



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	<ul style="list-style-type: none"> ▶ Revenue recognition – policies and assessment and project accounting ▶ Goodwill impairment 	<ul style="list-style-type: none"> ▶ Investment in Subsidiaries impairment
Materiality	<ul style="list-style-type: none"> ▶ Overall materiality: £750,000 (2021: £890,000) ▶ Performance materiality: £562,500 (2021: £667,000) 	<ul style="list-style-type: none"> ▶ 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 – policies 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.

Revenue recognition – policies and assessment and project accounting (Group) continued

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"	<ul style="list-style-type: none"> ▶ Review of the financial statement disclosures and testing to supporting documentation. ▶ Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	<ul style="list-style-type: none"> ▶ 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	<ul style="list-style-type: none"> ▶ 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 – policies 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	<ul style="list-style-type: none"> ▶ 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

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Milton Keynes

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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 overseas subsidiaries, net of loans used to acquire overseas 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	Attributable to the equity shareholders of the parent							Non-controlling interests £'000	Total equity £'000
	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)	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		Company	
		2022 £'000	2021 £'000	2022 £'000	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)

	Notes	Group		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
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

	Notes	Group		Company	
		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:

[illegible]



Notes to the financial statements continued

for the year ended 30 April 2022

1. Segmental analysis continued

2022	Chess	EID	ELAC	MASS	MCL	SEA	Central	Group
Other information	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	EID	ELAC	MASS	MCL	SEA	Eliminations	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	Chess	EID	ELAC	MASS	MCL	SEA	Central	Group
Other information	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	EID	ELAC	MASS	MCL	SEA	Eliminations	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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:

	Notes	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		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

	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	ELAC £'000	Group £'000
Goodwill							
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							
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			Company £'000
	Property £'000	Fixtures and equipment £'000	Total £'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			Company £'000
	Property £'000	Fixtures and equipment £'000	Total £'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			Company £'000
	Property £'000	Other £'000	Total £'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. Ru 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, Honeycrook 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.

	2022 £'000	2021 £'000
Contract liabilities		
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:

Scheme and grant date	Exercise price £	Vesting date	Expiry date	30 April 2022			30 April 2021		
				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: <ul style="list-style-type: none"> ▶ 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	Richttafel 2018 G	Richttafel 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 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

Aspect House, Spencer Road,
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

Registered office

Cohort plc

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Reading RG7 4SW

Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.



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