	5,611

Customer B and customer C in 2022 are not the same as customer B and customer C in 2021.

2. Employee benefit expense (including Directors)

	2022 £'000	2021 £'000
Wages and salaries	**50,177**	43,883
Social security costs	**6,275**	5,283
Retirement benefit obligations (see note 26):		
Defined contribution schemes	**2,421**	2,177
Defined benefit scheme	**319**	132
Share-based payments	**572**	406
	59,764	51,881

Average number of employees (including Directors)

	2022 Number	2021 Number
Engineering and production	**614**	567
Managed services	**116**	121
Total operational	**730**	688
Administration and support	**303**	252
	1,033	940

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration Committee report, 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/(crediting):

	Notes	2022 £'000	2021 £'000
Net foreign exchange (gains)/losses	18	**(716)**	410
Research and development costs		**11,298**	9,512
Depreciation of property, plant and equipment	10b	**2,209**	1,957
Depreciation of right of use assets	10a	**1,684**	1,510
Amortisation of other intangible assets	9	**6,865**	10,103
Cost of inventories recognised as expenses		**42,997**	53,970
Staff costs (excluding share-based payments)	2	**59,192**	51,475
Share-based payments	20	**572**	406

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, where the relevant disclosures have been highlighted as audited.

4. Finance income

	2022 £'000	2021 £'000
Interest on bank deposits	**6**	17

All finance income is in respect of continuing operations.

Notes to the financial statements continued
for the year ended 30 April 2022

5. Finance costs

	2022 £'000	2021 £'000
Loans	**542**	492
Finance leases	**6**	9
Interest paid on lease liabilities (see note 10a)	**251**	237
Retirement benefit obligations (see note 26)	**69**	30
	868	768

All finance costs are in respect of continuing operations.

6. Income tax charge

	2022 £'000	2021 £'000
Current tax charge/(credit):		
UK corporation tax: in respect of this year	**3,112**	2,833
UK corporation tax: in respect of prior years	**(373)**	(550)
German corporation tax: in respect of this year	**(40)**	304
German corporation tax: in respect of prior years	**82**	
Portugal corporation tax: in respect of this year	**(491)**	1,117
Portugal corporation tax: in respect of prior years	**(9)**	240
Other foreign corporation tax: in respect of this year	**(4)**	—
	2,277	3,944
Deferred tax (credit)/charge:		
In respect of this year	**(733)**	(2,498)
In respect of prior years	**(3)**	108
	(736)	(2,390)
	1,541	1,554

The corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated taxable profit for the year, as disclosed below.

The current tax in respect of the year ended 30 April 2022 includes £nil (2021: £142,000) in respect of exceptional items.

The deferred tax includes a credit of £1,541,000 in respect of amortisation of other intangible assets (2021: £2,374,000), and a charge of £13,000 (2021: credit of £78,000) in respect of marking forward exchange contracts to market 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 2022 as follows:

	2022 £'000	2021 £'000
Profit before tax on continuing operations	**10,228**	7,057
Tax at the UK corporation tax rate of 19.0% (2021: 19.0%)	**1,943**	1,341
Tax effect of expenses and reserve movements that are not deductible in determining taxable profit	**94**	(99)
Tax effect of R&D tax credits in Portugal	**(631)**	—
Tax effect of exceptional items that are not recognised in determining taxable profit	**(135)**	111
Tax effect of other timing differences not reflected in deferred tax	**583**	127
Tax effect of statutory deduction for share options exercised	**(72)**	(22)
Tax effect of foreign tax rates	**94**	313
Tax effect of deferred tax movement on share options to be exercised	**(32)**	(15)
Tax effect of other prior year adjustments	**(303)**	(202)
Tax charge for the year	**1,541**	1,554

The UK corporation tax for the year ended 30 April 2022 is calculated at 19.0%, based upon 12 months at 19.0%. The UK corporation tax rate for the year ended 30 April 2021 is calculated at 19.0%, based upon 12 months at 19.0%. The Portuguese corporation tax rate calculated for the year ended 30 April 2022 is 22.2% (2021: 23.0%) and the German corporation tax rate calculated for the year ended 30 April 2022 is 31.7% (2021: 31.0%).

In addition, a deferred tax charge of £204,000 (2021: credit of £3,000) was recognised directly in equity in respect of share options.

In the Budget on 3 March 2021, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future UK tax charge.

Notes to the financial statements continued
for the year ended 30 April 2022

7. Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2021 at 7.60 pence per ordinary share (2020: 6.90 pence)	**3,106**	2,815
Interim dividend in respect of the year ended 30 April 2022 at 3.85 pence per ordinary share (2021: 3.50 pence)	**1,578**	1,432
	4,684	4,247
Proposed final dividend for the year ended 30 April 2022 at 8.35 pence per ordinary share (2021: 7.60 pence per ordinary share)	**3,423**	3,106

The cost of the proposed final dividend, which is an estimate, is subject to approval by shareholders at the AGM to be held on 27 September 2022 and has not been included as a liability in these financial statements. If approved, this dividend will be paid on 4 October 2022 to shareholders on the register as at 26 August 2022.

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc representing 1.61% (2021: 0.42%) 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:

	2022			2021		
	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)	**40,813,569**	**9,202**	**22.55**	40,841,923	5,463	13.38
Share options	**230,101**			413,249		
Diluted earnings	**41,043,670**	**9,202**	**22.42**	41,255,172	5,463	13.24

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 2022 and 30 April 2021 is after deducting the own shares, which are held by the Cohort Employee Benefit Trust.

Notes to the financial statements continued
for the year ended 30 April 2022

8. Earnings per share continued

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:

		2022			2021		
	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		**40,813,569**	**9,202**	**22.55**	40,841,923	5,463	13.38
Charge on marking forward exchange contracts at the year end (net of tax charge of £136,000 (2021: credit of £78,000))	18	**—**	**(580)**	**—**	—	332	—
Acquisition cost of ELAC (net of tax credit of £6,000)	30	**—**	**—**	**—**	—	100	—
Costs on acquisition of JSK		**—**	**70**	**—**	—	—	—
Gain on acquisition of JSK		**—**	**(342)**	**—**	—	—	—
Adjustment to earn-out on acquisition of Chess	29	**—**	**(438)**	**—**	—	38	—
Costs of restructuring at SEA (net of tax of £124,000)		**—**	**—**	**—**	—	527	—
Loss on disposal of SEA's subsea business (net of tax of £12,000)		**—**	**—**	**—**	—	510	—
Amortisation of other intangible assets (see below)		**—**	**4,772**	**—**	—	6,763	—
Adjusted earnings		**40,813,569**	**12,684**	**31.08**	40,841,923	13,733	33.63
Share options		**230,101**	**—**		413,249	—	
Diluted adjusted earnings		**41,043,670**	**12,684**	**30.90**	41,255,172	13,733	33.29

The adjusted earnings are in respect of continuing operations. The research and development expenditure credit (RDEC) has no effect on adjusted earnings per share as it is nil after tax.

The following table shows the adjustment to earnings in respect of amortisation of other intangible assets for calculating the adjusted earnings per share.

	2022					2021				
	Amortisation of other intangible assets (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 assets (note 9) £'000	Deferred tax credit thereon £'000	Net £'000	Non-controlling interest £'000	Attributable to equity shareholders of the Group £'000
Chess	**3,288**	**(433)**	**2,855**	**(518)**	**2,337**	6,319	(1,201)	5,118	(929)	4,189
EID	**216**	**(48)**	**168**	**(34)**	**134**	237	(53)	184	(37)	147
ELAC	**3,274**	**(1,034)**	**2,240**	**—**	**2,240**	3,547	(1,120)	2,427	—	2,427
JSK (SEA)	**87**	**(26)**	**61**	**—**	**61**	—	—	—	—	—
	6,865	**(1,541)**	**5,324**	**(552)**	**4,772**	10,103	(2,374)	7,729	(966)	6,763

Notes to the financial statements continued
for the year ended 30 April 2022

9. Goodwill and other intangible assets

Goodwill	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	ELAC £'000	Group £'000
Cost							
At 1 May 2020	24,063	12,500	2,398	2,195	2,935	—	44,091
Acquisition of ELAC Sonar	—	—	—	—	—	1,572	1,572
At 1 May 2021	24,063	12,500	2,398	2,195	2,935	1,572	45,663
Acquisition of ELAC Sonar	—	—	—	—	—	6,170	6,170
Acquisition of JSK	312	—	—	—	—	—	312
At 30 April 2022	**24,375**	**12,500**	**2,398**	**2,195**	**2,935**	**7,742**	**52,145**
Amortisation							
At 1 May 2020	2,000	—	—	—	—	—	2,000
Charge for the year ended 30 April 2021	—	—	—	—	—	—	—
At 1 May 2021	2,000	—	—	—	—	—	2,000
Charge for the year ended 30 April 2022	—	—	—	—	—	—	—
At 30 April 2022	**2,000**	**—**	**—**	**—**	**—**	**—**	**2,000**
Net book value							
At 30 April 2022	**22,375**	**12,500**	**2,398**	**2,195**	**2,935**	**7,742**	**50,145**
At 30 April 2021	22,063	12,500	2,398	2,195	2,935	1,572	43,663

Other intangible assets	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	ELAC £'000	Group £'000
Cost							
At 1 May 2020	7,955	4,340	15,678	10,247	23,934	—	62,154
Acquisition of ELAC Sonar	—	—	—	—	—	11,962	11,962
At 1 May 2021	7,955	4,340	15,678	10,247	23,934	11,962	74,116
Acquisition of JSK	1,413	—	—	—	—	—	1,413
At 30 April 2022	**9,368**	**4,340**	**15,678**	**10,247**	**23,934**	**11,962**	**75,529**
Amortisation							
At 1 May 2020	7,955	4,340	15,678	9,539	11,408	—	48,920
Charge for the year ended 30 April 2021	—	—	—	237	6,319	3,547	10,103
At 1 May 2021	7,955	4,340	15,678	9,776	17,727	3,547	59,023
Charge for the year ended 30 April 2022	87	—	—	216	3,288	3,274	6,865
At 30 April 2022	**8,042**	**4,340**	**15,678**	**9,992**	**21,015**	**6,821**	**65,888**
Net book value							
At 30 April 2022	**1,326**	**—**	**—**	**255**	**2,919**	**5,141**	**9,641**
At 30 April 2021	—	—	—	471	6,207	8,415	15,093

Notes to the financial statements continued
for the year ended 30 April 2022

9. Goodwill and other intangible assets continued

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

The acquisition of ELAC Sonar completed 2 December 2020 (see note 30).

The acquisition of JSK completed 20 August 2021 (see note 31).

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

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.

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 ending 30 April 2023, 2024 and 2025 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 5% (2021: 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. At 30 April 2022, just over £127m (78% of consensus forecasts) of revenue for 2023 was already under contract and, as such, the main assumptions related to revenue volumes are in periods for 2024 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 twenty inclusive are based upon the forecast cash flow for the year ending 30 April 2025 to which a growth rate of 1.5% is applied each year (2021: 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% (2021: 1.0%), reflecting the expected growth rate for Portuguese Government expenditure. In the case of ELAC, its domestic customer, the German Bundeswehr, does not form a significant proportion of its revenue with much of its business from export customers. A growth rate of 1.5% has been assumed for ELAC in 2022 (2021: 1.5%). The longevity of the cash flows used reflects the length of our order books and the long duration of the customer platforms and applications we supply and support. Our order book currently includes deliveries out to 2030.

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 2022 of £5.44 (2021: £6.42).
Risk free interest rate	Based upon ten-year UK Government gilt rate of 1.99% (2021: 1.34%). The ten-year gilt rate has been used given current uncertainty over longer-term projections. Previously the 30-year gilt rate was used.
Beta factor	Derived from analyst estimates provided by the Group's Nomad (Investec) and reflects a range of outcomes from 0.20 to 0.60 (2021: 0.15 to 0.43).
Equity risk premium	The equity risk premium of the Group of 9.96% (2021: 9.48%) 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 net funds position. The Group loans at 30 April 2022 have an average interest cost of 1.84% per annum as at that date (2021: 1.64% per annum).

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was in a range from 16.2% to 20.5% (2021: 10.4%). 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. The increase in the Group's pre-tax WACC is due to higher interest rates and volatility (Beta factor) in respect of Cohort plc shares.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2022 in respect of any of Chess, EID, ELAC, MASS, MCL or SEA. Sensitivity was applied to the impairment tests to deliver a material impairment of goodwill. If the post-tax WACC is increased to over 13% (pre-tax WACC of over 23%), SEA's goodwill (£22.4m) is impaired by around £9m. SEA's goodwill is the most sensitive to impairment due to its current high level of segmental current assets. This impairment would arise if the higher equity risk was applied to the post-tax WACC calculation.

The other intangible assets arose on the acquisition of subsidiaries and is mainly in respect of contracts and prospects acquired. The EID other intangible asset will be fully amortised by 30 April 2023. The Chess other intangible asset will be fully amortised by 30 April 2024.

The other intangible asset in respect of ELAC is in respect of contracts acquired and expected opportunities to be secured. The other intangible asset of ELAC will be fully amortised by 30 April 2029.

The other intangible asset in SEA is in respect of the JSK acquisition and reflects contracts acquired and expected opportunities to be secured. The other intangible asset of SEA will be fully amortised by 30 April 2027.

The split of the net book value of other intangibles, where it comprises both contracts/opportunities to be secured and contracts acquired, is as follows:

	2022				2021			
	SEA £'000	**ELAC £'000**	**EID £'000**	**Chess £'000**	SEA £'000	ELAC £'000	EID £'000	Chess £'000
Contracts acquired	**—**	**2,872**	**255**	**687**	—	4,701	471	1,408
Customer relationships	**1,326**	**2,269**	**—**	**2,232**	—	3,714	—	4,799
	1,326	**5,141**	**255**	**2,919**	—	8,415	471	6,207

Notes to the financial statements continued
for the year ended 30 April 2022

10. Fixed assets
a) Right of use assets

Cost	Group Property £'000	Group Fixtures and equipment £'000	Group Total £'000	Company £'000
At 1 May 2020	7,474	594	8,068	325
Additions	—	529	529	26
Disposals	(229)	(61)	(290)	—
Acquired (see note 30)	1,430	10	1,440	—
Foreign exchange movements	(43)	(5)	(48)	—
At 1 May 2021	8,632	1,067	9,699	351
Additions	3,906	482	4,388	69
Disposals	(62)	(130)	(192)	—
Foreign exchange movements	(46)	(14)	(60)	—
At 30 April 2022	**12,430**	**1,405**	**13,835**	**420**

Depreciation	Group Property £'000	Group Fixtures and equipment £'000	Group Total £'000	Company £'000
At 1 May 2020	972	196	1,168	75
Charge for the year	1,174	336	1,510	76
Disposals	—	(53)	(53)	—
Foreign exchange movement	1	(3)	(2)	—
At 1 May 2021	2,147	476	2,623	151
Charge for the year	1,394	290	1,684	97
Disposals	(19)	(51)	(70)	—
Foreign exchange movement	(10)	(7)	(17)	—
At 30 April 2022	**3,512**	**708**	**4,220**	**248**
Net book value at 30 April 2022	**8,918**	**697**	**9,615**	**172**
Net book value at 30 April 2021	6,485	591	7,076	200

Lease liabilities	Group Property £'000	Group Other £'000	Group Total £'000	Company £'000
At 1 May 2020	7,088	409	7,497	276
New lease liabilities	—	341	341	26
Acquired (see note 30)	1,465	11	1,476	—
Interest charge	225	12	237	8
Payments	(1,689)	(259)	(1,948)	(89)
Foreign exchange movement	(44)	(4)	(48)	—
At 1 May 2021	7,045	510	7,555	221
New lease liabilities	3,838	463	4,301	69
Interest charge	232	19	251	9
Payments	(1,602)	(314)	(1,916)	(112)
Foreign exchange movement	(39)	(6)	(45)	—
At 30 April 2022	**9,474**	**672**	**10,146**	**187**
Current	1,243	272	1,515	117
Non-current	8,231	400	8,631	70
At 30 April 2022	**9,474**	**672**	**10,146**	**187**
Current	1,320	251	1,571	100
Non-current	5,725	259	5,984	121
At 30 April 2021	7,045	510	7,555	221

Amounts recognised in Consolidated income statement	**2022 £'000**	2021 £'000
Interest expense on lease liabilities (note 5)	**251**	237
Depreciation expense	**1,684**	1,510
	1,935	1,747

The Company's right of use asset is in respect of its property lease at Theale (net book value £100,000; 2021: £175,000) and vehicles (net book value £72,000; 2021: £25,000).

Notes to the financial statements continued
for the year ended 30 April 2022

10. Fixed assets continued
b) Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2020	10,347	10,932	21,279
Additions	35	1,212	1,247
Disposals	(223)	(489)	(712)
Acquired (see note 30)	—	1,419	1,419
Foreign exchange movement	—	(68)	(68)
At 1 May 2021	10,159	13,006	23,165
Additions	276	1,729	2,005
Disposals	—	(130)	(130)
Acquired (see note 31)	—	49	49
Foreign exchange movement	—	(94)	(94)
At 30 April 2022	**10,435**	**14,560**	**24,995**
Depreciation			
At 1 May 2020	2,635	6,523	9,158
Charge in the year	336	1,621	1,957
Eliminated on disposal	(211)	(271)	(482)
Foreign exchange movement	—	(4)	(4)
At 1 May 2021	2,760	7,869	10,629
Charge in the year	349	1,860	2,209
Eliminated on disposal	—	(130)	(130)
Foreign exchange movement	—	(23)	(23)
At 30 April 2022	**3,109**	**9,576**	**12,685**
Net book value			
At 30 April 2022	**7,326**	**4,984**	**12,310**
At 30 April 2021	7,399	5,137	12,536

The net book value of the Company's property, plant and equipment was £140,000 at 30 April 2022 (2021: £209,000). This was after additions of £31,000, net disposals of £nil and a depreciation charge of £101,000 for the year ended 30 April 2022.

The net book value of fixed assets held under finance leases at 30 April 2022 was £35,000 (2021: £178,000).

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

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.

Notes to the financial statements continued
for the year ended 30 April 2022

11. Investment in subsidiaries

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
	—	—	**91,110**	91,038

A list of all the investments in 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)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Formerly a provider of technical consultancy In the process of being struck off
MASS Limited	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Ltd. (SEA)	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Holding company of Systems Engineering & Assessment Ltd and Beckington Castle Ltd
Marlborough Communications (Holdings) Limited	1 Perrywood Business Park, Honeycrock Lane, Redhill, Surrey RH1 5DZ	England	Ordinary	100%	Holding company of Marlborough Communications Limited
Thunderwaves, S.A.	6. Ruo do Alecrim 26E 1200-018, Lisbon	Portugal	Ordinary	100%	Holding company of EID
Cohort Deutschland GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Holding company for ELAC SONAR GmbH
Chess Technologies Limited (Chess)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	81.84%	Holding company of Chess Dynamics Limited, Chess Dynamics Inc and Vision4ce Limited

Notes to the financial statements continued
for the year ended 30 April 2022

11. Investment in subsidiaries continued

Name of company	Registered office	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Held through a subsidiary					
MASS Consultants Limited (MASS)	Enterprise House, Great North Road, Little Paxton, St. Neots, Cambridgeshire PE19 6BN	England	Ordinary	100%	Electronic warfare, managed services, secure communications and digital services
Systems Engineering & Assessment Ltd	Beckington Castle, 17 Castle Corner, Beckington, 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 JS Residual Ltd
JS Residual Ltd	Riverside Road, Pottington Business Park, Barnstaple, Devon EX31 1LY	England	Ordinary	100%	Subsidiary of Systems Engineering & Assessment Ltd. Holds investment in SEA's Canadian operations Dormant
Marlborough Communications Limited (MCL)	1 Perrywood Business Park, Honeycrock Lane, Redhill, Surrey RH1 5DZ	England	Ordinary	100%	Designs, sources and supports advanced electronic and surveillance technology
Beckington Castle Ltd	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Property company holding freehold of Beckington Castle and SEA's Bristol office
Chess Dynamics Limited	Quadrant House, North Heath Business Park, North Heath Lane Horsham, West Sussex RH12 5QE	England	Ordinary	100%	Design and production of detection and tracking systems, as well as counter-UAV solutions for the defence and security markets
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), Canada 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	100% (2021: 50%)	Delivers and supports SEA products and services into the Canadian Navy. Previously operated as a joint venture between SEA and a Canadian supplier (see note 31)
Vision4ce Limited	Unit 4, Wokingham Commercial Centre, Molly Millars Lane, Wokingham RG41 2RF	England	Ordinary	100%	Software solutions for detection, tracking and C-UAV systems
Chess Dynamics Inc	7060 S Tucson Way A, Centennial, CO 80112 USA	USA	Ordinary	100%	US representative of Chess's UK business
ELAC SONAR GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Supplies advanced sonar systems and underwater communications to global customers in the naval market
ELAC SONAR Unterstützungskasse GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Social institution of ELAC SONAR GmbH which provides pension related support benefits to ELAC SONAR GmbH employees

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

Notes to the financial statements continued
for the year ended 30 April 2022

11. Investment in subsidiaries continued

Company

The Company's investments in subsidiaries are as follows:

	Chess £'000	Cohort Deutschland £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Thunderwaves £'000	Total £'000
At 1 May 2020	18,743	—	14,624	16,517	1,584	26,573	12,929	90,970
Additions	—	24	—	—	—	—	—	24
Share-based payments	64	—	139	35	—	88	32	358
Vested in year	—	—	(109)	(32)	—	(107)	(59)	(307)
Deferred tax on share-based payments charged directly to equity	(10)	—	(4)	1	—	6	—	(7)
At 1 May 2021	18,797	24	14,650	16,521	1,584	26,560	12,902	91,038
Additions	—	—	—	—	—	—	—	—
Share-based payments	104	60	178	47	—	101	15	505
Vested in year	—	—	(104)	(25)	—	(76)	(50)	(255)
Deferred tax on share-based payments charged directly to equity	(10)	—	(79)	(16)	—	(73)	—	(178)
At 30 April 2022	**18,891**	**84**	**14,645**	**16,527**	**1,584**	**26,512**	**12,867**	**91,110**

12. Inventories

	2022 £'000	2021 £'000
Finished goods and raw materials	**22,777**	12,892

The inventory at 30 April 2022 is stated after stock provision of £4,991,000 (2021: £5,419,000).

Notes to the financial statements continued
for the year ended 30 April 2022

13. Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Trade receivables (net of provision for doubtful debts)	**24,410**	30,245	**—**	—
Contract receivables	**24,121**	26,112	**—**	—
Prepayments and accrued income	**7,630**	9,594	**345**	388
Current tax assets	**—**	741	**—**	—
Amounts due from subsidiary undertakings	**—**	—	**18,093**	18,010
	56,161	66,692	**18,438**	18,398

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

The average credit period taken on sales of goods is 44 days (2021: 38 days). Of the trade receivables balance, £8.2m was considered overdue at 30 April 2022 (30 April 2021: £9.8m). 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.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. One of the largest trade receivables, to which the Group is exposed at 30 April 2022, is the UK MOD (customer B below) with a balance outstanding of £2.3m (2021: £5.9m). Customers who represent more than 5% of trade receivables include:

	2022 £m	2021 £m
Customer A	**3.2**	8.0
Customer B	**2.3**	5.9
Customer C	**1.9**	1.9
Customer D	**2.5**	1.3

Customers A and D in 2022 are not the same as customers A and D in 2021.

Trade receivables include £7.3m (2021: £13.9m) denominated in foreign currency. The predominant 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. The Group recognises provisions for doubtful debts on a credit loss basis taking into account the future anticipated losses based upon the creditworthiness of the end customer.

Ageing of past due but not impaired receivables	**2022 £'000**	2021 £'000
<30 days	**2,510**	6,161
30–60 days	**961**	961
60–90 days	**106**	97
>90 days	**4,655**	2,560
	8,232	9,779

Of the amount in >90 days, £1,930,000 trade and other receivables were overdue for greater than one year.

Movement in the allowance for doubtful debts (reported within trade receivables)	**2022 £'000**	2021 £'000
Balance at 1 May	**943**	1,026
Expected credit losses recognised	**228**	4
On acquisition of ELAC	**—**	256
Released on recovery of debt previously provided	**(503)**	(343)
Foreign exchange movement	**(11)**	—
Balance at 30 April	**657**	943

Contract receivables	**2022 £'000**	2021 £'000
Opening balance	**26,112**	16,475
Acquired	**571**	3,441
Contract amendment	**(4,405)**	—
Contract receivable recognised in revenue	**15,960**	29,580
Contract receivable invoiced	**(13,993)**	(23,326)
Foreign exchange movement	**(124)**	(58)
Closing balance	**24,121**	26,112

The Group order book at 30 April 2022 and its expected recognition as revenue in future periods is shown in the Operational review. The order book at 30 April 2021 is shown in the Five-year record.

Notes to the financial statements continued
for the year ended 30 April 2022

14. Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Advance receipts	**20,593**	14,658	**—**	—
Trade payables and accruals	**9,648**	12,338	**172**	211
Current tax liabilities	**696**	—	**—**	—
Social security and other taxes	**3,290**	5,085	**299**	218
Accruals and deferred income	**19,758**	18,245	**1,640**	1,502
Amounts due to subsidiary undertakings	**—**	—	**8,388**	8,556
	53,985	50,326	**10,499**	10,487

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 37 days (2021: 41 days), based upon each Group business's standard payment terms. 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).

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 £3.0m (2021: £3.4m) denominated in foreign currency.

Contract liabilities	**2022 £'000**	2021 £'000
Opening balance	**14,658**	6,057
New advances	**23,647**	20,773
Advances consumed in delivery of contract	**(18,488)**	(12,175)
Acquired	**797**	—
Foreign exchange movement	**(21)**	3
Closing balance	**20,593**	14,658

Notes to the financial statements continued
for the year ended 30 April 2022

15. Bank borrowings

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Bank overdrafts	**—**	—	**6,178**	13,447
Bank loans	**29,332**	29,742	**29,332**	29,742
Finance leases	**38**	88	**—**	—
	29,370	29,830	**35,510**	43,189

These borrowings are repayable as follows:

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
On demand or within one year	**29,362**	50	**35,510**	13,447
In the second year	**8**	29,772	**—**	29,742
In the third to fifth years inclusive	**—**	8	**—**	—
	29,370	29,830	**35,510**	43,189
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(29,362)**	(50)	**(35,510)**	(13,447)
Amount due for settlement after 12 months	**8**	29,780	**—**	29,742

The weighted average interest rates paid were as follows:

	2022 %	2021 %
Bank loans (variable)	**1.84**	1.64
Finance leases (fixed)	**5.10**	6.01

The variable rates are based upon the Bank of England or European Central Bank interest rates. The interest rate applying to the bank loans drawn in sterling was 1.97% (2021: 1.71%) and in euros was 1.62% (2021: 1.50%).

On 15 November 2018, the Group entered into the facility that was in place at 30 April 2022. On 20 May 2020, the Group exercised an option to extend this facility from £30m to £40m. The facility is provided by Lloyds and NatWest banks. The facility is provided for four 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 and ELAC) in respect of acquisition financing and overdraft.

On 18 July 2022, the Group agreed a new facility for £35m with an extended banking syndicate comprising Lloyds, NatWest and Commerzbank. The facility has an option to draw down a further £15m. The facility is provided for three years with options to extend for a further two years to July 2027. The facility 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 new facility is available to the Group (excluding EID) in respect of acquisition financing and overdraft.

The movement in the facility drawn in the year by currency was as follows:

	Sterling £'000	Euro £'000	Total £'000
At 1 May 2020	18,000	7,095	25,095
Borrowing drawn down	—	12,110	12,110
Borrowing repaid	—	(7,089)	(7,089)
Foreign exchange movement	—	(374)	(374)
At 1 May 2021	18,000	11,742	29,742
Borrowing drawn down	—	—	—
Borrowing repaid	—	—	—
Foreign exchange movement	—	(410)	(410)
At 30 April 2022	**18,000**	**11,332**	**29,332**

At 30 April 2022, the Group had available £10.7m (2021: £10.3m) of undrawn bank facility. The Directors consider the carrying amount of bank borrowings approximate to their fair values.

The Group has entered into separate bilateral arrangements with each of its banks, Lloyds and NatWest, for ancillary facilities including bonding, letters of credit and foreign exchange contracts.

Similar bilateral arrangements exist for EID with its bank in Portugal. In addition, EID has an overdraft facility of €2.5m with Santander which is renewable on a six-month rolling basis. This facility was undrawn at 30 April 2022.

Similar bilateral arrangements exist for ELAC with its bank in Germany, Commerzbank. At 30 April 2022, ELAC had no overdraft facility and was part of the Group's bank security arrangements. As from 18 July 2022, ELAC is part of the Group's new banking facility.

The Group's cash at 30 April 2022 of £40.4m is held with the following banks:

	2022 £'000	2021 £'000	Moody's long-term credit rating of bank as at 2022
National Westminster Bank plc	**19,754**	19,160	A1*/A2
Barclays Bank PLC	**265**	1	A1
Lloyds Bank plc	**26**	77	A1
Novo Banco	**11**	—	B2
Santander Bank	**506**	980	A2
Banco Comercial Português	**7,185**	5,419	Baa3
Caixa Geral de Depósitos Bank	**1,175**	1,227	Baa2
Commerzbank	**10,894**	5,418	A1
Other banks and cash	**551**	12	
	40,367	32,294	

Notes to the financial statements continued
for the year ended 30 April 2022

16. Provisions

Group	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2020	405	1,411	1,816
On acquisition (see note 30)	275	2,373	2,648
Charged/(released) to the income statement	203	(506)	(303)
Utilised	(128)	(26)	(154)
Foreign exchange movement	(8)	(73)	(81)
At 1 May 2021	747	3,179	3,926
On acquisition (see note 31) and review of provisional fair values (see note 30)	—	6,554	6,554
Charged/(released) to the income statement	377	(771)	(394)
Utilised	(71)	—	(71)
Foreign exchange movement	(13)	16	3
At 30 April 2022	**1,040**	**8,978**	**10,018**
Provisions due in less than one year	916	7,963	8,879
Provisions due in greater than one year	124	1,015	1,139
At 30 April 2022	**1,040**	**8,978**	**10,018**
Provisions due in less than one year	747	2,039	2,786
Provisions due in greater than one year	—	1,140	1,140
At 30 April 2021	747	3,179	3,926

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 experiences. 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 apart from dilapidation provisions for Group's leased properties. 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.

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.

Increases in contract provisions on acquisition with respect to ELAC are discussed within note 30.

Notes to the financial statements continued
for the year ended 30 April 2022

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 2020	(292)	(2,288)	(328)	284	358	44	(2,222)
On acquisition (see note 30)	—	(3,777)	—	1,470	—	—	(2,307)
Credit/(charge) to the income statement in respect of the current tax year	24	2,374	8	(1)	15	78	2,498
Credit/(charge) to the income statement in respect of prior tax years	(108)	—	—	4	(4)	—	(108)
Foreign exchange movement	—	(1)	—	2	—	—	1
Recognised in the income statement	(84)	2,373	8	5	11	78	2,391
Recognised in equity	—	—	—	—	3	—	3
At 1 May 2021	(376)	(3,692)	(320)	1,759	372	122	(2,135)
On acquisition (see notes 30 and note 31)	—	(424)	—	2,035	—	—	1,611
Credit/(charge) to the income statement in respect of the current tax year	(80)	1,541	7	(733)	(16)	(13)	706
Credit/(charge) to the income statement in respect of prior tax years	(35)	—	—	(24)	62	—	3
Effect of change in tax rate	—	—	—	11	14	—	25
Foreign exchange movement	—	—	—	1	1	—	2
Recognised in the income statement	(115)	1,541	7	(745)	61	(13)	736
Recognised in equity	—	—	—	—	(204)	—	(204)
At 30 April 2022	**(491)**	**(2,575)**	**(313)**	**3,049**	**229**	**109**	**8**

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 total deferred tax balances (after offset) for financial reporting purposes:

	2022 £'000	2021 £'000
Deferred tax assets	**1,361**	600
Deferred tax liabilities	**(1,353)**	(2,735)
	8	(2,135)

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 2022 was an asset of £85,000 (2021: £77,000) being £50,000 (2021: £21,000) in respect of other short-term timing differences, accelerated tax depreciation of £16,000 (2021: £17,000) and share options of £19,000 (2021: £39,000).

The corporation tax rate in the UK for the year ended 30 April 2022 was 19.00% (2021: 19.00%) which has been applied by Cohort in calculating its income tax (see note 6).

For deferred tax balances in respect of EID (Portugal), the rate used was 22.20% (2021: 22.20%). For ELAC (Germany) the rate used was 31.70% (2021: 31.575%).

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.

Notes to the financial statements continued
for the year ended 30 April 2022

18. Derivative financial instruments
The Group has derivative financial instruments as follows:

	2022 £'000	2021 £'000
Assets		
Foreign currency forward contracts	**793**	38
Liabilities		
Foreign currency forward contracts	**(861)**	(679)

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 "credit/(charge) on marking forward exchange contracts to market at the year end". They are in respect of trading contracts undertaken by the Group and in respect of Chess, MCL and SEA and are disclosed within their respective operating profits in the segmental analysis (see note 1; 2021: Chess, MCL and SEA). They are considered to be level 1 classification. The gain (2021: charge) to the Consolidated income statement for the year ended 30 April 2022 was as follows:

	2022 £'000	2021 £'000
Foreign currency forward contracts	**716**	(410)

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:

2022	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2021	17,480	19,314	(971)	(1,075)	4	5	(4,913)	(6,813)
Contracts matured in period	(6,685)	(7,434)	942	1,044	(4)	(5)	4,913	6,813
New contracts in period	2,518	2,954	(8,933)	(10,476)	10,515	14,220	(1,736)	(2,361)
At 30 April 2022	**13,313**	**14,834**	**(8,962)**	**(10,507)**	**10,515**	**14,220**	**(1,736)**	**(2,361)**
Fair value adjustment	(861)	—	142	—	794	—	(142)	—
At 30 April 2022 at spot rate	**12,452**	**—**	**(8,820)**	**—**	**11,309**	**—**	**(1,878)**	**—**

The total fair value adjustment is £67,000 (2021: £641,000) and the change in the forward exchange fair values for the year ended 30 April 2022 is £716,000 (30 April 2021: £410,000), which is included in the operating profit of the Group as a gain (2021: charge).

2021	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2020	110	126	—	—	—	—	(4,574)	(6,016)
Contracts matured in period	(110)	(126)	—	—	—	—	4,574	6,016
New contracts in period	17,480	19,314	(971)	(1,075)	4	5	(4,913)	(6,813)
At 30 April 2021	17,480	19,314	(971)	(1,075)	4	5	(4,913)	(6,813)
Fair value adjustment	(680)	—	34	—	—	—	5	—
At 30 April 2021 at spot rate	16,800	—	(937)	—	4	—	(4,908)	—

Liquidity risk
The maturity of the outstanding contracts was as follows:

At 30 April 2022	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
Within one year	4,739	5,428	(8,016)	(9,414)	379	509	(1,736)	(2,361)
Within two years	759	834	(946)	(1,093)	4,107	5,565	—	—
Greater than two years	7,815	8,572	—	—	6,029	8,146	—	—
At 30 April 2022 at forward rate	**13,313**	**14,834**	**(8,962)**	**(10,507)**	**10,515**	**14,220**	**(1,736)**	**(2,361)**

At 30 April 2021	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
Within one year	6,685	7,435	(942)	(1,044)	4	5	(4,913)	(6,813)
Within two years	2,221	2,474	(29)	(31)	—	—	—	—
Greater than two years	8,574	9,405	—	—	—	—	—	—
At 30 April 2021 at forward rate	17,480	19,314	(971)	(1,075)	4	5	(4,913)	(6,813)

The following significant exchange rates applied at 30 April:

	2022		2021	
	US$	Euro	US$	Euro
Exchange rates at 30 April	**0.7953**	**0.8394**	0.7204	0.8698

Sensitivity analysis
A 10% strengthening of sterling against the above currencies at 30 April 2022 would decrease the reported operating profit by £1,186,000 (2021: decrease the reported operating profit by £995,000) in respect of marking these forward contracts to market value.

Notes to the financial statements continued
for the year ended 30 April 2022

19. Share capital

	2022 Number	2021 Number
Allotted, called up and fully paid 10 pence ordinary shares	**41,212,901**	41,041,666

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

	Number
At 1 May 2020	40,959,101
Share options exercised	82,565
At 1 May 2021	41,041,666
Share options exercised	171,235
At 30 April 2022	**41,212,901**

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

During the year ended 30 April 2022, 171,235 ordinary shares (2021: 82,565) in Cohort plc were issued to satisfy share options.

New shares were issued as follows:

Price per share (£)	Number of Shares	Proceeds from new shares issued £'000
0.915	17,000	15,555
1.165	8,500	9,903
3.400	3,553	12,080
3.550	5,475	19,436
3.725	3,994	14,878
3.760	30,000	112,800
3.900	96,567	376,611
4.425	4,336	19,187
4.475	1,810	8,100
	171,235	588,550

£17,124 was added to the share capital with the balance (£571,426) added to the share premium account.

Notes to the financial statements continued
for the year ended 30 April 2022

20. Share options

The Group grants new 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 and 2016 share option schemes. The Group also operates a Save As You Earn (SAYE) scheme and a Share Incentive Plan (SIP), both of which are available to all employees.

The following options were outstanding at 30 April 2022:

				30 April 2022			30 April 2021		
Scheme and grant date	Exercise price £	Vesting date	Expiry date	**Vested**	**Not vested**	**Total**	Vested	Not vested	Total
Cohort plc 2006 share option scheme									
26 Jul 2011	0.915	27 Jul 2014	26 Jul 2021	**—**	**—**	**—**	22,000	—	22,000
2 Aug 2012	1.165	3 Aug 2015	2 Aug 2022	**—**	**—**	**—**	8,500	—	8,500
9 Aug 2013	1.675	10 Aug 2016	9 Aug 2023	**10,700**	**—**	**10,700**	10,700	—	10,700
11 Aug 2014	1.975	12 Aug 2017	11 Aug 2024	**12,600**	**—**	**12,600**	12,600	—	12,600
20 Aug 2015	3.725	21 Aug 2018	20 Aug 2025	**34,609**	**—**	**34,609**	38,603	—	38,603
Cohort plc 2016 share option scheme									
15 Aug 2016	3.400	16 Aug 2019	15 Aug 2026	**36,666**	**—**	**36,666**	40,219	—	40,219
25 Aug 2017	3.760	26 Aug 2020	25 Aug 2027	**132,258**	**—**	**132,258**	170,784	—	170,784
10 Aug 2018	3.900	11 Aug 2021	10 Aug 2028	**158,163**	**—**	**158,163**	—	272,433	272,433
28 Aug 2019	4.425	29 Aug 2022	28 Aug 2029	**—**	**315,016**	**315,016**	—	379,249	379,249
18 Sep 2019	4.875	19 Sep 2022	18 Sep 2029	**—**	**13,491**	**13,491**	—	13,491	13,491
7 Nov 2019	5.500	8 Nov 2022	7 Nov 2029	**—**	**5,454**	**5,454**	—	5,454	5,454
28 Aug 2020	6.200	29 Aug 2023	28 Aug 2030	**—**	**301,718**	**301,718**	—	347,769	347,769
1 Oct 2020	6.150	2 Oct 2023	1 Oct 2030	**—**	**6,000**	**6,000**	—	6,000	6,000
28 Apr 2021	6.340	29 Apr 2024	28 Apr 2031	**—**	**80,000**	**80,000**	—	80,000	80,000
16 Aug 2021	5.390	16 Aug 2024	15 Aug 2031	**—**	**427,931**	**427,931**	—	—	—
				384,996	**1,149,610**	**1,534,606**	303,406	1,104,396	1,407,802
Save As You Earn (SAYE) scheme									
29 Aug 2016	3.550			**—**	**—**	**—**	—	27,811	27,811
25 Aug 2017	4.085			**—**	**25,651**	**25,651**	3,087	27,853	30,940
1 Sep 2018	3.900			**—**	**13,843**	**13,843**	—	56,401	56,401
6 Sep 2019	4.475			**—**	**74,259**	**74,259**	—	88,225	88,225
4 Sep 2020	6.700			**—**	**53,895**	**53,895**	—	68,563	68,563
3 Sep 2021	5.830			**—**	**76,070**	**76,070**	—	—	—
				—	**243,718**	**243,718**	3,087	268,853	271,940
				384,996	**1,393,328**	**1,778,324**	306,493	1,373,249	1,679,742

Notes to the financial statements continued
for the year ended 30 April 2022

20. Share options continued

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 6 August 2021 for the 2021 scheme. 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 Group launched an all-employee Share Incentive Plan (SIP) on 1 September 2018. The scheme provides for participating employees to save up to £150 per month throughout each annual accumulation period. At the end of each accumulation period (30 August each year), the amount saved will be used to purchase Cohort plc ordinary shares at the lower of the mid-market share price on the first and last day of accumulation period.

The shares to be issued under the Group's SIP scheme are provided by the Cohort Employee Benefit Trust (see note 21).

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

	2022		2021	
	Options	**Weighted average exercise price £**	Options	Weighted average exercise price £
Outstanding at 1 May	**1,679,742**	**4.66**	1,534,981	3.90
Granted during the year	**521,704**	**5.31**	510,590	6.29
Forfeited during the year	**(198,042)**	**4.96**	(105,432)	4.18
Exercised during the year	**(220,080)**	**3.56**	(252,505)	3.56
Expired during the year	**(5,000)**	**0.92**	(7,892)	3.63
Outstanding at 30 April	**1,778,324**	**5.01**	1,679,742	4.66
Exercisable at 30 April	**384,996**	**3.66**	306,493	3.29

The weighted average remaining contractual life is six years, eleven months (2021: six years).

The exercised options in the year were satisfied by transferring shares from the Cohort Employee Benefit Trust (see note 21) and the issue of new shares (see note 19).

In the year ended 30 April 2022, options were granted as follows: 79,773 on 3 September 2021 under the SAYE scheme, and 441,931 on 16 August 2021 under the Cohort plc 2016 share option scheme. The option price for the SAYE scheme was £5.830 per share which was the mid-market price on the day before the scheme invitation was made on 6 August 2021. The option price for the options issued under the Cohort plc 2016 share option scheme was £5.390, the mid-market price the day before the grant.

Share options granted during the current and previous years were valued using the Black Scholes model provided by the Quoted Companies Alliance. The inputs to this model for the current and previous years were as follows:

	2022	2021
Average share price	**£5.53**	£6.01
Weighted average exercise price	**£5.01**	£4.66
Expected volatility	**38.0%**	39.0%
Risk free rate	**0.47%–0.82%**	0.32%–1.50%
Leaver rate (per annum)	**10.0%**	10.0%
Dividend yield	**0.96%**	0.92%

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

The Group recognised a cost of £572,000 (2021: £406,000) 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.

Notes to the financial statements continued
for the year ended 30 April 2022

21. Own shares

	£'000
Balance at 1 May 2020	1,564
Acquired in the year	1,418
Sold in the year	(821)
Loss on shares sold in the year	(1,093)
Balance at 30 April 2021	1,068
Acquired in the year	2,923
Sold in the year	(282)
Loss on shares sold in the year	(363)
Balance at 30 April 2022	**3,346**

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 options (see note 20), the Restricted Share Schemes (see the Remuneration Committee report) and the Group's SIP scheme.

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2022 was 663,845 (2021: 172,744).

Tranches of Cohort plc ordinary shares were acquired by the Employee Benefit Trust as follows:

Date	Number acquired	Price per share £	Investment £'000
11 August 2021	90,000	5.50	496
18 August 2021	10,000	5.50	55
31 January 2022	316,175	4.73	1,500
2 February 2022	183,825	4.73	872
	600,000		2,923

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

Exercise price per share Pence	Number of shares sold	Proceeds £'000	Loss on sale of shares £'000
390.0	26,361	103	53
355.0	18,061	64	43
408.5	1,762	7	3
546.0	19,768	108	10
	65,952	282	109

In addition, 42,947 (2021: 62,543) ordinary shares in Cohort plc were transferred at nil value realising a loss on sale of shares of £254,934 for the purpose of satisfying shares awarded to the Executive Directors (see the Remuneration Committee report) 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 £363,543 (2021: £1,093,000). 19,768 of the shares sold at £5.460 per share were in respect of satisfying the Group's SIP.

67,576 (2021: 82,618) of the shares held by the Employee Benefit Trust at 30 April 2022 remain to be issued under the Restricted Share Scheme, on which an estimated loss of £341,000 (2021: £511,000) will be recognised as they are issued.

As at 30 April 2022, an estimated 13,000 shares (2021: 18,000) held by the Employee Benefit Trust expect to be issued under the SIP on which a gain of £5,000 (2021: no estimated loss or gain) would 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 2022 was £3,611,316 (2021: £1,109,016).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2022 was £23,796 (2021: £24,349) and this cost is included within "Administrative expenses" in the Consolidated income statement.

Notes to the financial statements continued
for the year ended 30 April 2022

22. Reserves and non-controlling interests
The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements. 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-controlling interest (18.16%) of Chess. This reserve is expected to be fully utilised by 31 October 2022.
- Retained earnings include the realised gains and losses made by the Group and the Company.

The non-controlling interests are analysed as follows:

Group	EID (20.00%) £'000	Chess (18.16%) £'000	Total £'000
At 1 May 2020	2,897	3,349	6,246
Profit/(loss)	589	(549)	40
Other comprehensive income	206	—	206
Dividend from subsidiary with non-controlling interest	(754)	—	(754)
At 1 May 2021	2,938	2,800	5,738
Profit/(loss)	158	(576)	(418)
Other comprehensive loss	(100)	—	(100)
At 30 April 2022	**2,996**	**2,224**	**5,220**

23. Net cash from operating activities

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Profit for the year	**8,687**	5,503	**14,513**	5,820
Adjustments for:				
Income tax charge/(credit)	**1,541**	1,554	**(83)**	(161)
Depreciation of property, plant and equipment	**2,209**	1,957	**101**	92
Depreciation of right of use assets	**1,684**	1,510	**97**	76
Amortisation of other intangible assets and goodwill	**6,865**	10,103	**—**	—
Net finance expense	**862**	751	**233**	382
Derivative financial instruments and other non-trading exchange movements	**(716)**	410	**—**	—
Share-based payment	**572**	406	**69**	47
Increase/(decrease) in provisions	**102**	(1,269)	**—**	—
Operating cash flows before movements in working capital	**21,806**	20,925	**14,930**	6,256
(Increase)/decrease in inventories	**(9,885)**	576	**—**	—
Decrease/(increase) in receivables	**10,530**	(13,138)	**(40)**	(14,882)
Increase/(decrease) in payables	**22**	12,565	**(508)**	7,123
	667	3	**(548)**	(7,759)
Cash generated by operations	**22,473**	20,928	**14,382**	(1,503)
Income taxes paid	**(2,081)**	(3,944)	**—**	—
Interest paid	**(867)**	(768)	**(502)**	(481)
Net cash in/(out) flow from operating activities	**19,525**	16,216	**13,880**	(1,984)

Interest paid includes the interest element of lease liabilities under IFRS 16 (see note 10a) of £251,000 (2021: £237,000).

Notes to the financial statements continued
for the year ended 30 April 2022

24. Leases

Prior to 1 May 2019 the Group recognised only finance leases and operating leases. Since 1 May 2019 the Group has recognised three types of lease arrangements for reporting purposes.

Type	How determined	Reporting
1. Finance leases	Lease agreement is a finance lease.	Asset is reported in property, plant and equipment (note 10b) and depreciated over term of lease. Liability is shown as part of debt (see note 15).
2. Operating leases as right of use assets	Lease agreement is an operating lease but does not meet the criteria for type 3 below.	Asset is reported as right of use asset (see note 10a) and depreciated over term of lease and liability is shown as lease liability (see note 10a).
3. Operating leases	Operating leases where: ▶ length of lease is less than 12 months in duration; and/or ▶ the value of the lease is low (below £5,000) at inception.	No asset or liability is recognised and cost of lease is expensed over the lease term as part of operating profit in the income statement. The cost of these operating leases is recognised in the Consolidated income statement in the year ended 30 April 2022 was £446,000 (30 April 2021: £370,000).

25. Commitments

There was £572,000 of capital commitments at 30 April 2022 (2021: £58,000).

26. Retirement benefit obligations

The Group operates a variety of retirement benefit arrangements. These are all defined contribution schemes with the exception in Germany of ELAC Sonar (ELAC) where a defined benefit scheme operates.

i. Defined contribution schemes

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £2,421,000 (2021: £2,177,000) were charged to the Consolidated income statement. Contributions outstanding at 30 April 2022 were £358,433 (2021: £308,988).

ii. Defined benefit schemes

The Group operates a single defined benefit scheme in Germany on behalf of employees in ELAC. The scheme has been closed to new members since 1 January 2019. The scheme provides annuities to the entitled participants and is funded by an external support fund. At each balance sheet date, the obligations are calculated by an external actuary.

Retirement benefit risks

Defined benefit schemes expose the Group to a number of risks, the most significant of which is detailed below:

Asset risk	As the scheme assets are in the form of purchased annuities held with an independent insurance provider, this risk is low.
Longevity risk	The plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Charges to the income statement in respect of the Group's defined benefit scheme are as follows:

	2022 £'000	2021 £'000
Service cost	**324**	132
Net interest expense	**69**	30
	393	162

Amounts recognised in the statement of comprehensive income are set out below:

	2022 £'000	2021 £'000
Net gains from changes in assumptions	**931**	330
Gains from plan assets	**95**	25
	1,026	355

Notes to the financial statements continued
for the year ended 30 April 2022

26. Retirement benefit obligations continued

Retirement benefit risks continued

Amounts included in the Group's Consolidated balance sheet arising from the Group's defined benefit scheme obligations are:

	2022 £'000	2021 £'000
Present value of defined benefit obligations	**(13,108)**	(14,278)
Fair value of scheme's assets	**6,260**	6,296
Net liability arising from defined benefit obligations	**(6,848)**	(7,982)

Fair value of the scheme's assets are as follows:

	2022 £'000	2021 £'000
Opening scheme assets	**6,296**	—
Plan assets from acquisition of ELAC	**—**	6,351
Interest income	**60**	28
Amounts recognised in income in respect of defined benefit scheme	**60**	28
Return on plan assets excluding amounts included in interest income	**95**	25
Amounts recognised in the statement of comprehensive income	**95**	25
Contributions:		
Employer	**254**	171
Payment from plan:		
Benefits paid	**(223)**	(88)
Effect of movements in exchange rates	**(222)**	(193)
Closing scheme assets	**6,260**	6,296

The plan assets at acquisition and at 30 April 2022 comprised insurance annuities held with a third-party insurer.

The present value of defined benefit obligations comprised:

	2022 £'000	2021 £'000
Opening defined benefit obligations	**(14,278)**	—
Scheme liabilities from acquisition of ELAC	**—**	(14,871)
Current service cost	**(324)**	(132)
Interest expense	**(129)**	(58)
Amounts recognised in income in respect of defined benefit scheme	**(453)**	(190)
Remeasurement gains/(losses) from:		
Change in financial assumptions	**875**	345
Experience adjustments	**56**	(15)
Amounts recognised in the statement of comprehensive income	**931**	330
Benefits paid	**224**	88
Benefit payments from employer	**23**	5
Payments from plan	**247**	93
Effects of movements in exchange rates	**445**	360
Closing defined benefit obligations	**(13,108)**	(14,278)

The net defined retirement obligation acquired on 2 December 2020 as part of the ELAC acquisition was £7,595,000 to which a fair value adjustment was added of £925,000 to arrive at a fair value on acquisition of £8,520,000 comprising asset of £6,351,000 and obligation of £14,871,000 (see note 30).

Notes to the financial statements continued
for the year ended 30 April 2022

26. Retirement benefit obligations continued

Actuarial assumptions

The assumptions used for the purpose of the actuarial valuations were as follows:

	At year end 30 April 2022	At year end 30 April 2021
Discount rate	**2.30%**	1.00%
Salary increase rate	**2.50%**	2.00%
Pensions-in-payment increase rate	**2.20%**	1.00%
Mortality assumption	**Richttafeln 2018 G**	Richttafeln 2018 G

The assumptions regarding future mortality are based on actuarial advice in accordance with published statistics, which are country specific.

The current and future beneficiaries of the scheme are as follows:

	Number	Average age	Average annual pension €
Active	85	51.0	4,943
Deferred	77	54.5	1,213
Retired	152	75.1	1,641

The weighted average duration of the benefit obligation as at 30 April 2022 is 21 years (2021: 21 years).

Using the mortality tables adopted, the expected lifetime of average members currently at age 65 and average members at age 65 in 20 years' time is as follows:

	Male Years	Female Years
31 December 2021	85.7	89.1
31 December 2041	88.4	91.3

The expected contributions for the year ending 30 April 2023 are £252,000 for scheme assets and a further £29,000 benefit payments not from the plan assets.

The expected total benefit payments for the next ten years are £3.9m ranging from around £252,000 per annum to £455,000 per annum.

Sensitivity analysis

Several significant actuarial assumptions are made for the determination of the defined benefit obligation. These are set out below along with the impact on the net liability of the scheme as at 30 April 2022 by the prescribed sensitivity change:

	Change in assumption	Increase/ (decrease) in net liability of scheme £m
Mortality rate – increase in life expectancy	+1 year	0.2
Discount rate – increase in rate	+1%	(2.0)
Salary increase assumption – increase in rate	+1%	0.7
Pension payment increase assumption – increase in rate	+1%	1.9

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

27. Contingent liabilities

At 30 April 2022 the Group had in place bank guarantees of £24,624,000 (2021: £16,590,000) in respect of trading contracts. The Group is not aware of any conditions which would realise these contingent liabilities. The significant increase in the Group's contingent liabilities is in respect of contract increases due to increased export orders including attached bank guarantee requirements.

Notes to the financial statements continued
for the year ended 30 April 2022

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:

	Interest paid to subsidiaries £'000	Interested received from subsidiaries £'000	Management fees received from subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief received from subsidiaries £'000
2022	**78**	**345**	**3,807**	**14,560**	**42**
2021	13	105	2,756	6,900	236

During the year ended 30 April 2022, the Directors of Cohort plc received dividends from the Company as follows:

	2022 £	2021 £
S Carter	**1,041,286**	946,000
N Prest CBE	**205,154**	215,981
A Thomis	**23,851**	19,524
S Walther	**23,304**	19,440
J Perrin	**458**	416
	1,294,053	1,201,361

Further details of the remuneration of the Directors are set out in the Remuneration Committee report.

The aggregate remuneration (excluding share option costs) of the key management (2022: 14; 2021: 12) of the Group was as follows:

	2022 £	2021 £
Salary (including any allowances, benefits and employer's NIC)	**2,778,302**	2,204,898
Employer's pension contribution	**36,449**	47,723
	2,814,751	2,252,621

The key management of the Group is the Board of Cohort plc plus each subsidiary's Managing Director. For the year ended 30 April 2022, ELAC had joint Managing Directors. This will revert to one as from 1 May 2022.

29. Acquisition of Chess Technologies Limited (Chess)

As announced on 12 December 2018, Cohort plc acquired 81.84% of Chess for an initial cash consideration of just over £20.0m. The Group has recognised 100% of Chess's results and net assets from that date as it has effective control.

The acquisition accounting for Chess was reviewed prior to the first anniversary of its acquisition (12 December 2019) and further provisions were recognised of £900,000 in respect of contract liabilities.

Under the sale and purchase agreement, up to a further £12.7m is payable to the shareholders of Chess as an earn-out based upon its trading performance over the three years ended 30 April 2021. Based upon the actual performance to 30 April 2021 this earn-out is estimated at £nil as at 30 April 2022 (2021: £438,000).

The sale and purchase agreement for the acquisition of Chess includes a put and call option for the purchase of the remaining shares (18.16%) in Chess, the non-controlling interest.

This option is is capped at £9.1m. The amount payable is dependent upon the performance of the Chess business for the three years ended 30 April 2021.

The non-controlling interest was entitled to participate in any dividends payable by Chess in the period to 30 April 2021.

In accordance with IFRS 3, the Group has ascribed a value to the option to acquire the non-controlling interest of Chess. This value is £1,400,000 (2021: £2,362,000) and the option is shown as a current liability and, as the non-controlling interest has a right to dividends, in the other reserves as "option for acquiring non-controlling interest in Chess".

The Group has applied the present-access method to the acquisition of Chess and thus the non-controlling interest is deemed not to be part of the acquisition transaction and the liability arising from the option is not included in the consideration transferred but is accounted for separately.

The values assigned to both the earn-out and option are estimates based upon Chess's actual performance for the years ended 30 April 2019, 30 April 2020 and 30 April 2021. The values remain estimates as the final agreed figures will be subject to the closing net cash/(debt) and working capital at the option exercise date. These estimates are considered to be significant unobservable inputs in accordance with IFRS 13. In accordance with IFRS 13 'Fair Value Measurement' this is a level 3 liability but has not been discounted as the effect is immaterial.

The earn-out and option payments are now expected to be paid on or before 31 October 2022.

Notes to the financial statements continued
for the year ended 30 April 2022

30. Acquisition of Wärtsilä ELAC Nautik GmbH (ELAC Sonar)

As announced on 3 December 2020, the Group completed the acquisition of 100% of ELAC Sonar (ELAC). The consideration paid on completion was €10.5m (£9.4m) and a further €5.662m (£4.8m) was paid on 1 April 2021 following agreement of the completion accounts. No further payments are due.

The acquisition, including provisional fair values, was initially reported in the Annual Report and Accounts 2021. On reporting at that time, certain provisional fair values were estimates. These have now been reviewed subsequent to the acquisition and final fair value figures are reported below and reflect the following changes:

- Provisions: the provisional fair value of £2.6m has been increased by £5.8m to £8.4m to reflect additional risk associated with projects and commitments acquired with the business at 2 December 2020. These represent additional costs resulting from potential delays in contract delivery and anticipated increases in underlying costs related to acquired projects and commitments that became apparent during the measurement period. This was partly due to the completion of the acquisition of the business being delayed by the regulatory approval process in Germany, which was longer than expected, COVID-19 being a contributory factor to the delay approval.
- Corporation tax: the provisional fair value, a liability of £0.5m has been increased by £2.2m to £2.7m to reflect the actual tax liability of the ELAC business prior to its acquisition.
- A deferred tax asset of £1.5m had been previously recognised as a provisional fair value adjustment in respect of stock and other trading provision adjustments as at 30 April 2021. At that time 30 April 2021, the deferred tax asset was netted against the deferred tax liability of £3.8m arising on the other intangible assets recognised. This deferred tax asset has been increased to £3.3m by recognition of a deferred tax asset of £1.8m on the additional provision recognised above of £5.8m. The deferred tax asset is considered recoverable.

These additional risks and liabilities, although uncertain at the time, were considered in determining the consideration paid for ELAC.

The effect of these three adjustments on the final fair value is to increase the goodwill arising on acquisition by £6.2m to £7.7m. The acquisition accounting is as follows:

	Book value £'000	Final fair value £'000
Recognised amounts of identifiable assets and liabilities assumed:		
Investments	23	—
Property, plant and equipment	1,878	1,419
Right of use assets	1,440	1,440
Other intangible assets	—	11,962
Deferred tax asset	—	3,284
Inventory	4,695	2,042
Trade and other receivables	6,006	5,742
Cash	12,927	12,927
Trade and other payables	(7,019)	(7,467)
Provisions	(276)	(8,388)
Retirement benefit obligations	(7,595)	(8,520)
Right of use liability	(1,476)	(1,476)
Corporation tax	—	(2,691)
Deferred tax liability	—	(3,778)
	10,603	6,496
Goodwill		7,742
Total consideration (all satisfied by cash) transferred		14,238
Net cash outflow arising on acquisition:		
Cash consideration paid		14,238
Cash acquired		(12,927)
		1,311

The fair value adjustments reflect adjustments arising out of Cohort's due diligence work on the acquisition. These include additional provisions against inventory, trade and other receivables and for other contractual and historical obligations, including dilapidations and product warranty.

The retirement benefit obligation has been independently valued (see note 26) and the final fair value reflects this valuation.

Notes to the financial statements continued
for the year ended 30 April 2022

30. Acquisition of Wärtsilä ELAC Nautik GmbH (ELAC Sonar) continued

The most significant fair value adjustment is in respect of the other intangible assets and is analysed, including their estimated useful lives, as follows:

	Book value £'000	Final fair value £'000	Estimated life Years
Contracts	—	6,683	5
Customer relationships	—	5,279	8
Other intangible assets	—	11,962	

The other intangible assets acquired are based upon the following:

Contracts	The estimated profit in the acquired order book of ELAC, discounted at an appropriate WACC over the expected life of the order book, and after recognising a discount in respect of fixed asset and technology diminution. This other intangible asset will be amortised over the estimated order book life at a rate to reflect the expected generation of profit from the order book.
Customer relationships	The estimated profit in identified future orders and prospects, discounted at an appropriate WACC over the expected life of the future order or prospect, and after recognising a discount in respect of fixed asset and technology diminution. The estimated profit was also discounted by a likely win factor, 63% in this case. This other intangible asset will be amortised over the estimated useful life at a rate to reflect the expected generation of profit from those future orders and prospects.

The goodwill of just over £7.7m arising from the acquisition represents customer contacts, supplier relationships and know-how to which no certain value can be ascribed. None of the goodwill is expected to be deductible for tax purposes.

On acquiring ELAC from the seller, Wärtsilä Deutschland GmbH, it was agreed that a mechanism would be put in place to pay to Cohort Deutschland GmbH (Cohort's holding company of ELAC) up to €2.415m if a named prospect was delayed or not secured on or before 1 December 2022. This mechanism provides relief to ELAC for costs in place in anticipation of this prospect.

The mechanism has been accounted for as a contingent asset as it will be recognised on a cash receivable basis as and when mechanism schedule dates are passed, and the named prospect has not been secured.

If the prospect is secured on or before any of the agreed schedule dates, any payments receivable after this date will be foregone.

This income will be recognised on a receivable basis in the Group's adjusted operating profit and disclosed within the ELAC business for segmental reporting purposes.

For the year ended 30 April 2022, the Group has recognised just under £1.6m (2021: £0.5m) of income in respect of this mechanism. Of this, £1.2m has been received and £0.4m is receivable which will be received on or before 14 December 2022.

Notes to the financial statements continued
for the year ended 30 April 2022

31. Acquisition of JSK (previously a joint venture)

On 20 August 2021, the Group's 100% owned subsidiary SEA, acquired the remaining 50% of the share capital of JSK. The consideration paid for the remaining 50% of JSK was C$1,688,000 (£963,000), no further amounts are payable. JSK is based in Ontario, Canada. The acquisition is part of SEA's strategy to expand its support and delivery to the Royal Canadian Navy (RCN) and follows an initial order to supply systems to the RCN's new class of frigates secured in 2020/21.

The acquisition, including provisional fair values, was initially reported in the Interim Report for the six months ended 31 October 2021. On reporting at that time, certain provisional fair values were estimates. These have now been reviewed subsequent to the acquisition and final fair value figures are reported below and reflect the following change:

- A deferred tax asset of £223,000 was recognised on the fair value provisions of £743,000 raised to cover various contracts acquired. The deferred tax asset has been disclosed separately from the deferred tax liability and is considered recoverable.

The effect of this adjustments on the provisional fair value is to decrease the goodwill arising on acquisition to £312,000. The acquisition accounting is as follows:

	Book value £'000	Final fair value £'000
Recognised amounts of identifiable assets and liabilities assumed:		
Property, plant and equipment	67	49
Other intangible assets	—	1,413
Deferred tax asset	—	223
Trade and other receivables	735	735
Cash	591	591
Trade and other payables	(849)	(849)
Provisions	—	(743)
Deferred tax liability	(48)	(425)
	496	994
Profit arising on the 50% of JSK owned by the Group		(343)
Goodwill		312
Total consideration (all satisfied by cash) transferred		963
Net cash outflow arising on acquisition:		
Cash consideration paid		963
Cash acquired		(591)
		372

The fair value adjustments reflect adjustments arising out of SEA's due diligence work on the acquisition. These include provisions against contracts acquired and for other historical obligations including property dilapidations.

The most significant fair value adjustment is in respect of the other intangible assets and is analysed, including their estimated useful lives, as follows:

	Book value £'000	Provisional fair value £'000	Estimated life Years
Contracts	—	87	1
Customer relationships	—	1,326	7
Other intangible assets	—	1,413	

The other intangible assets acquired are based upon the following:

Contracts	The estimated profit in the acquired order book of JSK, discounted at an appropriate WACC over the expected life of the order book, and after recognising a discount in respect of fixed asset and technology diminution. This other intangible asset will be amortised over the estimated order book life at a rate to reflect the expected generation of profit from the order book.
Customer relationships	The estimated profit in identified future orders and prospects, discounted at an appropriate WACC over the expected life of the future order or prospect. No discount in respect of fixed asset, technology diminution or staff was applied as this was already under SEA management. This other intangible asset will be amortised over the estimated useful life at a rate to reflect the expected generation of profit from those future orders and prospects.

The gross consideration of £963,000 comprised two elements, the purchase of the other 50% of the joint venture shares (£343,000) and the balance (£620,000) paid to acquire the fixed assets, working capital, employees, representation agreements and contracts from a separate business which were then absorbed at the same time into the now 100% owned JSK. The transaction has been accounted for as a single transaction since both elements were linked by the purchase agreements.

The goodwill of just over £0.3m arising from the acquisition represents customer contacts, supplier relationships and know-how to which no certain value can be ascribed. None of the goodwill is expected to be deductible for tax purposes.

The £343,000 paid for the 50% of JSK which was not owned provided a value for the 50% owned by SEA (and the Group) prior to this transaction. This has been recognised as an exceptional profit on acquisition. No tax has been assumed on this gain.

The costs of acquisition of £70,000 have been disclosed as an exceptional item in the income statement. This has been deducted from the profit on the joint venture shares already owned of £343,000, realising a net exceptional income of £273,000.

JSK's contribution from being 100% owned was £971,000 of revenue and £11,000 of trading loss for the period from 20 August 2021 to 30 April 2022 and was reported within SEA's revenue and operating profit.

Accounting policies

Basis of accounting

The Group financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards.

The Company financial statements presented on pages 83 to 132 are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

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 for derivative financial instruments that are stated at their fair value.

Going concern

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through a facility which was renewed on 18 July 2022. The current domestic economic conditions (including the COVID-19 pandemic) and continuing UK Government budget pressures create uncertainty, particularly over the level of demand for the Group's products. Specifically in respect of UK defence spending (UK MOD represents 46% of the Group's 2021/22 revenue), the four-year budget settlement in 2021 does give the Group some improved visibility from this key customer. The current heightened international security situation, especially following the invasion of Ukraine, has increased the focus of governments, particularly in NATO, on defence capability and how this should be enhanced, including increased investment.

The Group's bank facility was renewed, on a similar basis to the current facility, in July 2022 for a further three years to July 2025, with options to extend this for a further two years out to July 2027. The new facility is for a £35m revolving credit facility with an accordion (option) to draw another £15m.

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 and included in the Risk Management section. The financial position of the Company, its cash flows, its liquidity position and its borrowing facilities are also described in the Strategic report.

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 2022. 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 2019.

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

The Group has not applied any standards or amendments for the first time for their annual reporting period commencing 1 May 2021 as no mandatory standards or amendments were required to be applied during this period.

Standards and interpretations issued as at 28 July 2022 not applied to these financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2022 reporting periods and have not been early adopted by the Group. These standards, outlined below, are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- Amendments to IFRS 3 'Business Combinations'; IAS 16 'Property, Plant and Equipment'; IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; and Annual Improvements 2018-2020 (all issued on 14 May 2020 and effective for years commencing on or after 1 January 2022).
- Amendments to IFRS 4 'Insurance Contracts' and IFRS 17 'Insurance Contracts' (issued on 25 June 2020 and effective for years commencing 1 January 2023).
- Amendments to IAS 1, IAS 8, IFRS Practice Statement 2 (issued on 12 February 2021 and effective for years commencing 1 January 2023).
- Amendments to IAS 12 (issued on 7 May 2021 and effective for years commencing 1 January 2023).

Accounting policies continued

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. The costs of arranging the Group facility are expensed over the term of the facility except for those costs arising as a result of an acquisition or disposal of a business which are then included as part of that transaction costs.

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 for and reported as a movement in the current period.

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 acquired business in the event of liquidation, at its proportionate interest in the recognised amount of the identifiable net assets of the acquired business 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.

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
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 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
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.

Accounting policies continued

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 generally sterling for the Group. Cohort's direct subsidiaries, Thunderwaves and Cohort Deutschland, and indirect subsidiaries, EID and ELAC, all have the euro as their functional currency. 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, or part 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, including customer relations, arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward. The intangible assets are written off over the estimated useful life of those particular assets. As discussed, 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 the 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.

Accounting policies continued

Leases

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

As a lessee

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

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

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

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

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

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

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

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

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and of short-term (less than 12 months) leases. The Group recognises the lease payments associated with these leases as an expense 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 with the exception of a defined benefit scheme in Germany. In respect of defined contribution schemes, amounts are charged to the income statement as incurred.

In respect of the defined benefit scheme, the schemes' assets and liabilities are valued annually by an external actuary. The service cost and net interest movements are recognised in the Consolidated income statement. Movements in valuation from changes in assumptions, including discount rate and mortality rate, are recognised in the Consolidated statement of other comprehensive income. The gross assets and obligations of the scheme, as independently valued, are shown net as retirement benefit obligations in the Consolidated statement of financial position at each balance sheet date.

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.

Accounting policies continued

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

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.

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 and profit recognition

The Group applies IFRS 15 'Revenue from Contracts with Customers'.

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

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

The Group provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent separate performance obligations.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative standalone selling prices. Given the bespoke nature of many of the Group's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are typically no observable stand alone selling prices. Instead, standalone selling prices are typically estimated based on expected costs plus contract margin.

Whilst payment terms vary from contract to contract, on some of the Group's contracts, an element of the transaction price is received in advance of delivery. The Group therefore has contract liabilities disclosed as advance receipts (note 14). The Group's contracts are not considered to include significant financing components on the basis that there is no difference between the consideration and the cash selling price. UK Ministry of Defence contracting rules prohibit the inclusion of financing in the sales price.

Accounting policies continued

Revenue and profit recognition

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

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

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

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

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

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

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

Type	Point in time or over time	Reason for type applied
One	Point in time	Revenue is recognised when the product or service is delivered to the customer per the contract and the customer is obliged to pay at this point. This usually applies to all the Group's standard products, support, spares and repairs.
Two	Over time service	Revenue is recognised for a service provision over time. Typically, these services are long term (greater than one year) but the contract with the customer fixes the annual revenue where the costs incurred per annum are variable. Revenue is typically recognised on a monthly basis based on either timesheets or a fixed receivable from the customer.
Three	Over time	Revenue is recognised over the contract based on the input costs to deliver the contract to that stage, taking account of appropriate risk contingencies in the remaining costs to complete the contract. Revenue is recognised (typically monthly) on input costs including internal labour (timesheets) and bought in goods and services (invoices or delivery notes).

The Group's businesses determine the revenue category/categories at the contract outset and apply this recognition method consistently until the contract is completed.

Software licences

The Group sells software licences either separately or together with other goods and services, including computer hardware and implementation, hosting and support. Revenue recognition in respect of software licences sold as part of a bundle of goods and services is considered separately when the licence is determined to be a separate performance obligation. Software licences either represent a right to access the Group's intellectual property as it exists throughout the licence period or a right to use the Group's intellectual property as it exists at the point in time at which the licence is granted. Revenue in respect of right to access licences is recognised over the licence term or, in relation to perpetual licences, over the related customer relationship and revenue in respect of right to use licences is recognised upfront on delivery to the customer.

A software licence is considered to be a right to access the Group's intellectual property as it exists throughout the licence period if all of the following criteria are satisfied:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property;
- the licence directly exposes the customer to the effects of those activities; and
- those activities do not result in the transfer of a good or service to the customer.

Accounting policies continued

Contract modifications

The Group's contracts are often amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. prospectively, as an additional, separate contract;
2. prospectively, as a termination of the existing contract and creation of a new contract; or
3. as part of the original contract using a cumulative catch-up.

The majority of the Group's contract modifications are treated under either 1 (for example, the requirement for additional distinct goods or services) or 3 (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded, such as sales commission.

Costs to fulfil a contract

Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2 'Inventories'.

Sales of goods are recognised when goods are delivered, and title has passed.

Share-based payments

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. 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.

With the exception of derivative financial instruments (see above) all other trade and other receivables are reported at amortised cost.

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

Where revenue recognised over time on a contract exceeds the value that has been invoiced, the excess is recognised as a contract asset and is included within trade and other receivables.

Accrued income is recognised on revenue recognised at a point in time where a delivery or service has been made and revenue can be recognised, but no invoice has been raised.

Accounting policies continued

Trade and other payables

Trade and other payables are initially measured at fair value.

With the exception of derivative financial instruments (see above) all other trade and other payables are reported at amortised cost.

Subsequent measurement is based on changes in the fair value and any changes recognised in the Consolidated income statement. To the extent that receipts from customers exceed relevant revenue, whether invoiced or a contract asset, then this is included as an advance receipt within trade and other payables.

Deferred income will arise on point in time contracts where customers have been invoiced, usually as a result of supplier costs incurred by the Group but where the service/delivery has not been made.

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

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

Recoverability of trade and other receivables

Judgement is applied in determining whether any of the Group's trade and other receivables require a bad debt provision to be recognised. This takes account of the nature of our customers, many of which are ultimately governments, our historical experience and the commercial terms we have in place to protect the recoverability of our receivables. Within the receivables balance and contract assets there is a balance of £7.7m relating to a single customer which, whilst past due, has not been provided for. Management has assessed the recoverability of this balance and concluded that, as the ultimate customer is a sovereign government, the risk of impairment is low.

Fair values on acquisition

Judgement is applied in recognising the fair value of assets and liabilities on acquisition. This judgement will make use of the experience of the Directors, knowledge of the business acquired and the due diligence exercise during the acquisition process. Provisional fair values are recognised on the initial reporting of any acquisition, allowing the Directors to reassess any judgements or estimates made in the first 12 months of ownership.

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. At the time of an acquisition, the Directors use the business's projected gross margin from contracts acquired or future prospects. These gross margin figures will depend upon each contract's cost to complete estimate at that point in time and the Directors will apply judgement in whether those costs to complete are appropriate or not. The Directors will also take into account the expected timing of the recognition of revenue (and gross margin) on each contract or future prospect.

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.

Research and development

The recognition of research and development expenditure as an internally generated intangible asset requires the Directors to make judgements, especially with respect to whether the asset created will generate future economic benefit. This is a key judgement in this respect as the time between development and any income can be considerable (over five years) and often the income-generating asset may have considerably evolved from the asset originally created. As a result of this, the Group almost always expenses research and development in the period it is incurred.

Taxation

In accordance with IFRS IC 23 'Uncertainty over Income Tax Treatments' the Group currently takes a cautious approach to recognition of R&D tax credits for periods that are still open. As at 30 April 2022, a provision of £950,000 (2021: £775,000) was recognised against R&D tax credit claims made in the final and early build computations for 2020/21 and 2021/22. The Group considers this level of provision as not material.

Accounting policies continued

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:

Revenue and profit recognition

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

Incremental borrowing rate

In respect of the application of IFRS 16 'Leases', the incremental borrowing rate of the Group in respect of leases reported as right of use assets and lease liabilities has been estimated at 3.0% (2021: 3.0%). This is based upon the Group's current secured borrowing rate from its banks and peer and market rates for such leasing arrangements.

Provisions

Judgement is applied on recognising contract provisions for uncertainties inherent in the type of projects undertaken throughout the Group. Management take a prudent approach to recognising provisions against risks in projects especially on initial acquisition of subsidiaries where less historical information is available to inform managements decisions (see notes 16 and 30).

Impairment

Judgement is applied in determining the discount rate used to value goodwill. Management take a prudent approach to the selection of appropriate discount rates used, using rates provided by the Group's Nomad (Investec) and providing additional risk premiums on top of this. See note 9 for further discussion of sensitivity surrounding goodwill impairment testing.

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.

Five-year record

	2022	2021	2020	2019	2018
Headline results (£'000)					
Revenue	**137,765**	143,308	131,059	121,182	110,547
Adjusted operating profit	**15,525**	18,609	18,223	16,164	15,225
Operating profit	**11,090**	7,808	10,731	5,944	10,262
Adjusted earnings per share (pence)					
Basic	**31.08**	33.63	37.10	33.60	29.08
Diluted	**30.91**	33.29	36.73	33.41	28.79
Statutory earnings per share (pence)					
Basic	**22.55**	13.38	23.47	13.37	18.95
Diluted	**22.42**	13.24	23.24	13.29	18.76
Dividend per share (pence)	**12.20**	11.10	10.10	9.10	8.20
Net operating cash flow (£'000)	**19,525**	16,216	11,597	8,635	13,220
Net funds/(debt) (£'000)	**10,997**	2,464	(4,707)	(6,424)	11,338
Order intake (£m)	**186.4**	180.3	124.4	189.9	76.6
Order book (£m)	**291.0**	242.4[1]	183.3	190.9[2]	103.8

1. The order book at 30 April 2021 is after including the acquired order book of ELAC Sonar (£23.2m) on 2 December 2020.
2. The order book at 30 April 2019 is after including the acquired order book of Chess (£20.1m) on 12 December 2018.

Glossary of terms

ANZAC	Australia and New Zealand
C3	Command, Control and Communications
C4IS	Command, control, communications, computers and information systems
C4ISTAR	Command, control, communications, computers, intelligence, surveillance, target acquisition and reconnaissance
C-UAS	Counter-unmanned aerial systems
C-UAV	Counter-unmanned Air Vehicle
DARPA	Defense Advanced Research Projects Agency
DSEI	Defence and Security Equipment International event
Dstl	Defence Science and Technology Laboratory
ECS	External communications system
EPS	Earnings per share
EW	Electronic warfare
EWOS	Electronic warfare operational support
GHG	Greenhouse gas
GPS	Global Positioning System
ISO	Intermodal shipping container
ISTAR	Intelligence, surveillance, target acquisition and reconnaissance
MOD	Ministry of Defence
NATO	North Atlantic Treaty Organisation
SAYE	Save as You Earn scheme
SECR	Streamlined Energy and Carbon Reporting
SIGINT	Signals intelligence
SIP	Share Incentive Plan
SSAFA	Soldiers, Sailors, Airmen and Families Association
STEM	Science, Technology, Engineering & Maths
s-UAV	Small Unmanned Air Vehicle
TLS	Torpedo Launcher System
UAV	Unmanned Air Vehicle
UGS	Unmanned Ground Systems
UGV	Unmanned Ground Vehicle

Please visit our subsidiary websites for more information on the products and services mentioned in this report:

Chess – chess-dynamics.com

EID – eid.pt

ELAC – elac-sonar.de

MASS – mass.co.uk

MCL – marlboroughcomms.com

SEA – sea.co.uk

Shareholder information, financial calendar and advisers

Advisers

Nominated adviser and broker

Investec
30 Gresham Street,
London EC2V 7QP

Auditor

RSM UK Audit LLP
The Pinnacle, 170 Midsummer Boulevard,
Milton Keynes, Buckinghamshire MK9 1BP

Tax advisers

Deloitte LLP
Abbots House, Abbey Street,
Reading RG1 3BD

Legal advisers

Shoosmiths LLP
Apex Plaza, Forbury Road,
Reading RG1 1SH

Registrars

Equiniti
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Lancing, West Sussex BN99 6DA

Public and investor relations

MHP Communications
4th Floor, 60 Great Portland Street,
London W1W 7RT

Bankers

Lloyds Bank
3rd Floor, 10 Gresham Street,
London EC2V 7AE

NatWest Bank
Abbey Gardens, 4 Abbey Street,
Reading RG1 3BA

Commerzbank AG
30 Gresham Street,
London EC2V 7PG

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

Equiniti maintains the register of members of the Company.

If you have any questions about your personal holding of the Company's shares or notification of a change of name or address please contact:

Equiniti

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: 0371 384 2030 (Calls are charged at the standard geographic rate and will vary by provider.) From outside the UK: +44 371 384 2030 (calls are charged at the applicable international rate). Lines are open from 8:30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. Please quote your eleven digit shareholder reference number when calling us, this can be found on your share certificate, share statement, recent dividend information or correspondence.

For more information visit: shareview.co.uk

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

27 September 2022

Final dividend payable

4 October 2022

Expected announcements of results for the year ending 30 April 2023

Preliminary half year announcement

December 2022

Preliminary full year announcement

July 2023

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Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.

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Both the printer and the paper mill are registered to ISO 14001.

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designportfolio

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