Financial statements

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 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; 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 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.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Summary of our audit approach

Key audit matters	
Group	**Parent Company**
▶ Revenue recognition	▶ Carrying value of investments
▶ Carrying value of goodwill and intangibles	
▶ Impact of COVID-19	
▶ Recoverability of receivables and contract assets	

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

Key audit matters

Revenue recognition (Group)

Risk

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 has set out its accounting policies for the recognition of revenue on pages 109 and 110.

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 estimate uncertainty and the allocation of audit resources. The Group has set out the critical accounting judgements in relation to revenue recognition on page 112. Contract receivables and payables arising under IFRS 15 are set out in notes 13 and 14.

Our response to the risks included:

- 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.
- Review of management's assessment of the performance obligations and transaction price in the contracts sampled to check this is in accordance with IFRS 15.
- 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.
- 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.
- Challenge of project managers' estimations to complete thorough assessment of historical accuracy of budgets and interviews with project managers on the projects tested in detail.

Carrying value of goodwill and intangibles (Group) and Investments (Parent company only)

Risk

The Group has a Goodwill balance of £42.1m (2019: £41.4m) and other intangibles of £13.2m (2019: £20.6m) relating to historic acquisitions as shown in note 9 in the consolidated financial statements. Management assess goodwill, other intangibles and investments 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 goodwill, acquisition intangibles and other assets of the relevant 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.

Our response to the risk included:

- Audit of management's sensitivity analysis and check of arithmetic accuracy.
- Corroboration of inputs to the DCF models to relevant external and internal financial information and challenge of management assumptions.
- Comparison of forecast financial performance to post year end trading to assess reliability of forecasting.
- Comparison of growth and discount rate assumptions to comparable companies.
- Challenge of forecasts focused on CGU for which the DCF models showed lowest headroom.
- Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness.

Impact of COVID-19 – Going Concern (Group)

Risk

The impact of COVID-19 (Coronavirus) is having an adverse effect on the trading performance and profitability of companies as well as the wider economy. This is expected to impact accounting estimates and judgements in the financial statements. It is also expected to affect the associated disclosures in the financial statements and accompanying documents, in particular, principal risks and uncertainties in the strategic report, liquidity and credit risk disclosures in the directors' report, critical accounting estimates and judgements in the notes to the accounts and the subsequent event disclosures.

The Group has set out its analysis of the potential impact on its operations and financial position of the COVID-19 pandemic with funding resource and policy review on page 29 and in the going concern reviews on pages 67 and 105. The assessment of these risks in an uncertain economic environment requires judgement, and a risk of material misstatement arises in respect of an incorrect application of the going concern basis of preparation or the failure to disclose a material uncertainty and therefore was considered a key audit matter.

Our response to the risk included:

- Review of management's forecasts for a period of at least 12 months from the anticipated date of approval of the financial statements including management's analysis of the potential impact of the Coronavirus outbreak on the Group's business model and strategies.
- Assessment of the impact of any significant staff illness upon the ongoing ability to continue to operate and gain an understanding of each subsidiary's business continuity plans including risks such as lack of access to secure systems or loss of key personnel both within the business and at customer operations.
- Assess the adequacy of any additional disclosure in the financial statements in relation to the impact and uncertainty of COVID-19.
- Review of management's assessment of covenant compliance and audit of the calculations and headroom computed.

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

Key audit matters continued

Recoverability of receivables and contract assets (Group)

Risk

As disclosed in note 13 of the consolidated financial statements, the group has £23.3m (2019: £19.9m) of trade receivables and £16.5m (2019: £13.0m) of contract assets at 30 April 2020. Due to the nature of the Group's global customer base and the long-term contracts that it performs, these balances can be significant in size and recoverable over a long period of time. The recoverability of these assets was considered to be a key audit matter due to the level of judgement and estimation involved alongside the material nature of the balances.

Our response to the risk included

- Review of the receivables ledger at each entity to identify any material balances that remain unpaid as at the year-end date.
- Confirmation of payment of a sample of receivable balances to post year end cash receipt.
- Interview of project managers to discuss recoverability of unbilled revenue and overdue receivables on a sample of projects.
- Review of management's provisions for irrecoverable assets.
- Confirm invoicing of contract assets to post year end invoice.
- For significant older balances against which no provision was made, we challenged management on their judgement and performed detailed testing over these balances, including assessment of the current contract status. We obtained management representations in respect of specific judgements where appropriate.

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	£874,000 (2019: £700,000)	£874,000 (2019: £700,000)
Basis for determining overall materiality	5% of adjusted operating profit	0.4% of net assets – capped at Group materiality
Rationale for benchmark applied	Adjusted operating materiality 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	£655,000 (2019: £500,000)	£655,000 (2019: £500,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £44,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £44,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

For the purposes of scoping our group audit we determined that the group comprises seven components, six of which are based in the UK and one which is located in Portugal.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	7	100%	100%	100%
Specific audit procedures	—	—	—	—
Total	7	100%	100%	100%

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

Other information

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

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

We have nothing to report in this regard.

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

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.

Matters on which we are required to report by exception

In 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 69, 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.

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

Use of our report

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

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

22 July 2020

Consolidated income statement
for the year ended 30 April 2020

	Notes	2020 £'000	2019 £'000
Revenue	1	**131,059**	121,182
Cost of sales		**(80,016)**	(78,143)
Gross profit		**51,043**	43,039
Administrative expenses		**(40,312)**	(37,095)
Operating profit	1	**10,731**	5,944
Comprising:			
Adjusted operating profit	1	**18,223**	16,164
Amortisation of other intangible assets (included in administrative expenses)	9	**(7,354)**	(9,514)
Research and development expenditure credits (RDEC) (included in cost of sales)		**784**	744
(Charge)/credit on marking forward exchange contracts to market value at the year end (included in cost of sales)	18	**(132)**	33
Exceptional items (included in administrative expenses)			
Cost of acquisition of ELAC – transaction yet to complete	30	**(950)**	—
Cost of relocation of MASS's Lincoln facility		**(590)**	—
Adjustment to earn-out on acquisition of Chess	29	**750**	—
Cost of acquisition of EID		**—**	17
Cost of acquisition of Chess		**—**	(1,000)
Cost of restructuring at SEA		**—**	(500)
		10,731	5,944
Finance income	4	**27**	27
Finance costs	5	**(779)**	(296)
Profit before tax		**9,979**	5,675
Income tax charge	6	**(295)**	(584)
Profit for the year	3	**9,684**	5,091
Attributable to:			
Equity shareholders of the parent		**9,559**	5,447
Non-controlling interests		**125**	(356)
		9,684	5,091

Earnings per share		Pence	Pence
Basic	8	**23.47**	13.37
Diluted	8	**23.24**	13.29

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 2020

	2020 £'000	2019 £'000
Profit for the year	**9,684**	5,091
Items which may be subsequently reclassified to profit or loss:		
Foreign currency translation differences on net assets of EID, net of loan used to acquire EID	**32**	(21)
Other comprehensive income for the period, net of tax	**32**	(21)
Total comprehensive income for the year	**9,716**	5,070
Attributable to:		
Equity shareholders of the parent	**9,586**	5,559
Non-controlling interests	**130**	(489)
	9,716	5,070

Consolidated statement of changes in equity
for the year ended 30 April 2020

Group	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
	Attributable to the equity shareholders of the parent								
At 1 May 2018	4,096	29,657	(1,190)	626	—	39,253	72,442	2,554	74,996
Profit for the year	—	—	—	—	—	5,447	5,447	(356)	5,091
Other comprehensive income for the year	—	—	—	—	—	112	112	(133)	(21)
Total comprehensive income for the year	—	—	—	—	—	5,559	5,559	(489)	5,070
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(3,464)	(3,464)	—	(3,464)
Vesting of Restricted Shares	—	—	—	—	—	178	178	—	178
Own shares purchased	—	—	(631)	—	—	—	(631)	—	(631)
Own shares sold	—	—	743	—	—	—	743	—	743
Net loss on selling own shares	—	—	730	—	—	(730)	—	—	—
Share-based payments	—	—	—	291	—	—	291	—	291
Deferred tax adjustment in respect of share-based payments	—	—	—	(76)	—	—	(76)	—	(76)
Transfer of share option reserve on vesting of options	—	—	—	(238)	—	238	—	—	—
Acquisition of 81.84% of Chess	—	—	—	—	(4,350)	—	(4,350)	4,214	(136)
At 30 April 2019	4,096	29,657	(348)	603	(4,350)	41,034	70,692	6,279	76,971
Impact of IFRS 16 'Leases' as at 1 May 2019	—	—	—	—	—	(148)	(148)	—	(148)
Restated as at 1 May 2019	4,096	29,657	(348)	603	(4,350)	40,886	70,544	6,279	76,823
Profit for the year	—	—	—	—	—	9,559	9,559	125	9,684
Other comprehensive income for the year	—	—	—	—	—	27	27	5	32
Total comprehensive income for the year	—	—	—	—	—	9,586	9,586	130	9,716
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(3,853)	(3,853)	—	(3,853)
Vesting of Restricted Shares	—	—	—	—	—	210	210	—	210
Own shares purchased	—	—	(3,677)	—	—	—	(3,677)	—	(3,677)
Own shares sold	—	—	1,472	—	—	—	1,472	—	1,472
Net loss on selling own shares	—	—	989	—	—	(989)	—	—	—
Share-based payments	—	—	—	318	—	—	318	—	318
Deferred tax adjustment in respect of share-based payments	—	—	—	193	—	—	193	—	193
Transfer of share option reserve on vesting of options	—	—	—	(268)	—	268	—	—	—
Change in fair value of Chess's net assets acquired (note 29)	—	—	—	—	—	—	—	(163)	(163)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	750	—	750	—	750
At 30 April 2020	**4,096**	**29,657**	**(1,564)**	**846**	**(3,600)**	**46,108**	**75,543**	**6,246**	**81,789**

The accompanying notes form part of the financial statements.

Company statement of changes in equity
for the year ended 30 April 2020

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 2018	4,096	29,657	(1,190)	626	—	14,052	47,241
Profit for the year	—	—	—	—	—	8,724	8,724
Transactions with owners of the Company, recognised directly in equity							
Equity dividends	—	—	—	—	—	(3,464)	(3,464)
Vesting of Restricted Shares	—	—	—	—	—	178	178
Own shares purchased	—	—	(631)	—	—	—	(631)
Own shares sold	—	—	743	—	—	—	743
Net loss on selling own shares	—	—	730	—	—	(730)	—
Share-based payments	—	—	—	291	—	—	291
Deferred tax adjustment in respect of share-based payments	—	—	—	(76)	—	—	(76)
Transfer of share option reserve on vesting of options	—	—	—	(238)	—	47	(191)
Acquisition of 81.84% of Chess	—	—	—	—	(4,350)	—	(4,350)
Total contributions by and distributions to owners of the Company	—	—	842	(23)	(4,350)	4,755	1,224
At 30 April 2019	4,096	29,657	(348)	603	(4,350)	18,807	48,465
Impact of IFRS 16 'Leases' as at 1 May 2019	—	—	—	—	—	(29)	(29)
Restated as at 1 May 2019	4,096	29,657	(348)	603	(4,350)	18,778	48,436
Profit for the year	—	—	—	—	—	6,681	6,681
Transactions with owners of the Company, recognised directly in equity							
Equity dividends	—	—	—	—	—	(3,853)	(3,853)
Vesting of Restricted Shares	—	—	—	—	—	210	210
Own shares purchased	—	—	(3,677)	—	—	—	(3,677)
Own shares sold	—	—	1,472	—	—	—	1,472
Net loss on selling own shares	—	—	989	—	—	(989)	—
Share-based payments	—	—	—	318	—	—	318
Deferred tax adjustment in respect of share-based payments	—	—	—	193	—	—	193
Transfer of share option reserve on vesting of options	—	—	—	(268)	—	51	(217)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	750	—	750
Total contributions by and distributions to owners of the Company	—	—	(1,216)	243	750	2,100	1,877
At 30 April 2020	**4,096**	**29,657**	**(1,564)**	**846**	**(3,600)**	**20,878**	**50,313**

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

The accompanying notes form part of the financial statements.

Consolidated and Company statement of financial position
as at 30 April 2020

		Group		Company	
	Notes	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Assets					
Non-current assets					
Goodwill	9	**42,091**	41,354	**—**	—
Other intangible assets	9	**13,234**	20,588	**—**	—
Right of use asset	24a	**6,900**	—	**250**	—
Property, plant and equipment	10	**12,121**	10,956	**250**	263
Investment in subsidiaries	11	**—**	—	**90,970**	90,725
Deferred tax asset	17	**598**	365	**56**	39
		74,944	73,263	**91,526**	91,027
Current assets					
Inventories	12	**11,478**	13,452	**—**	—
Trade and other receivables	13	**47,423**	42,971	**3,516**	2,776
Derivative financial instruments	18	**—**	—	**—**	—
Cash and cash equivalents	15	**20,567**	18,763	**—**	—
		79,468	75,186	**3,516**	2,776
Total assets		**154,412**	148,449	**95,042**	93,803
Liabilities					
Current liabilities					
Trade and other payables	14	**(30,985)**	(35,225)	**(3,476)**	(3,868)
Derivative financial instruments	18	**(231)**	(99)	**—**	—
Lease liability	24a	**(1,257)**	—	**(80)**	—
Bank borrowings	15	**(85)**	(61)	**(11,882)**	(10,888)
Provisions	16	**(1,546)**	(818)	**—**	—
		(34,104)	(36,203)	**(15,438)**	(14,756)
Non-current liabilities					
Deferred tax liability	17	**(2,820)**	(4,041)	**—**	—
Lease liability	24a	**(6,240)**	—	**(196)**	—
Bank borrowings	15	**(25,189)**	(25,126)	**(25,095)**	(25,082)
Provisions	16	**(270)**	(608)	**—**	—
Other payables	29	**(4,000)**	(5,500)	**(4,000)**	(5,500)
		(38,519)	(35,275)	**(29,291)**	(30,582)
Total liabilities		**(72,623)**	(71,478)	**(44,729)**	(45,338)
Net assets		**81,789**	76,971	**50,313**	48,465
Equity					
Share capital	19	**4,096**	4,096	**4,096**	4,096
Share premium account		**29,657**	29,657	**29,657**	29,657
Own shares	21	**(1,564)**	(348)	**(1,564)**	(348)
Share option reserve		**846**	603	**846**	603
Other reserves	29	**(3,600)**	(4,350)	**(3,600)**	(4,350)
Retained earnings		**46,108**	41,034	**20,878**	18,807
Total equity attributable to the equity shareholders of the parent		**75,543**	70,692	**50,313**	48,465
Non-controlling interests		**6,246**	6,279	**—**	—
Total equity		**81,789**	76,971	**50,313**	48,465

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 £6,681,000 (2019: £8,724,000).

The financial statements on pages 75 to 114 were approved by the Board of Directors and authorised for issue on 22 July 2020 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 2020

		Group		Company	
	Notes	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Net cash from operating activities	23	**11,597**	8,635	**5,265**	12,362
Cash flow from investing activities					
Interest received		**27**	27	**23**	16
Purchases of property, plant and equipment	10	**(2,662)**	(2,058)	**(93)**	(275)
Acquisition of Chess (including net debt acquired)	29	**—**	(20,885)	**—**	(20,041)
Net cash used in investing activities		**(2,635)**	(22,916)	**(70)**	(20,300)
Cash flow from financing activities					
Dividends paid	7	**(3,853)**	(3,464)	**(3,853)**	(3,464)
Purchase of own shares	21	**(3,677)**	(631)	**(3,677)**	(631)
Sale of own shares	21	**1,472**	743	**1,472**	743
Drawdown of borrowings	15	**98**	18,017	**—**	18,000
Repayment of borrowings	15	**(78)**	(2,027)	**—**	(2,000)
Repayment of lease liabilities	24a	**(1,114)**	—	**(77)**	—
Net cash (used in)/generated from financing activities		**(7,152)**	12,638	**(6,135)**	12,648
Net increase/(decrease) in cash and cash equivalents		**1,810**	(1,643)	**(940)**	4,710
Represented by:					
Cash and cash equivalents and short-term borrowings brought forward		**18,763**	20,511	**(10,942)**	(15,652)
Cash flow		**1,810**	(1,643)	**(940)**	4,710
Exchange		**(6)**	(105)	**—**	—
Cash and cash equivalents and short-term borrowings carried forward		**20,567**	18,763	**(11,882)**	(10,942)

	At 1 May 2019 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	**At 30 April 2020 £'000**
Net debt reconciliation				
Group				
Cash and bank	18,763	(6)	1,810	**20,567**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	18,763	(6)	1,810	**20,567**
Loan	(25,028)	(67)	—	**(25,095)**
Finance lease	(159)	—	(20)	**(179)**
Debt	(25,187)	(67)	(20)	**(25,274)**
Net debt	(6,424)	(73)	1,790	**(4,707)**
Company				
Cash and bank	—	—	—	**—**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	—	—	—	**—**
Loan	(25,028)	(67)	—	**(25,095)**
Overdraft debt	(10,942)	—	(940)	**(11,882)**
	(35,970)	(67)	(940)	**(36,977)**
Net debt	(35,970)	(67)	(940)	**(36,977)**

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.

The accompanying notes form part of the financial statements.

Notes to the financial statements
for the year ended 30 April 2020

1. Segmental analysis

For management and reporting purposes, the Group, during the year ended 30 April 2020, operated through its five trading subsidiaries: Chess, EID, MASS, MCL and SEA. These subsidiaries are the basis on which the Company reports its primary business segment information in accordance with IFRS 8. Whilst each subsidiary internally reports by reference to the sectors it sells to, these are considered by the Board to have similar economic characteristics in terms of the nature of the services and their customer base 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 (pages 17 to 25).

Business segment information about these subsidiaries is presented below:

2020	Chess £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue							
External revenue	25,155	18,020	41,115	15,064	31,705	—	131,059
Inter-segment revenue	3	1	97	—	455	(556)	—
	25,158	18,021	41,212	15,064	32,160	(556)	131,059
Segment adjusted operating profit	3,923	3,108	8,914	1,660	3,532	—	21,137
Unallocated corporate expenses	—	—	—	—	—	—	(2,914)
Adjusted operating profit	3,923	3,108	8,914	1,660	3,532	—	18,223
Credit on marking forward exchange contracts to market value at the year end	—	—	—	(147)	15	—	(132)
Costs of acquisition of ELAC	—	—	—	—	—	—	(950)
Costs of relocation of MASS's Lincoln office facility	—	—	(590)	—	—	—	(590)
Adjustment to earn-out on acquisition of Chess	—	—	—	—	—	—	750
Amortisation of other intangible assets	(6,538)	(816)	—	—	—	—	(7,354)
Research and development expenditure credits (RDEC)	192	—	272	—	526	—	784
Operating profit/(loss)	(2,423)	2,292	8,596	1,513	4,073	—	10,731
Finance cost (net of income)	(47)	(2)	(71)	(8)	(106)	—	(752)
Profit/(loss) before tax	(2,470)	2,290	8,525	1,505	3,967	—	9,979
Income tax charge							(295)
Profit after tax							9,684

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

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

Other information	Chess £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Central £'000	Group £'000
Capital additions	368	57	439	79	1,626	93	2,662
Depreciation of tangible fixed assets	146	107	311	89	727	92	1,472
Depreciation of right of use assets	412	99	217	107	258	75	1,168

Balance sheet	Chess £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Assets							
Segment tangible assets	18,563	10,325	11,617	2,500	34,578	207	77,790
Goodwill and other intangible assets	15,461	2,903	12,500	2,398	22,063	—	55,325
Current tax asset							132
Deferred tax asset							598
Cash							20,567
Consolidated total assets	34,024	13,228	24,117	4,898	56,641		154,412
Liabilities							
Segment liabilities	(7,446)	(6,820)	(11,670)	(3,800)	(11,483)	(3,310)	(44,529)
Deferred tax liability							(2,820)
Bank borrowings							(25,274)
Consolidated total liabilities	(7,446)	(6,820)	(11,670)	(3,800)	(11,483)		(72,623)

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 2020

1. Segmental analysis continued

2019	Chess £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue							
External revenue	10,674	11,530	38,936	21,715	38,327	—	121,182
Inter-segment revenue	—	—	15	—	404	(419)	—
	10,674	11,530	38,951	21,715	38,731	(419)	121,182
Segment adjusted operating profit	1,682	1,357	8,175	2,282	5,492	—	18,988
Unallocated corporate expenses	—	—	—	—	—	—	(2,824)
Adjusted operating profit	1,682	1,357	8,175	2,282	5,492	—	16,164
Credit/(charge) on marking forward exchange contracts to market value at the year end	—	—	—	(53)	86	—	33
Costs of acquisition of EID	—	—	—	—	—	—	17
Costs of acquisition of Chess	—	—	—	—	—	—	(1,000)
Costs of restructuring at SEA	—	—	—	—	(500)	—	(500)
Amortisation of other intangible assets	(4,870)	(990)	—	(2,430)	(1,224)	—	(9,514)
Research and development expenditure credits (RDEC)	59	—	34	—	577	—	744
Operating profit/(loss)	(3,129)	367	8,209	(201)	4,431	—	5,944
Finance cost (net of income)	(9)	—	5	—	5	—	(269)
Profit/(loss) before tax	(3,138)	367	8,214	(201)	4,436	—	5,675
Income tax charge							(584)
Profit after tax							5,091

For Chess, the period of reporting was for approximately five months, from 12 December 2018 to 30 April 2019.

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

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

Other information	Chess (5 months only) £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Central £'000	Group £'000
Capital additions	55	85	336	139	1,168	275	2,058
Depreciation of tangible fixed assets	57	107	116	69	741	57	1,147

Balance sheet	Chess £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Assets							
Segment tangible assets	14,392	9,943	12,424	3,489	28,600	(1,747)	67,101
Goodwill and other intangible assets	21,262	3,719	12,500	2,398	22,063	—	61,942
Current tax asset							278
Deferred tax asset							365
Cash							18,763
Consolidated total assets	35,654	13,662	24,924	5,887	50,663		148,449
Liabilities							
Segment liabilities	(7,847)	(5,634)	(8,253)	(8,363)	(6,623)	(5,530)	(42,250)
Deferred tax liability							(4,041)
Bank borrowings							(25,187)
Consolidated total liabilities	(7,847)	(5,634)	(8,253)	(8,363)	(6,623)		(71,478)

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 2020

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. The following table provides an analysis of the Group's revenue by geographical location of the customer:

	2020 From the UK £'000	2020 From Portugal £'000	2020 Total £'000	2019 From the UK £'000	2019 From Portugal £'000	2019 Total £'000
UK	**78,772**	**143**	**78,915**	84,145	162	84,307
Portugal	**—**	**8,295**	**8,295**	—	4,429	4,429
Other European countries	**11,275**	**2,013**	**13,288**	4,294	3,534	7,828
Asia Pacific	**16,729**	**7,558**	**24,287**	18,193	3,169	21,362
Africa	**—**	**—**	**—**	30	131	161
North and South America	**6,263**	**11**	**6,274**	2,990	105	3,095
	113,039	**18,020**	**131,059**	109,652	11,530	121,182

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

Market segments

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

	2020 £'000	2019 £'000
Defence (including security)	**118,054**	106,505
Transport	**7,616**	9,168
Offshore energy	**2,852**	2,133
Other commercial	**2,537**	3,376
	131,059	121,182

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

	2020 £'000	2019 £'000
Product	**74,770**	65,109
Services	**56,289**	56,073
Total revenue	**131,059**	121,182

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 (pages 2 to 5).

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2019 is as follows:

	2020					2019				
	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	**—**	**—**	**1,574**	**—**	**4,244**	—	—	892	—	—
EID	**—**	**8,289**	**—**	**6,520**	**—**	—	4,429	—	—	—
MASS	**19,751**	**—**	**5,972**	**—**	**—**	18,000	—	6,001	—	—
MCL	**12,938**	**—**	**—**	**—**	**—**	20,192	—	—	—	—
SEA	**8,494**	**—**	**2,212**	**—**	**—**	7,804	—	3,205	4,653	3,605
	41,183	**8,289**	**9,758**	**6,520**	**4,244**	45,996	4,429	10,098	4,653	3,605

Customers B and C in 2020 are not the same as customers B and C in 2019.

Notes to the financial statements continued
for the year ended 30 April 2020

2. Employee benefit expense (including Directors)

	2020 £'000	2019 £'000
Wages and salaries	**40,380**	36,461
Social security costs	**4,908**	4,035
Defined contribution pension plan costs	**2,209**	2,322
Share-based payments	**318**	291
	47,815	43,109

Average number of employees (including Directors)

	2020 Number	2019 Number
Other operational (including production)	**537**	444
Managed services	**117**	137
Total operational	**654**	581
Administration and support	**245**	234
	899	815

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration & Appointments Committee report on pages 57 to 66, where the relevant disclosures have been highlighted as audited.

3. Profit for the year

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

	Notes	2020 £'000	2019 £'000
Net foreign exchange losses/(gains)	18	**132**	(33)
Research and development costs		**9,734**	8,844
Depreciation of property, plant and equipment	10	**1,472**	1,147
Depreciation of right of use assets	24a	**1,168**	—
Amortisation of other intangible assets	9	**7,354**	9,514
Cost of inventories recognised as expenses		**45,732**	48,935
Staff costs (excluding share-based payments)	2	**47,497**	42,818
Share-based payments	20	**318**	291

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

The fees payable to the auditor for audit and non-audit services are disclosed in the Audit Committee report on page 55, where the relevant disclosures have been highlighted as audited.

4. Finance income

	2020 £'000	2019 £'000
Interest on bank deposits	**27**	27

All finance income is in respect of continuing operations.

5. Finance costs

	2020 £'000	2019 £'000
Loans	**527**	293
Finance leases	**6**	3
Interest paid on lease liabilities (see note 24(a))	**246**	—
	779	296

All finance costs are in respect of continuing operations.

Notes to the financial statements continued
for the year ended 30 April 2020

6. Income tax charge

	2020 £'000	2019 £'000
UK corporation tax: in respect of this year	**2,227**	2,729
UK corporation tax: in respect of prior years	**(785)**	(10)
Portugal corporation tax: in respect of this year	**130**	(410)
Portugal corporation tax: in respect of prior years	**15**	1
Other foreign corporation tax: in respect of this year	**—**	31
Other foreign corporation tax: in respect of prior years	**(31)**	—
	1,556	2,341
Deferred tax: in respect of this year	**(1,297)**	(1,713)
Deferred tax: in respect of prior years	**36**	(44)
	(1,261)	(1,757)
	295	584

The corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated assessable profit for the year, as disclosed below.

The current tax in respect of the year ended 30 April 2020 includes £188,000 credit (2019: £169,000) in respect of exceptional items.

The deferred tax includes a credit of £1,425,000 in respect of amortisation of other intangible assets (2019: £1,688,000), and a credit of £25,000 (2019: charge of £6,000) in respect of marking forward exchange contracts to market value at the year end. The deferred tax is further explained in note 17.

The tax charge for the year is reconciled to profit per the Consolidated income statement for the year ended 30 April 2020 as follows:

	2020 £'000	2019 £'000
Profit before tax on continuing operations	**9,979**	5,675
Tax at the UK corporation tax rate of 19.0% (2019: 19.0%)	**1,896**	1,078
Tax effect of expenses and reserve movements that are not deductible in determining taxable profit	**(26)**	56
Tax effect of R&D tax credits in Portugal	**(586)**	(483)
Tax effect of exceptional items that are not recognised in determining taxable profit	**(38)**	116
Tax effect of other timing differences not reflected in deferred tax	**(282)**	(96)
Tax effect of change in tax rate; 2020: change in tax rate from 17% to 19% for assets/liabilities falling after April 2020 (2019: change in time profile of deferred tax assets and/or liabilities)	**36**	3
Tax effect of statutory deduction for share options exercised	**(132)**	(70)
Tax effect of foreign tax rates	**192**	41
Tax effect of deferred tax movement on share options to be exercised	**(31)**	(8)
Tax effect of other prior year adjustments	**(734)**	(53)
Tax charge for the year	**295**	584

The UK corporation tax for the year ended 30 April 2020 is calculated at 19.0%, based upon 12 months at 19.0%. The UK corporation tax rate for the year ended 30 April 2019 is calculated at 19.0%, based upon 12 months at 19.0%.

In addition, a deferred tax credit of £193,000 (2019: charge of £76,000) was recognised directly in equity in respect of share options.

7. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2019 at 6.25 pence per ordinary share (2018: 5.65 pence)	**2,544**	2,300
Interim dividend in respect of the year ended 30 April 2020 at 3.20 pence per ordinary share (2019: 2.85 pence)	**1,309**	1,164
	3,853	3,464
Proposed final dividend for the year ended 30 April 2020 at 6.90 pence per ordinary share (2019: 6.25 pence per ordinary share)	**2,840**	2,554

The proposed final dividend is subject to approval by shareholders at the AGM to be held on 15 September 2020 and has not been included as a liability in these financial statements. If approved, this dividend will be paid on 18 September 2020 to shareholders on the register as at 14 August 2020.

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc representing 0.56% (2019: 0.24%) 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.

Notes to the financial statements continued
for the year ended 30 April 2020

8. Earnings per share

The earnings per share are calculated as follows:

	2020			2019		
	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)	**40,728,149**	**9,604**	**23.47**	40,749,551	5,447	13.37
Share options	**409,484**			224,086		
Diluted earnings	**41,137,633**	**9,604**	**23.24**	40,973,637	5,447	13.29

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 2020 and 30 April 2019 is after deducting the own shares, which are held by the Cohort Employee Benefit Trust.

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

		2020			2019		
	Notes	**Weighted average number of shares Number**	**Earnings £'000**	**Earnings per share pence**	Weighted average number of shares Number	Earnings £'000	Earnings per share pence
Basic earnings		**40,728,149**	**9,559**	**23.47**	40,749,551	5,447	13.37
Charge/(credit) on marking forward exchange contracts at the year end (net of tax credit of £25,000 (2019: charge of £6,000))	18		**107**			(27)	
Acquisition cost of ELAC (net of tax of £76,000)	30		**874**			—	
Costs of relocation of MASS's Lincoln facility (net of tax of £112,000)			**478**			—	
Adjustment to earn-out on acquisition of Chess	29		**(750)**			—	
Acquisition costs of EID			—			(17)	
Acquisition costs of Chess (net of tax of £74,000)			—			926	
Costs of restructuring at SEA (net of tax of £95,000)			—			405	
Amortisation of other intangible assets (see below)			**4,840**			6,956	
Adjusted earnings		**40,728,149**	**15,108**	**37.10**	40,749,551	13,690	33.60
Share options		**409,484**			224,086		
Diluted adjusted earnings		**41,137,633**	**15,108**	**36.73**	40,973,637	13,690	33.41

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 for calculating the adjusted earnings per share.

	2020					2019				
	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	**6,538**	**(1,242)**	**5,296**	**(962)**	**4,334**	4,870	(925)	3,945	(716)	3,229
EID	**816**	**(183)**	**633**	**(127)**	**506**	990	(223)	767	(154)	613
MCL	—	—	—	—	—	2,430	(346)	2,084	—	2,084
SEA	—	—	—	—	—	1,224	(194)	1,030	—	1,030
	7,354	**(1,425)**	**5,929**	**(1,089)**	**4,840**	9,514	(1,688)	7,826	(870)	6,956

Notes to the financial statements continued
for the year ended 30 April 2020

9. Goodwill and other intangible assets

	Goodwill						Other intangible assets					
	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	Group £'000	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	Group £'000
Cost												
At 1 May 2018	24,063	12,500	2,398	2,195	—	41,156	7,955	4,340	15,678	10,247	—	38,220
Acquisition of Chess	—	—	—	—	2,198	2,198	—	—	—	—	23,934	23,934
At 1 May 2019	24,063	12,500	2,398	2,195	2,198	43,354	7,955	4,340	15,678	10,247	23,934	62,154
Adjustment to fair value on acquisition of Chess	—	—	—	—	737	737	—	—	—	—	—	—
At 30 April 2020	**24,063**	**12,500**	**2,398**	**2,195**	**2,935**	**44,091**	**7,955**	**4,340**	**15,678**	**10,247**	**23,934**	**62,154**
Amortisation												
At 1 May 2018	2,000	—	—	—	—	2,000	6,731	4,340	13,248	7,733	—	32,052
Charge for the year ended 30 April 2019	—	—	—	—	—	—	1,224	—	2,430	990	4,870	9,514
At 1 May 2019	2,000	—	—	—	—	2,000	7,955	4,340	15,678	8,723	4,870	41,566
Charge for the year ended 30 April 2020	—	—	—	—	—	—	—	—	—	816	6,538	7,354
At 30 April 2020	**2,000**	**—**	**—**	**—**	**—**	**2,000**	**7,955**	**4,340**	**15,678**	**9,539**	**11,408**	**48,920**
Net book value												
At 30 April 2020	**22,603**	**12,500**	**2,398**	**2,195**	**2,935**	**42,091**	**—**	**—**	**—**	**708**	**12,526**	**13,234**
At 30 April 2019	22,063	12,500	2,398	2,195	2,198	41,354	—	—	—	1,524	19,064	20,588

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

The movement in the Chess goodwill is adjustments to the provisional fair values at 30 April 2019 (see note 29).

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 ended 30 April 2021, 2022 and 2023 are based upon the cash-generating units' budgets and forecasts for those years. These cash flows are based upon the revenue, margin and overhead cost forecasts for each business taking account of the run-off of order book, renewal of existing business and winning of new business. Historically, these cash flow forecasts have been a reasonable forecast of actual performance over the period of measurement. Costs reflect inflation rates, currently assumed at 2% (2019: 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 2020, nearly £85m (62% of consensus forecasts) of revenue for 2021 was already under contract and, as such, the main assumptions related to revenue volumes are in periods for 2022 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 ended 30 April 2023 to which a growth rate of 1.5% is applied each year (2019: 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% (2019: 1.0%), reflecting the expected growth rate for Portuguese Government expenditure. 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.

Notes to the financial statements continued
for the year ended 30 April 2020

9. Goodwill and other intangible assets continued

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 2020 of £5.750 (2019: £3.725).
Risk free interest rate	Based upon thirty-year UK Government gilt rate of 0.59% (2019: 1.78%). The thirty-year gilt rate has been used as a better reflection of long-term rates. We had previously used the ten-year gilt rate but we consider the longer gilt rate aligns better with our cash flow assumptions. Using the ten-year gilt would have reduced the WACC for the Group and reduced the risk of impairment.
Beta factor	Derived from analyst estimates provided by the Group's Nomad (Investec) and reflects a range of outcomes from 0.46 to 0.84 (2019: 0.26 to 0.50).
Equity risk premium	The equity risk premium of the Group of 10.46% (2019: 11.28%) 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 debt position. The Group loans at 30 April 2020 have an average interest cost of 2.094% per annum as at that date (2019: 2.037%).

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was 9.2% (2019: 12.5%). 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 decrease in the Group's pre-tax WACC is due to lower interest rates and equity risk partly offset by a higher volatility (Beta factor), both of the latter in respect of Cohort plc shares.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2020 in respect of any of Chess, EID, 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 15%, Chess's goodwill (£2.9m) is fully impaired. Chess's goodwill is the most sensitive to impairment due to its current high level of segmental current assets including other intangible assets. This impairment would arise if the higher equity risk and Beta factor are applied to the post-tax WACC calculation.

The other intangible assets arose on the acquisition of subsidiaries. The EID and J+S intangible assets were in respect of contracts acquired. The J+S other intangible asset is disclosed as part of SEA. The MCL intangible asset was in respect of contracts acquired and to be secured. The SEA and MCL intangible assets are now fully amortised. The EID intangible asset will be fully amortised by 30 April 2023.

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

The other intangible asset in respect of Chess is in respect of contracts acquired and expected opportunities to be secured. The other intangible asset of Chess will be fully amortised by 30 April 2024.

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:

	2020		2019	
	MCL £'000	**Chess £'000**	MCL £'000	Chess £'000
Contracts acquired	**708**	**2,062**	1,524	5,021
Customer relationships	**—**	**10,464**	—	14,043
	708	**12,526**	1,524	19,064

Notes to the financial statements continued
for the year ended 30 April 2020

10. Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2018	9,911	6,406	16,317
Acquired	83	411	494
Additions	—	2,058	2,058
Disposals	—	(125)	(125)
Foreign exchange movement	—	(12)	(12)
At 1 May 2019	9,994	8,738	18,732
Additions	353	2,309	2,662
Disposals	—	(121)	(121)
Foreign exchange movement	—	6	6
At 30 April 2020	**10,347**	**10,932**	**21,279**
Depreciation			
At 1 May 2018	2,019	4,701	6,720
Charge in the year	302	845	1,147
Eliminated on disposal	—	(86)	(86)
Foreign exchange movement	—	(5)	(5)
At 1 May 2019	2,321	5,455	7,776
Charge in the year	314	1,158	1,472
Eliminated on disposal	—	(92)	(92)
Foreign exchange movement	—	2	2
At 30 April 2020	**2,635**	**6,523**	**9,158**
Net book value			
At 30 April 2020	**7,712**	**4,409**	**12,121**
At 30 April 2019	7,673	3,283	10,956

The net book value of the Company's property, plant and equipment was £250,000 at 30 April 2020 (2019: £263,000). This was after additions of £93,000, net disposals of £14,000 and a depreciation charge of £92,000 for the year ended 30 April 2020.

The net book value of fixed assets held under finance leases at 30 April 2020 was £240,000 (2019: £180,000).

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

The valuation (in accordance with International Valuation Standards) of the Group's land and buildings at 30 April 2020 supports the above net book value.

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

11. Investment in subsidiaries and joint ventures

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Subsidiary undertakings	**—**	—	**90,970**	90,725
Joint ventures	**—**	—	**—**	—
	—	—	**90,970**	90,725

Notes to the financial statements continued
for the year ended 30 April 2020

11. Investment in subsidiaries and joint ventures continued

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

Name of company	Registered office	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned					
Systems Consultants Services Limited (SCS)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Formerly a provider of technical consultancy To be made dormant
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	Dovenby Hall, Balcombe Road, Horley, Surrey RH6 9UU	England	Ordinary	100%	Holding company of Marlborough Communications Limited
Thunderwaves, S.A.	6. Ruo do Alecrim 26E 1200-018, Lisbon	Portugal	Ordinary	100%	Holding company of EID
Cohort Deutschland GmbH	GÖRG, Rechtsanwälte, Alter Wall 20-22, 20457, Hamburg	Germany	Ordinary	100%	Holding company for Cohort investments in Germany
Chess Technologies Limited (Chess)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	81.84%	Holding company of Chess Dynamics Ltd, Chess Dynamics Inc and Vision4ce Ltd
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, digital forensics and IT support 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 J+S Limited
J+S Limited	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. To be made dormant
Marlborough Communications Limited (MCL)	Dovenby Hall, Balcombe Road, Horley, Surrey RH6 9UU	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 defence 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), 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, H9R 5N2	Canada	Ordinary	50%	A joint venture between SEA and a Canadian supplier to deliver and support SEA products and services into the Canadian Navy
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	Ordinary	100%	US representative of Chess's UK business

All shares held in subsidiaries and joint ventures 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 2020

11. Investment in subsidiaries and joint ventures continued

Company

The Company's investments in subsidiaries are as follows:

	Chess £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Thunderwaves £'000	Total £'000
At 1 May 2018	—	14,537	16,487	2,623	26,506	12,851	73,004
Acquired	18,702	—	—	—	—	—	18,702
Share-based payments	—	109	24	—	88	33	254
Vested in year	—	(95)	(13)	—	(83)	—	(191)
Deferred tax on share-based payments charged directly to equity	—	(5)	—	—	—	—	(5)
Repaid by subsidiary to Cohort	—	—	—	(1,039)	—	—	(1,039)
At 1 May 2019	18,702	14,546	16,498	1,584	26,511	12,884	90,725
Share-based payments	21	111	27	—	82	45	286
Vested in year	—	(109)	(22)	—	(87)	—	(218)
Deferred tax on share-based payments charged directly to equity	20	76	14	—	67	—	177
At 30 April 2020	**18,743**	**14,624**	**16,517**	**1,584**	**26,573**	**12,929**	**90,970**

12. Inventories

	2020 £'000	2019 £'000
Finished goods and raw materials	**11,478**	13,452

The inventory at 30 April 2020 is after a stock provision of £575,000 (2019: £1,130,000).

13. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables (net of provision for doubtful debts)	**23,275**	19,930	**—**	—
Contract receivables	**16,475**	13,044	**—**	—
Prepayments and accrued income	**7,541**	9,719	**175**	150
Current tax assets	**132**	278	**—**	—
Amounts due from subsidiary undertakings	**—**	—	**3,341**	2,626
	47,423	42,971	**3,516**	2,776

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

The average credit period taken on sales of goods is 37 days (2019: 22 days). Of the trade receivables balance, £6.1m was considered overdue at 30 April 2020 (30 April 2019: £5.3m). The increase in the debtor days is due to some receivables from export customers being delayed as a result of the COVID-19 impact. The UK MOD debtor days were lower due to more prompt payment by the UK MOD in March and April 2020. 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 2020, is the UK MOD with a balance outstanding of £2.0m (2019: £1.6m). Other customers who represent more than 5% of trade receivables include:

	2020 £m	2019 £m
Customer A	**2.7**	1.2
Customer B	**1.9**	1.0
Customer C	**1.1**	2.4
Customer D	**0.9**	1.2

Customers C and D in 2020 are not the same as customers C and D in 2019.

Notes to the financial statements continued
for the year ended 30 April 2020

13. Trade and other receivables continued

Trade receivables include £7.1m (2019: £5.2m) 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 credit worthiness of the end customer.

Ageing of past due but not impaired receivables	2020 £'000	2019 £'000
30–60 days	**2,928**	2,923
60–90 days	**96**	504
>90 days	**3,113**	1,826
	6,137	5,253

Movement in the allowance for doubtful debts (reported within trade receivables)	2020 £'000	2019 £'000
Balance at 1 May	**980**	340
Expected credit losses recognised	**94**	—
On acquisition of Chess	**—**	689
Utilised on write off of debt	**(14)**	(42)
Released on recovery of debt previously provided	**(37)**	—
Foreign exchange movement	**3**	(7)
Balance at 30 April	**1,026**	980

Contract receivables	2020 £'000	2019 £'000
Opening balance	**13,044**	11,963
Acquired	**—**	1,440
Contract receivable recognised in revenue	**22,312**	12,806
Contract receivable invoiced	**(18,890)**	(13,150)
Foreign exchange movement	**9**	(15)
Closing balance	**16,475**	13,044

The Group order book at 30 April 2020 and its expected recognition as revenue in future periods is shown in the Operational review on pages 32 to 37. The order book at 30 April 2019 is shown on page 28.

14. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Advance receipts	**6,057**	4,620	**—**	—
Trade payables and accruals	**8,494**	17,418	**64**	260
Social security and other taxes	**5,149**	2,190	**161**	103
Accruals and deferred income	**11,285**	10,997	**1,667**	1,921
Amounts due to subsidiary undertakings	**—**	—	**1,584**	1,584
	30,985	35,225	**3,476**	3,868

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 43 days (2019: 43 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms (see Risk management, pages 32 to 37).

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.

Notes to the financial statements continued
for the year ended 30 April 2020

14. Trade and other payables continued

Total payable includes £0.9m (2019: £4.5m) denominated in foreign currency.

Contract liabilities	2020 £'000	2019 £'000
Opening balance	**4,620**	3,164
New advances	**9,945**	4,620
Advances consumed in delivery of contract	**(8,520)**	(3,164)
Foreign exchange movement	**12**	—
Closing balance	**6,057**	4,620

15. Bank borrowings

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Bank overdrafts	**—**	—	**11,882**	10,942
Bank loans	**25,095**	25,028	**25,095**	25,028
Finance leases	**179**	159	**—**	—
	25,274	25,187	**36,977**	35,970

These borrowings are repayable as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
On demand or within one year	**85**	61	**11,882**	10,942
In the second year	**91**	61	**—**	—
In the third to fifth years inclusive	**25,098**	25,065	**25,095**	25,028
	25,274	25,187	**36,977**	35,970
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(85)**	(61)	**(11,882)**	(10,942)
Amount due for settlement after 12 months	**25,189**	25,126	**25,095**	25,028

The weighted average interest rates paid were as follows:

	2020 %	2019 %
Bank overdrafts (variable)	**—**	2.45
Bank loans (variable)	**2.09**	2.15
Finance leases (fixed)	**5.10**	5.50

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

On 15 November 2018, the Group entered into its current banking facility. The £30.0m facility is provided equally by Lloyds and NatWest banks. The facility is provided for four years with options to extend for a further year and is secured over all of the Group's assets excluding EID, which is not part of the facility arrangement and maintains its own facilities locally in Portugal. The facility is available to the Group (excluding EID) in respect of acquisition financing and overdraft. On 20 May 2020, the Group exercised an option to extend this facility from £30m to £40m, the term remaining unchanged. The additional £10m facility is expected to be used for the acquisition of Wärtsilä ELAC Nautik GmbH. The Group is not obliged to make any repayments prior to the facility's expiration in November 2022 and the facility is disclosed as repayable in the third to fifth years inclusive.

At 30 April 2020, the facility has been drawn on as follows:

	Of which drawn is £m
Revolving credit facility loan	25.1
Overdraft	—
	25.1

At 30 April 2020, the Group had available £4.9m of undrawn bank facility. The Directors consider the carrying amount of bank borrowings approximate to their fair values. The undrawn facility available to the Group was increased to £14.9m on 20 May 2020.

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 2020.

Notes to the financial statements continued
for the year ended 30 April 2020

15. Bank borrowings continued

The Group's cash at 30 April 2020 of £20.6m is held with the following banks:

	2020 £'000	2019 £'000	Moody's long-term credit rating of bank as at 2020
National Westminster Bank plc	**13,493**	15,445	A1/A2
Barclays Bank PLC	**55**	993	A1
Lloyds Bank plc	**—**	185	Aa3
Novo Banco	**11**	11	Caa2
Santander Bank	**4,449**	801	Baa3
Banco Comercial Português	**1,301**	478	Baa2
Caixa Geral de Depósitos Bank	**1,246**	822	Baa3
Other banks and cash	**12**	28	
	20,567	18,763	

16. Provisions

Group	Reorganisation of SCS £'000	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2018	651	503	438	1,592
On acquisition	—	200	821	1,021
Charged/(released) to the income statement	(109)	89	(330)	(350)
Utilised	(542)	(131)	(154)	(827)
Foreign exchange movement	—	(10)	—	(10)
At 1 May 2019	—	651	775	1,426
On acquisition (see note 29)	—	—	900	900
Released to the income statement	—	(155)	(257)	(412)
Utilised	—	(95)	(7)	(102)
Foreign exchange movement	—	4	—	4
At 30 April 2020	**—**	**405**	**1,411**	**1,816**
Provisions due in less than one year	—	405	1,141	1,546
Provisions due in greater than one year	—	—	270	270
At 30 April 2020	**—**	**405**	**1,411**	**1,816**
Provisions due in less than one year	—	651	167	818
Provisions due in greater than one year	—	—	608	608
At 30 April 2019	—	651	775	1,426

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.

The provision in respect of the reorganisation of SCS was fully utilised in the year following the relocation of Cohort's head office, the onerous lease being settled.

Notes to the financial statements continued
for the year ended 30 April 2020

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 2018	7	(1,104)	(309)	177	197	24	(1,008)
On acquisition	(52)	(4,297)	—	—	—	—	(4,349)
Credit/(charge) to the income statement in respect of the current tax year	(98)	1,688	8	120	8	(6)	1,720
Credit to the income statement in respect of prior tax years	—	—	—	42	1	1	44
Effect of tax rate change due to change in estimated lives of underlying assets and/or liabilities	—	—	—	(3)	—	—	(3)
Foreign exchange movement	—	—	—	(4)	—	—	(4)
Recognised in the income statement	(98)	1,688	8	155	9	(5)	1,757
Recognised in equity	—	—	—	—	(76)	—	(76)
At 1 May 2019	(143)	(3,713)	(301)	332	130	19	(3,676)
Credit/(charge) to the income statement in respect of the current tax year	(102)	1,425	7	(56)	31	25	1,330
Charge to the income statement in respect of prior tax years	(33)	—	—	(3)	—	—	(36)
Effect of tax rate change from 17.0% to 19.0% for assets/liabilities falling after April 2020	(14)	—	(34)	8	4	—	(36)
Foreign exchange movement	—	—	—	3	—	—	3
Recognised in the income statement	(149)	1,425	(27)	(48)	35	25	1,261
Recognised in equity	—	—	—	—	193	—	193
At 30 April 2020	**(292)**	**(2,288)**	**(328)**	**284**	**358**	**44**	**(2,222)**

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

	2020 £'000	2019 £'000
Deferred tax assets	**598**	365
Deferred tax liabilities	**(2,820)**	(4,041)
	(2,222)	(3,676)

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 2020 was an asset of £56,000 (2019: £39,000) being £14,000 (2019: £18,000) in respect of other short-term timing differences, accelerated tax depreciation of £12,000 (2019: £5,000) and share options of £30,000 (2019: £16,000).

The corporation tax rate in the UK for the year ended 30 April 2020 was 19.0% (2019: 19.0%) which has been applied by Cohort in calculating its income tax (see note 6). The reduction in future UK corporation tax rate to 17.0% (was to be effective 1 April 2020) was reversed in March 2020 and the future rate will remain at 19.0%. UK deferred tax assets and liabilities are calculated using 19.0% for all those expected to reverse in the future.

For deferred tax balances in respect of EID (Portugal), the rate used was 22.20% (2019: 22.20%).

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.

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for the year ended 30 April 2020

18. Derivative financial instruments

The Group has derivative financial instruments as follows:

	2020 £'000	2019 £'000
Assets		
Foreign currency forward contracts	**—**	—
Liabilities		
Foreign currency forward contracts	**(231)**	(99)

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 value at the year end". They are in respect of trading contracts undertaken by the Group and in respect of MCL and SEA and are disclosed within their respective operating profits in the segmental analysis (see note 1; 2019: MCL and SEA). They are considered to be level 1 classification. The charge (2019: credit) to the Consolidated income statement for the year ended 30 April 2020 was as follows:

	2020 £'000	2019 £'000
Foreign currency forward contracts	**(132)**	33

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:

2020	Buy £'000	Sell €'000	Sell £'000	Buy US$'000
At forward exchange rates				
At 1 May 2019	388	433	(9,603)	(12,587)
Contracts matured in period	(388)	(433)	5,546	7,222
New contracts in period	110	126	(517)	(651)
At 30 April 2020	**110**	**126**	**(4,574)**	**(6,016)**
Fair value adjustment	—		(231)	
At 30 April 2020 at spot rate	**110**		**(4,805)**	

The total fair value adjustment is £231,000 (2019: £99,000) and the change in the forward exchange fair values for the year ended 30 April 2020 is £132,000 (30 April 2019: £33,000), which is included in the operating profit of the Group as a charge (2019: credit).

2019	Sell £'000	Buy MYR'000	Buy £'000	Sell €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2018	(1,026)	(6,315)	526	588	309	496	(1,290)	(1,818)
Contracts matured in period	1,026	6,315	(526)	(588)	(309)	(496)	1,290	1,818
New contracts in period	—	—	388	433	—	—	(9,603)	(12,587)
At 30 April 2019	—	—	388	433	—	—	(9,603)	(12,587)
Fair value adjustment	—		(15)		—		(84)	
At 30 April 2019 at spot rate	—		373		—		(9,687)	

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for the year ended 30 April 2020

18. Derivative financial instruments continued

Liquidity risk

The maturity of the outstanding contracts was as follows:

At 30 April 2020	Buy £'000	Sell €'000	Sell £'000	Buy US$'000
Within one year	110	126	(4,574)	(6,016)
Within two years	—	—	—	—
Greater than two years	—	—	—	—
At 30 April 2020 at forward rate	**110**	**126**	**(4,574)**	**(6,016)**

At 30 April 2019	Sell £'000	Buy MYR'000	Buy £'000	Sell €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
Within one year	—	—	388	433	—	—	(4,543)	(5,955)
Within two years	—	—	—	—	—	—	(5,060)	(6,632)
Greater than two years	—	—	—	—	—	—	—	—
At 30 April 2019 at forward rate	—	—	388	433	—	—	(9,603)	(12,587)

The following significant exchange rates applied at 30 April:

	2020		2019	
	US$	**Euro**	US$	Euro
Exchange rates at 30 April	**0.7987**	**0.8705**	0.7698	0.8621

Sensitivity analysis

A 10% strengthening of sterling against the above currencies at 30 April 2020 would increase the reported operating profit by £427,000 (2019: decrease the reported operating profit by £847,000) in respect of marking these forward contracts to market value.

19. Share capital

	2020 Number	2019 Number
Allotted, called up and fully paid 10 pence ordinary shares	**40,959,101**	40,959,101

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

	Number
At 1 May 2018	40,959,101
Share options exercised	—
At 1 May 2019	40,959,101
Share options exercised	—
At 30 April 2020	**40,959,101**

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

During the year ended 30 April 2020, no ordinary shares (2019: Nil) in Cohort plc were issued to satisfy share options.

Notes to the financial statements continued
for the year ended 30 April 2020

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 share option scheme. 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 2020:

Scheme and grant date	Exercise price £	Vesting date	Expiry date	30 April 2020 Vested	30 April 2020 Not vested	30 April 2020 Total	30 April 2019 Vested	30 April 2019 Not vested	30 April 2019 Total
Cohort plc 2006 share option scheme									
23 Jul 2010	0.835	24 Jul 2013	23 Jul 2020	**15,000**	**—**	**15,000**	43,299	—	43,299
26 Jul 2011	0.915	27 Jul 2014	26 Jul 2021	**22,000**	**—**	**22,000**	22,000	—	22,000
2 Aug 2012	1.165	3 Aug 2015	2 Aug 2022	**8,500**	**—**	**8,500**	68,500	—	68,500
9 Aug 2013	1.675	10 Aug 2016	9 Aug 2023	**10,700**	**—**	**10,700**	78,550	—	78,550
11 Aug 2014	1.975	12 Aug 2017	11 Aug 2024	**12,600**	**—**	**12,600**	44,930	—	44,930
20 Aug 2015	3.725	21 Aug 2018	20 Aug 2025	**72,090**	**—**	**72,090**	192,534	—	192,534
Cohort plc 2016 share option scheme									
15 Aug 2016	3.400	16 Aug 2019	15 Aug 2026	**81,366**	**—**	**81,366**	—	220,459	220,459
25 Aug 2017	3.760	26 Aug 2020	25 Aug 2027	**—**	**272,158**	**272,158**	—	288,563	288,563
10 Aug 2018	3.900	11 Aug 2021	10 Aug 2028	**—**	**304,553**	**304,553**	—	319,353	319,353
28 Aug 2019	4.425	29 Aug 2022	28 Aug 2029	**—**	**414,361**	**414,361**	—	—	—
18 Sep 2019	4.875	19 Sep 2022	18 Sep 2029	**—**	**13,491**	**13,491**	—	—	—
				222,256	**1,004,563**	**1,226,819**	449,813	828,375	1,278,188
Save As You Earn (SAYE) scheme									
11 Aug 2014	2.075			**—**	**—**	**—**	—	28,913	28,913
14 Aug 2015	3.380			**—**	**33,509**	**33,509**	—	35,372	35,372
29 Aug 2016	3.550			**6,853**	**29,332**	**36,185**	—	101,041	101,041
25 Aug 2017	4.085			**—**	**80,392**	**80,392**	—	86,368	86,368
1 Sep 2018	3.900			**—**	**62,065**	**62,065**	—	70,441	70,441
6 Sep 2019	4.475			**—**	**96,011**	**96,011**	—	—	—
				6,853	**301,309**	**308,162**	—	322,135	322,135
				229,109	**1,305,872**	**1,534,981**	449,813	1,150,510	1,600,323

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 9 August 2019 for the 2019 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:

	2020 Options	2020 Weighted average exercise price £	2019 Options	2019 Weighted average exercise price £
Outstanding at 1 May	**1,600,323**	**3.32**	1,745,683	2.94
Granted during the year	**535,471**	**4.45**	414,264	3.90
Forfeited during the year	**(81,045)**	**3.84**	(147,138)	3.66
Exercised during the year	**(515,662)**	**2.70**	(371,626)	2.00
Expired during the year	**(4,106)**	**3.40**	(40,860)	3.68
Outstanding at 30 April	**1,534,981**	**3.90**	1,600,323	3.32
Exercisable at 30 April	**229,109**	**2.86**	449,813	2.39

The weighted average remaining contractual life of seven years (2019: six years).

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

Notes to the financial statements continued
for the year ended 30 April 2020

20. Share options continued

In the year ended 30 April 2020, options were granted as follows: 99,119 on 6 September 2019 under the SAYE scheme, and 422,861 on 28 August 2019 and 13,491 on 18 September 2019, both of the latter under the Cohort plc 2016 share option scheme. The option price for the SAYE scheme was £4.475 per share which was the mid-market price on the day before the scheme invitation was made on 9 August 2019. The option price for the options issued under the Cohort plc 2016 share option scheme was £4.425 and £4.875 respectively, the mid-market price the day before the grant.

Share options granted during the current and previous years were valued using the Quoted Companies Alliance model. The inputs to this model for the current and previous years were as follows:

	2020	2019
Average share price	**£5.30**	£3.83
Weighted average exercise price	**£3.90**	£3.32
Expected volatility	**25.0%**	26.0%
Risk free rate	**0.55%–1.51%**	0.91%–1.84%
Leaver rate (per annum)	**10.0%**	10.0%
Dividend yield	**0.91%**	0.94%

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 £318,000 (2019: £291,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to the share option reserve.

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

21. Own shares

	£'000
Balance at 1 May 2018	1,190
Acquired in the year	631
Sold in the year	(743)
Loss on shares sold in the year	(730)
Balance at 30 April 2019	348
Acquired in the year	3,677
Sold in the year	(1,472)
Loss on shares sold in the year	(989)
Balance at 30 April 2020	**1,564**

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), Restricted Share Schemes (see the Remuneration & Appointments Committee report on pages 57 to 66) and the Group's SIP scheme.

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2020 was 231,048 (2019: 98,053).

Tranches of Cohort plc ordinary shares were acquired by the Employee Benefit Trust as follows:

Date	Number acquired	Price per share	Investment
13 May 2019	393,076	3.816	1,500
11 October 2019	22,660	5.150	117
22 October 2019	23,813	5.216	124
29 October 2019	16,772	5.316	89
8 January 2020	63,456	7.290	463
3 February 2020	100,000	6.921	692
5 February 2020	100,000	6.921	692
	719,777		3,677

The acquisitions made on 8 January 2020 were to satisfy share option exercises by Andrew Thomis and Simon Walther (see Remuneration & Appointments Committee report on pages 57 to 66).

Notes to the financial statements continued
for the year ended 30 April 2020

21. Own shares continued

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

Exercise price per share Pence	Number of shares sold	Proceeds £'000	(Loss)/profit on sale of shares £'000
83.5	28,299	24	(102)
116.5	60,000	70	(156)
167.5	67,850	114	(194)
197.5	32,330	64	(73)
207.5	28,913	60	(49)
340.0	124,559	423	(133)
355.0	58,267	207	(29)
372.5	115,444	430	(65)
415.0	19,304	80	7
	534,966	1,472	(794)

In addition, 51,816 (2019: 46,420) ordinary shares in Cohort plc were transferred at nil value realising a loss on sale of shares of £195,000 for the purpose of satisfying shares awarded to the Executive Directors (see the Remuneration & Appointments Committee report on pages 57 to 66) 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 £989,000 (2019: £730,000). The 19,304 shares sold at £4.15 per share were in respect of satisfying the Group's SIP.

102,034 (2019: 88,690) of the shares held by the Employee Benefit Trust at 30 April 2020 remain to be issued under the Restricted Share Scheme, on which an estimated loss of £691,000 (2019: £315,000) will be recognised as they are issued.

As at 30 April 2020, an estimated 18,000 shares (2019: 14,000) held by the Employee Benefit Trust expect to be used under the SIP on which an estimated loss of £43,000 (2019: gain of £2,500) 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 2020 was £1,328,526 (2019: £389,761).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2020 was £23,825 (2019: £21,990) and this cost is included within "Administrative expenses" in the Consolidated income statement.

22. Reserves and non-controlling interests

The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements on pages 77 and 78. 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 30 April 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 2018	2,554	—	2,554
Profit/(loss)	96	(452)	(356)
Other comprehensive income	(133)	—	(133)
Introduced on acquisition	—	4,214	4,214
At 1 May 2019	2,517	3,762	6,279
Profit/(loss)	375	(250)	125
Other comprehensive income	5	—	5
Change in the fair value of assets acquired with Chess	—	(163)	(163)
At 30 April 2020	**2,897**	**3,349**	**6,246**

Notes to the financial statements continued
for the year ended 30 April 2020

23. Net cash from operating activities

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Profit for the year	**9,684**	5,091	**6,681**	8,724
Adjustments for:				
Income tax charge/(credit)	**295**	584	**(220)**	(11)
Depreciation of property, plant and equipment	**1,472**	1,147	**92**	57
Depreciation of right of use assets	**1,168**	—	**75**	—
Amortisation of other intangible assets and goodwill	**7,354**	9,514	**—**	—
Net finance expense	**752**	269	**522**	270
Derivative financial instruments and other non-trading exchange movements	**132**	(33)	**—**	—
Share-based payment	**318**	291	**33**	37
Decrease in provisions	**(511)**	(1,186)	**—**	(560)
Operating cash flows before movements in working capital	**20,664**	15,677	**7,183**	8,517
Decrease/(increase) in inventories	**1,974**	(2,812)	**—**	—
Increase in receivables	**(4,597)**	(794)	**(505)**	(1,048)
(Decrease)/increase in payables	**(5,059)**	(451)	**(879)**	5,179
	(7,682)	(4,057)	**(1,384)**	4,131
Cash generated by operations	**12,982**	11,620	**5,799**	12,648
Income taxes paid	**(606)**	(2,689)	**—**	—
Interest paid	**(779)**	(296)	**(534)**	(286)
Net cash inflow from operating activities	**11,597**	8,635	**5,265**	12,362

Interest paid includes the interest element of lease liabilities under IFRS 16 (see note 24) of £246,000 (2019: £Nil).

24. Leases

(a) Leases

The Group has adopted IFRS 16 'Leases' as from 1 May 2019. The Group has applied IFRS 16 using the modified retrospective with cumulative effect method, i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 May 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 (see (b) below). Additionally, the disclosure requirements in IFRS 16 have not been generally applied to comparative information. The details of the significant changes and quantitative impact of the changes are set out below.

The following table summarises the quantitative impact of adopting IFRS 16 on the Group's financial statements for the year ended 30 April 2020.

Impact of adoption of IFRS 16	**As reported £'000**	Adjustments £'000	Balances without adoption of IFRS 16 £'000
Balance sheet			
Right of use asset	**6,900**	(6,900)	—
Lease liability (current)	**(1,257)**	1,257	—
Lease liability (non-current)	**(6,240)**	6,240	—
Retained earnings	**75,543**	202	75,745

Amounts recognised on the balance sheet

Cost of right of use assets

	Group			
	Property £'000	Other £'000	Total £'000	Company £'000
On transition at 1 May 2019	5,450	467	5,917	325
Additions	2,475	128	2,603	—
Disposals	(451)	—	(451)	—
Foreign exchange movement	—	(1)	(1)	—
At 30 April 2020	**7,474**	**594**	**8,068**	**325**

Notes to the financial statements continued
for the year ended 30 April 2020

24. Leases continued

(a) Leases continued

Amounts recognised on the balance sheet continued

Accumulated depreciation of right of use assets

	Group			
	Property £'000	Other £'000	Total £'000	Company £'000
On transition at 1 May 2019	—	—	—	—
Charge for the year	972	196	1,168	75
At 30 April 2020	**972**	**196**	**1,168**	**75**
Net book value at 30 April 2020	**6,502**	**398**	**6,900**	**250**

Lease liabilities

	Group			
	Property £'000	Other £'000	Total £'000	Company £'000
On transition at 1 May 2019	5,598	467	6,065	354
New lease liabilities	2,418	128	2,546	—
Interest charge	233	13	246	11
Payments	(1,161)	(199)	(1,360)	(88)
At 30 April 2020	**7,088**	**409**	**7,497**	**276**
Current	**1,078**	**179**	**1,257**	**80**
Non-current	**6,010**	**230**	**6,240**	**196**
	7,088	**409**	**7,497**	**276**

Amounts recognised in Consolidated income statement

	Group £'000
Interest expense on lease liabilities (note 5)	246
Depreciation expense	1,168
	1,414

The net effect on the Group's profit before tax for the year ended 30 April 2020, of adopting IFRS 16 from 1 May 2019, was a £54,000 reduction.

The Company's right of use asset is in respect of its property lease at Theale.

Previously the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. On transition to IFRS 16, the Group elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 May 2019.

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Group recognises right of use assets and lease liabilities for most of those operating leases, i.e. these leases are on the balance sheet also.

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 May 2019. The weighted-average rate applied was 3.0%.

Right of use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has used its assessment of whether leases are onerous applying IAS 37 at 30 April 2019 as an alternative to performing an impairment review of the recognised right of use assets on the date of transition. The Company has tested its right of use assets for impairment on the date of transition and has concluded that there is no indication that the right of use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right of use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right of use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right of use asset at the date of initial application; and
- used hindsight when determining the lease term.

The cost of these leases recognised in the Consolidated income statement in the year ended 30 April 2020 was £386,000.

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for the year ended 30 April 2020

24. Leases continued

(b) Operating lease arrangements

At 30 April 2019 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fell due as follows:

	2019 £'000
Land and buildings:	
Within one year	502
In the second to fifth year inclusive	1,669
After five years	4,614
	6,785
Other:	
Within one year	182
In the second to fifth year inclusive	378
	560
	7,345

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

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

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

	2019 £'000
Minimum lease payments under operating leases recognised as an expense in the year:	
Land and buildings	62

Operating lease charges for the year ended 30 April 2019 was £1,282,000.

25. Commitments

There was £Nil of capital commitments at 30 April 2020 (2019: £334,000).

26. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £2,209,000 (2019: £2,322,000) were charged to the Consolidated income statement. Contributions outstanding at 30 April 2020 were £317,907 (2019: £332,691).

27. Contingent liabilities

At 30 April 2020 the Group had in place bank guarantees of £3,600,000 (2019: £1,221,000) in respect of trading contracts. The Group is not aware of any conditions which would realise these contingent liabilities.

28. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. However, the key transactions with the Company are disclosed as follows:

	Management fees received from subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief received from subsidiaries £'000
2020	**2,728**	**7,200**	**220**
2019	2,246	10,111	235

During the year ended 30 April 2020, the Directors of Cohort plc received dividends from the Company as follows:

	2020 £	2019 £
S Carter	**859,384**	773,986
N Prest CBE	**196,252**	176,523
A Thomis	**15,417**	10,199
Sir Robert Walmsley	**2,835**	2,550
S Walther	**15,887**	9,245
J Perrin	**378**	340
	1,090,153	972,843

Notes to the financial statements continued
for the year ended 30 April 2020

28. Related party transactions continued

Further details of the remuneration of the Directors are set out in the Remuneration & Appointments Committee report (pages 57 to 66).

The aggregate remuneration (excluding share option costs) of the key management (2020: 12; 2019: 11) of the Group was as follows:

	2020 £	2019 £
Salary (including any allowances, benefits and employer's NIC)	**1,970,197**	1,831,941
Employer's pension contribution	**75,370**	48,866
	2,045,567	1,880,807

The key management of the Group is the Board of Cohort plc plus each subsidiary's Managing Director.

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' 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.

The change to the provisional fair values of net assets acquired at 81.84% was £737,000 and this amount has been added to the goodwill arising from the acquisition. The balance of £163,000 was added to the non-controlling interest.

The goodwill of £2.9m (2019: £2.2m) 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.

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 2020 and latest forecasts to 30 April 2021, this earn-out is estimated at £0.4m as at 30 April 2020 (2019: £1.15m).

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 exercisable by 31 October 2021 and 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 is 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 £3.60m (2019: £4.35m) and the option is shown as a non-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 and 30 April 2020 plus the latest forecasts for the Chess business for the year ended 30 April 2021 as adopted by the Board. These estimates, which are considered to be significant unobservable inputs in accordance with IFRS 13, will be reviewed annually, based upon the actual performance of Chess and its latest forecast, and any adjustment necessary, made at that time. 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 Group has considered it not appropriate to apply a discount rate to these financial liabilities as the effect would be immaterial.

30. Costs in respect of the acquisition of Wärtsilä ELAC Nautik GmbH (ELAC)

The Group has incurred, including estimated costs, £950,000 in respect of acquiring ELAC. These costs have been reported as exceptional costs.

The acquisition of ELAC has not yet completed and is subject to German Federal Government approval. The acquisition is currently expected to complete on or before 30 September 2020.

The acquisition costs include £0.3m in respect of extending the Group's banking facility from £30m to £40m by activating an Accordion, the additional £10m to be used to acquire ELAC.

Accounting policies

Basis of accounting

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRSs). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 75 to 114. 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 is due for renewal in November 2022. Both the current domestic economic conditions (including the COVID-19 pandemic) and continuing UK Government budget pressures, including for defence, create uncertainty, particularly over the level of demand for the Group's products.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report on pages 2 to 46 and included in the Risk management section on pages 32 to 37. The financial position of the Company, its cash flows, its liquidity position and its borrowing facilities are also described in the Strategic report on pages 2 to 46.

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 2020. 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

Various new and revised standards and interpretations have been adopted by the Group in the year ended 30 April 2020 which have had no significant impact on the amounts reported in these financial statements by the Group with the exception of IFRS 16 'Leases', the impact of which is shown in note 24.

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.

Accounting policies continued

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 sterling for the whole Group excluding Cohort's direct subsidiary Thunderwaves and indirect subsidiary EID, which both have the functional currency of the euro. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements, with any exchange difference included in the Consolidated comprehensive statement of income.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in the income statement for the year.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. The Group's accounting policies in respect of such derivative financial instruments are described above.

These forward foreign exchange contracts are revalued to fair value at each balance sheet date with any movement included in the Consolidated income statement as part of the cost of sales and disclosed separately in deriving the Group's adjusted operating profit.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable intangible assets, assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment biannually. Any impairment is recognised immediately in the income statement as an exceptional item and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's subsidiaries as appropriate. Subsidiaries (cash-generating units) to which goodwill has been allocated are tested for impairment biannually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the subsidiary is less than the carrying amount of the subsidiary, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the subsidiary and then to the other assets of the subsidiary pro rata on the basis of the carrying amount of each asset in the subsidiary. An impairment loss recognised for goodwill is not reversed in a subsequent period. The impairment of goodwill is a critical judgement and estimate and is discussed in detail below.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or subsidiary) is estimated to be less than its carrying amount, the carrying amount of the asset (subsidiary) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (subsidiary) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (subsidiary) in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets

Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward. The intangible assets are written off over the estimated useful life of those particular assets. As discussed on page 55, 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.

Accounting policies continued

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.

Leases (policy applicable from 1 May 2019)

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

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; and
- 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. Amounts are charged to the income statement as incurred.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their fair value at the date of acquisition, plus any subsequent cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2%–4%
Fixtures, fittings and equipment	20%–50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement as an exceptional item.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) which arises as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. In respect of specific types of provisions, the policy is as follows:

Warranty

Provisions for the expected cost of warranty obligations under local sale of goods legislation and specifically contracted warranty undertakings are recognised at the date of sale of the relevant product or service. The provision is the Directors' best estimate of the expenditure required to settle the Group's obligation.

Other contract related provisions including contract loss provisions

These include the following:

The Group undertakes a number of contracts where contractual and/or third-party obligations arise as a result of delivering the contract. This provision includes amounts for losses on contracts which are recognised in full immediately when it is probable that total contract costs will exceed total contract revenue. In some cases, after a product has been delivered and revenue has been recognised, the Group receives claims (including warranty issues) from customers in respect of work done. Where the amount required to settle the claim is uncertain or the Group disputes the amount of the claim, provision is made for the best estimate of the amount that will be required to settle the claim.

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.

Accounting policies continued

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 13). 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.

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 over time the 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.

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.

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 has applied the requirements of IFRS 2 'Share-based Payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the non-market-based vesting conditions.

Fair value is measured by use of the Quoted Companies Alliance binomial model. 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 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.

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 & 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 2020, a provision of £440,000 (2019: £234,000) was recognised against R&D tax credit claims made in the final and early build computations for 2018/19 and 2019/20. 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 with 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%. This is based upon the Group’s current secured borrowing rate from its banks and peer and market rates for such leasing arrangements.

Other

Where a reasonably possible change in a key assumption could give rise to a change in the amount reported, this is disclosed within the relevant note to the accounts.

Standards and interpretations issued as at 22 July 2020 not applied to these financial statements

A number of other standard amendments and IFRS Interpretations Committee (IFRS IC) interpretations have been issued and are yet to be applied by the Group. These include: amendments to IFRS 3 ‘Business Combinations’, amendments to IFRS 9, IAS 39 and IFRS 7 in respect of interest rate benchmark reform, amendments to IAS 1 and IAS 8 in respect of definition of material and Amendments to the References to the Conceptual Framework in IFRS standards.

Five-year record

	2020	2019	2018	2017	2016
Headline results (£'000)					
Revenue	**131,059**	121,182	110,547	112,994	111,827
Adjusted operating profit	**18,223**	16,164	15,225	14,399	11,722
Operating profit	**10,731**	5,944	10,262	873	5,066
Adjusted earnings per share (pence)					
Basic	**37.10**	33.60	29.08	27.71	26.77
Diluted	**36.73**	33.41	28.79	27.34	26.27
Statutory earnings per share (pence)					
Basic	**23.47**	13.37	18.95	8.87	18.48
Diluted	**23.24**	13.29	18.76	8.75	18.14
Dividend per share (pence)	**10.1**	9.1	8.2	7.1	6.0
Net operating cash flow (£'000)	**11,597**	8,635	13,220	659	6,718
Net (debt)/funds (£'000)	**(4,707)**	(6,424)	11,338	8,472	19,805
Order intake (£m)	**124.4**	189.9	76.6	108.6	94.8
Order book (£m)	**183.3**	190.9[1]	103.8	136.2[2]	116.8

1. The order book at 30 April 2019 is after including the acquired order book of Chess (£20.1m) on 12 December 2018.
2. The order book at 30 April 2017 is after including the acquired order book of EID (£23.1m) on 28 June 2016.

Glossary of terms

ASW	Anti-Submarine Warfare
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
DoD	United States Department of Defence
DSEI	Defence and Security Equipment International event
ECS	External communications system
EW	Electronic warfare
EWOS	Electronic warfare operational support
GHG	Greenhouse Gas
ISO	Intermodal shipping container
ISTAR	Intelligence, surveillance, target acquisition and reconnaissance
MOD	UK Ministry of Defence
NATO	North Atlantic Treaty Organisation
RAF	Royal Air Force
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

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

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public and investor relations

MHP Communications
4th Floor, 60 Great Portland Street
London W1W 7RT

Bankers

Lloyds Bank
The Atrium
Davidson House
Forbury Square
Reading RG1 3EU

NatWest Bank
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Shareholders' enquiries

If you have an enquiry about the Company's business, or about something affecting you as a shareholder (other than queries which are dealt with by the registrars), you should contact the Company Secretary by letter to the Company's registered office or by email to info@cohortplc.com.

Share register

Link Asset Services maintains the register of members of the Company.

If you have any questions about your personal holding of the Company's shares, please contact:

Link Asset Services

Shareholder Solutions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300 (calls are charged at 12 pence per minute plus your phone provider's access charge). (From outside the UK: +44 371 664 0300; calls will be charged at the applicable international rate.) Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Email: shareholderenquiries@linkgroup.co.uk

If you change your name or address or if details on the envelope enclosed with this report, including your postcode, are incorrect or incomplete, please notify the registrars in writing.

Daily share price listings

The Financial Times – AIM, Aerospace and Defence

The Times – Engineering

The Daily Telegraph – AIM section

London Evening Standard – AIM section

Financial calendar

Annual General Meeting

15 September 2020

Final dividend payable

18 September 2020

Expected announcements of results for the year ending 30 April 2021

Preliminary half year announcement

December 2020

Preliminary full year announcement

July 2021

Registered office

Cohort plc

One Waterside Drive
Arlington Business Park
Theale
Reading RG7 4SW

Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.