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 2021 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated and Company statement of financial position, Consolidated and Company cash flow statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

- auditing the forecasts prepared by management covering at least 12 months from the anticipated sign-off date;
- review of post year-end trading of the Group and comparison to the forecasts supplied by management; and
- auditing the sufficiency of going concern disclosures in the financial statements, including whether commentary regarding the timing of management's existing bank facilities falling due is appropriate and whether management will be seeking renewals of such facilities.

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

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

Summary of our audit approach

	Group	Parent company
Key audit matters	▶ Revenue recognition ▶ Goodwill impairment ▶ Acquisition accounting	▶ Investment in subsidiaries impairment
Materiality	▶ Overall materiality: £890,000 (2020: £874,000) ▶ Performance materiality: £667,000 (2020: £655,000)	▶ Overall materiality: £890,000 (2020: £874,000) ▶ Performance materiality: £667,000 (2020: £655,000)
Scope	Our audit procedures covered 100% of revenue and 100% of profit before tax.	

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

Key audit matters

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

Revenue recognition (Group)	
Key audit matter description	The Group has set out the critical accounting judgements in relation to revenue recognition on page 126. Contract receivables and payables arising under IFRS 15 are set out in notes 13 and 14. The Group derives revenue from a range of contract types including those where control passes at a point in time, support contracts and licence revenue as well as complex contracts that are operated on an input model as described below. The application of the appropriate revenue recognition criteria is key to the recognition of revenue within the accounts and has been deemed a key audit matter due to the judgemental nature of assigning the revenue recognition type. The Group recognises revenue on a number of fixed-price contracts by reference to the degree of completion of each contract. The degree of completion is measured by reference to costs incurred at the reporting date as a percentage of the total estimated costs to complete the project. The assumptions underlying the cost to complete estimates involve judgement, and any changes in the assumptions could have a material impact on the revenue recognised in relation to these contracts. The effect of these matters is that, as part of our risk assessment, we determined that the cost to complete estimates have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and revenue recognition has been deemed a key audit matter due to the estimation uncertainty and the allocation of audit resources.
How the matter was addressed in the audit	1. Audit of revenue recognition policies and discussion of the policies with management to check that they are appropriate based on the service supplied, contractual terms and relevant accounting standards. 2. 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. 3. Performance of tests of detail on a sample of accrued revenue and deferred revenue items to check the items are accounted for in accordance with the revenue recognition policy as well as specific cut-off testing for revenue recorded either side of the year end. 4. Recalculation of the revenue recognised on a sample of contracts, including significant new contracts entered into during the year, corroborating the details to the underlying contracts and anticipated margin to project managers' assessment of costs to complete. 5. Challenge of project managers' estimations to complete through assessment of historical accuracy of budgets and interviews with project managers on the projects tested in detail.

Impairment of goodwill (for the Group) and investment in subsidiaries (Cohort plc Company only)	
Key audit matter description	The Group has a Goodwill balance of £43.7m (2020: £42.1m) relating to historic acquisitions as described in note 9 in the consolidated financial statements. In addition, the Parent company holds significant investments in subsidiaries at cost of £91.0m (2020: £90.9m). Management assesses goodwill and investments in subsidiaries for impairment using discounted cash flow ("DCF") models to estimate the value in use of the Group's cash generating units ("CGUs") and compare this to the carrying values of goodwill and investments in subsidiaries. The use of a DCF model requires management to make estimates involving judgement, including forecasts of revenue and profitability and application of appropriate discount rates and as a result the matter was considered to be one of most significance in the Group and Parent company audits and therefore determined to be a key audit matter.
How the matter was addressed in the audit	1. Audit of management's sensitivity analysis and check of arithmetic accuracy. 2. Corroboration of inputs to the DCF models to relevant external and internal financial information and challenge of management assumptions. 3. Comparison of forecast financial performance to post year end trading to assess reliability of forecasting. 4. Comparison of growth and discount rate assumptions to comparable companies. 5. Challenge of forecasts focused on CGU for which the DCF models showed lowest headroom. 6. Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness.

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

Key audit matters continued

Acquisition accounting (Group)	
Key audit matter description	During the year, the Group acquired ELAC Sonar GmbH, as described in note 30, with the year ended 30 April 2021 being the first accounting period of consolidating this entity. The acquisition has been accounted for under IFRS 3 whereby fair values have been attributed to the identifiable assets and liabilities acquired and measurement of goodwill has arisen on acquisition. The acquisition accounting has been deemed a key audit matter since careful consideration has been required in assessing the fair value of these assets which is highly judgemental.
How the matter was addressed in the audit	1. Auditing the disclosures made in relation to the changes to the Group and ensuring these are included appropriately in the financial statements. 2. Auditing the acquisition accounting and checking that this is accurately reflected in the consolidation. 3. Reviewing the detailed purchase agreement to ensure the legal and funding arrangements have been appropriately accounted for and disclosed in the consolidated financial statements. 4. Involving our valuation specialist to assist in assessing the valuation of intangible assets other than goodwill. 5. Involving our tax specialist in reviewing the tax liabilities acquired on acquisition and tax rates applied to fair value adjustments in the recognition of deferred tax assets and liabilities. 6. Challenging management's acquisition workings leading to adjustments being made as a result of this challenge.

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	£890,000 (2020: £874,000)	£890,000 (2020: £874,000)
Basis for determining overall materiality	5% of adjusted operating profit	4% of net assets – capped at Group materiality
Rationale for benchmark applied	Adjusted operating profit is the key benchmark against which the business is assessed by management and investors.	The holding company is primarily focused on the investments that it holds.
Performance materiality	£667,000 (2020: £655,000)	£667,000 (2020: £655,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £45,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £45,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of eight components, six of which are based in the UK, one in Germany (acquired in the period) and one in Portugal.

Full scope audits were performed for six components, and analytical procedures at Group level for the remaining two components.

	Number of components	Revenue	Profit before tax
Full scope audit	6	88%	91%
Analytical procedures	2	12%	9%
Total	8	100%	100%

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 78, 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.

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

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

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

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

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

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

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

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
International Accounting Standards in conformity with the requirements of the Companies Act 2006 / Financial Reporting Standard 101 'Reduced Disclosure Framework'	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.
AIM listing rules	Review of announcements made during the year via RNS.

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

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

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

Use of our report

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

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

27 July 2021

Consolidated income statement
for the year ended 30 April 2021

	Notes	2021 £'000	2020 £'000
Revenue	1	**143,308**	131,059
Cost of sales		**(89,951)**	(80,016)
Gross profit		**53,357**	51,043
Administrative expenses		**(45,549)**	(40,312)
Operating profit	1	**7,808**	10,731
Comprising:			
Adjusted operating profit	1	**18,609**	18,223
Amortisation of other intangible assets (included in administrative expenses)	9	**(10,103)**	(7,354)
Research and development expenditure credits (RDEC) (included in cost of sales)		**1,029**	784
Charge on marking forward exchange contracts to market value at the year end (included in cost of sales)	18	**(410)**	(132)
Exceptional items (included in administrative expenses)			
Cost of acquisition of ELAC	30	**(106)**	(950)
Cost of relocation of MASS's Lincoln facility		**—**	(590)
Adjustment to earn-out on acquisition of Chess	29	**(38)**	750
Cost of restructuring at SEA		**(651)**	—
Loss on disposal of SEA's subsea business		**(522)**	—
		7,808	10,731
Finance income	4	**17**	27
Finance costs	5	**(768)**	(779)
Profit before tax		**7,057**	9,979
Income tax charge	6	**(1,554)**	(295)
Profit for the year	3	**5,503**	9,684
Attributable to:			
Equity shareholders of the parent		**5,463**	9,559
Non-controlling interests		**40**	125
		5,503	9,684

Earnings per share		Pence	Pence
Basic	8	**13.38**	23.47
Diluted	8	**13.24**	23.24

All profit for the year is derived from continuing operations.

The accompanying notes form part of the financial statements.

Consolidated statement of comprehensive income
for the year ended 30 April 2021

	2021 £'000	2020 £'000
Profit for the year	**5,503**	9,684
Items which may be subsequently reclassified to profit or loss:		
Foreign currency translation differences on net assets of oversea subsidiaries, net of loans used to acquire oversea subsidiaries	**4**	32
Changes in retirement benefit obligations	**355**	—
Other comprehensive income for the period, net of tax	**359**	32
Total comprehensive income for the year	**5,862**	9,716
Attributable to:		
Equity shareholders of the parent	**5,616**	9,586
Non-controlling interests	**246**	130
	5,862	9,716

Consolidated statement of changes in equity
for the year ended 30 April 2021

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 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	—	—	—	—	—	—	—	(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
Profit for the year	—	—	—	—	—	5,463	5,463	40	5,503
Other comprehensive income for the year	—	—	—	—	—	153	153	206	359
Total comprehensive income for the year	—	—	—	—	—	5,616	5,616	246	5,862
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Issue of new shares	8	299	—	—	—	—	307	—	307
Equity dividends	—	—	—	—	—	(4,247)	(4,247)	—	(4,247)
Dividend from subsidiary with non-controlling interest	—	—	—	—	—	754	754	(754)	—
Vesting of Restricted Shares	—	—	—	—	—	290	290	—	290
Own shares purchased	—	—	(1,418)	—	—	—	(1,418)	—	(1,418)
Own shares sold	—	—	821	—	—	—	821	—	821
Net loss on selling own shares	—	—	1,093	—	—	(1,093)	—	—	—
Share-based payments	—	—	—	406	—	—	406	—	406
Deferred tax adjustment in respect of share-based payments	—	—	—	3	—	—	3	—	3
Transfer of share option reserve on vesting of options	—	—	—	(332)	—	332	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,238	—	1,238	—	1,238
At 30 April 2021	**4,104**	**29,956**	**(1,068)**	**923**	**(2,362)**	**47,760**	**79,313**	**5,738**	**85,051**

The accompanying notes form part of the financial statements.

Company statement of changes in equity
for the year ended 30 April 2021

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 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
Profit for the year	—	—	—	—	—	5,820	5,820
Transactions with owners of the Company, recognised directly in equity							
Issue of new shares	8	299	—	—	—	—	307
Equity dividends	—	—	—	—	—	(4,247)	(4,247)
Vesting of Restricted Shares	—	—	—	—	—	290	290
Own shares purchased	—	—	(1,418)	—	—	—	(1,418)
Own shares sold	—	—	821	—	—	—	821
Net loss on selling own shares	—	—	1,093	—	—	(1,093)	—
Share-based payments	—	—	—	406	—	—	406
Deferred tax adjustment in respect of share-based payments	—	—	—	3	—	—	3
Transfer of share option reserve on vesting of options	—	—	—	(332)	—	24	(308)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,238	—	1,238
Total contributions by and distributions to owners of the Company	8	299	496	77	1,238	794	2,912
At 30 April 2021	**4,104**	**29,956**	**(1,068)**	**923**	**(2,362)**	**21,672**	**53,225**

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 2021

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Assets					
Non-current assets					
Goodwill	9	**43,663**	42,091	**—**	—
Other intangible assets	9	**15,093**	13,234	**—**	—
Right of use asset	10a	**7,076**	6,900	**200**	250
Property, plant and equipment	10b	**12,536**	12,121	**209**	250
Investment in subsidiaries	11	**—**	—	**91,038**	90,970
Deferred tax assets	17	**600**	598	**77**	56
		78,968	74,944	**91,524**	91,526
Current assets					
Inventories	12	**12,892**	11,478	**—**	—
Trade and other receivables	13	**66,692**	47,423	**18,398**	3,516
Derivative financial instruments	18	**38**	—	**—**	—
Cash and cash equivalents	15	**32,294**	20,567	**—**	—
		111,916	79,468	**18,398**	3,516
Total assets		**190,884**	154,412	**109,922**	95,042
Liabilities					
Current liabilities					
Trade and other payables	14	**(50,326)**	(30,985)	**(10,487)**	(3,476)
Derivative financial instruments	18	**(679)**	(231)	**—**	—
Lease liability	10a	**(1,571)**	(1,257)	**(100)**	(80)
Bank borrowings	15	**(50)**	(85)	**(13,447)**	(11,882)
Provisions	16	**(2,786)**	(1,546)	**—**	—
Other payables	29	**(2,800)**	—	**(2,800)**	—
		(58,212)	(34,104)	**(26,834)**	(15,438)
Non-current liabilities					
Deferred tax liabilities	17	**(2,735)**	(2,820)	**—**	—
Lease liability	10a	**(5,984)**	(6,240)	**(121)**	(196)
Bank borrowings	15	**(29,780)**	(25,189)	**(29,742)**	(25,095)
Provisions	16	**(1,140)**	(270)	**—**	—
Retirement benefit obligations	26	**(7,982)**	—	**—**	—
Other payables	29	**—**	(4,000)	**—**	(4,000)
		(47,621)	(38,519)	**(29,863)**	(29,291)
Total liabilities		**(105,833)**	(72,623)	**(56,697)**	(44,729)
Net assets		**85,051**	81,789	**53,225**	50,313
Equity					
Share capital	19	**4,104**	4,096	**4,104**	4,096
Share premium account		**29,956**	29,657	**29,956**	29,657
Own shares	21	**(1,068)**	(1,564)	**(1,068)**	(1,564)
Share option reserve		**923**	846	**923**	846
Other reserves	29	**(2,362)**	(3,600)	**(2,362)**	(3,600)
Retained earnings		**47,760**	46,108	**21,672**	20,878
Total equity attributable to the equity shareholders of the parent		**79,313**	75,543	**53,225**	50,313
Non-controlling interests		**5,738**	6,246	**—**	—
Total equity		**85,051**	81,789	**53,225**	50,313

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 £5,820,000 (2020: £6,681,000).

The financial statements on pages 85 to 128 were approved by the Board of Directors and authorised for issue on 27 July 2021 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 2021

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Net cash in/(out) flow from operating activities	23	**16,216**	11,597	**(1,984)**	5,265
Cash flows from investing activities					
Interest received		**17**	27	**99**	23
Purchases of property, plant and equipment	10b	**(1,247)**	(2,662)	**(51)**	(93)
Acquisition of ELAC Sonar (net of cash acquired)	30	**(1,311)**	—	**(24)**	—
Net cash (used in)/generated from investing activities		**(2,541)**	(2,635)	**24**	(70)
Cash flows from financing activities					
Issue of new shares		**307**	—	**307**	—
Dividends paid	7	**(4,247)**	(3,853)	**(4,247)**	(3,853)
Purchase of own shares	21	**(1,418)**	(3,677)	**(1,418)**	(3,677)
Sale of own shares	21	**821**	1,472	**821**	1,472
Drawdown of borrowings	15	**12,110**	98	**12,110**	—
Repayment of borrowings	15	**(7,180)**	(78)	**(7,089)**	—
Repayment of lease liabilities	10a	**(1,948)**	(1,114)	**(89)**	(77)
Net cash (used in)/generated from financing activities		**(1,555)**	(7,152)	**395**	(6,135)
Net increase/(decrease) in cash and cash equivalents		**12,120**	1,810	**(1,565)**	(940)
Represented by:					
Cash and cash equivalents and short-term borrowings brought forward		**20,567**	18,763	**(11,882)**	(10,942)
Cash flow		**12,120**	1,810	**(1,565)**	(940)
Exchange		**(393)**	(6)	**—**	—
Cash and cash equivalents and short-term borrowings carried forward		**32,294**	20,567	**(13,447)**	(11,882)

	At 1 May 2020 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	At 30 April 2021 £'000
Net (debt)/funds reconciliation				
Group				
Cash and bank	20,567	(393)	12,120	**32,294**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	20,567	(393)	12,120	**32,294**
Loan	(25,095)	374	(5,021)	**(29,742)**
Finance lease	(179)	—	91	**(88)**
Debt	(25,274)	374	(4,930)	**(29,830)**
Net (debt)/funds	(4,707)	(19)	7,190	**2,464**
Company				
Cash and bank	—	—	—	**—**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	—	—	—	**—**
Loan	(25,095)	374	(5,021)	**(29,742)**
Overdraft	(11,882)	—	(1,565)	**(13,447)**
	(36,977)	374	(6,586)	**(43,189)**
Debt	(36,977)	374	(6,586)	**(43,189)**

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 2021

1. Segmental analysis

For management and reporting purposes, the Group, during the year ended 30 April 2021, operated through its six trading subsidiaries: Chess, EID, ELAC Sonar (ELAC), MASS, MCL and SEA. ELAC was part of the Group for the five months ended 30 April 2021. These subsidiaries are the basis on which the Company reports its primary business segment information in accordance with IFRS 8. Whilst each subsidiary internally reports by reference to the sectors it sells to, these are considered by the Board to have similar economic characteristics in terms of the nature of the services and their customer base and therefore disaggregated information is not regularly reported to the Board. On this basis, the Board, which is deemed to be the chief operating decision maker, considers each trading subsidiary a separate operating segment.

The principal activities of the trading subsidiaries are described in the Strategic report (pages 1 to 51).

Business segment information about these subsidiaries is presented below:

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

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

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

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

Balance sheet	Chess £'000	EID £'000	ELAC £'00	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Assets								
Segment tangible assets	26,711	14,186	21,043	13,115	4,558	28,752	(9,872)	98,493
Goodwill and other intangible assets	9,142	2,666	9,987	12,500	2,398	22,063	—	58,756
Current tax asset								741
Deferred tax asset								600
Cash								32,294
Consolidated total assets	35,853	16,852	31,030	25,615	6,956	50,815		190,884
Liabilities								
Segment liabilities	(12,017)	(11,256)	(15,336)	(9,923)	(8,078)	(15,201)	(1,457)	(73,268)
Deferred tax liability								(2,735)
Bank borrowings								(29,830)
Consolidated total liabilities	(12,017)	(11,256)	(15,336)	(9,923)	(8,078)	(15,201)		(105,833)

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

Notes to the financial statements continued
for the year ended 30 April 2021

1. Segmental analysis continued

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.

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 2021

1. Segmental analysis continued
Geographical segments
The Group's subsidiaries are all located in the UK with the exception of EID, which is located in Portugal, and ELAC, which is based in Germany.

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

	2021 From the UK £'000	2021 From Portugal £'000	2021 From Germany £'000	2021 Total £'000	2020 From the UK £'000	2020 From Portugal £'000	2020 Total £'000
UK	**76,927**	**132**	**21**	**77,080**	78,772	143	78,915
Germany	**50**	**—**	**960**	**1,010**	52	—	52
Portugal	**—**	**6,276**	**—**	**6,276**	—	8,295	8,295
Other European countries	**17,618**	**2,448**	**3,300**	**23,366**	11,223	2,013	13,236
Asia Pacific	**14,018**	**11,931**	**3,501**	**29,450**	16,729	7,558	24,287
Africa	**—**	**146**	**61**	**207**	—	—	—
North and South America	**5,453**	**19**	**447**	**5,919**	6,263	11	6,274
	114,066	**20,952**	**8,290**	**143,308**	113,039	18,020	131,059

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

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

	2021 £'000	2020 £'000
Defence (including security)	**133,912**	118,054
Transport	**6,410**	7,616
Offshore energy	**1,038**	2,852
Other commercial	**1,948**	2,537
	143,308	131,059

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

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

	2021 £'000	2020 £'000
Product	**90,743**	74,770
Services	**52,565**	56,289
Total revenue	**143,308**	131,059

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 1 to 51).

Major customers
Revenue from major customers included in the Group's business segments for the year ended 30 April 2020 is as follows:

	2021					2020				
	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	**—**	**—**	**1,006**	**—**	**5,611**	—	—	1,574	—	4,244
EID	**—**	**5,935**	**—**	**10,206**	**—**	—	8,289	—	6,520	—
ELAC	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
MASS	**19,288**	**—**	**4,566**	**—**	**—**	19,751	—	5,972	—	—
MCL	**16,562**	**—**	**—**	**—**	**—**	12,938	—	—	—	—
SEA	**7,998**	**—**	**2,111**	**—**	**—**	8,494	—	2,212	—	—
	43,848	**5,935**	**7,683**	**10,206**	**5,611**	41,183	8,289	9,758	6,520	4,244

Customer C in 2021 is not the same as customer C in 2020.

Notes to the financial statements continued
for the year ended 30 April 2021

2. Employee benefit expense (including Directors)

	2021 £'000	2020 £'000
Wages and salaries	**43,883**	40,380
Social security costs	**5,283**	4,908
Retirement benefit obligations (see note 26):		
Defined contribution scheme	**2,177**	2,209
Defined benefit scheme	**132**	—
Share-based payments	**406**	318
	51,881	47,815

Average number of employees (including Directors)

	2021 Number	2020 Number
Engineering and production	**567**	537
Managed services	**121**	117
Total operational	**688**	654
Administration and support	**252**	245
	940	899

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration Committee report on pages 63 to 74, 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	2021 £'000	2020 £'000
Net foreign exchange losses	18	**410**	132
Research and development costs		**9,512**	9,734
Depreciation of property, plant and equipment	10b	**1,957**	1,472
Depreciation of right of use assets	10a	**1,510**	1,168
Amortisation of other intangible assets	9	**10,103**	7,354
Cost of inventories recognised as expenses		**53,970**	45,732
Staff costs (excluding share-based payments)	2	**51,475**	47,497
Share-based payments	20	**406**	318

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 60, where the relevant disclosures have been highlighted as audited.

4. Finance income

	2021 £'000	2020 £'000
Interest on bank deposits	**17**	27

All finance income is in respect of continuing operations.

5. Finance costs

	2021 £'000	2020 £'000
Loans	**492**	527
Finance leases	**9**	6
Interest paid on lease liabilities (see note 10a)	**237**	246
Retirement benefit obligations	**30**	—
	768	779

All finance costs are in respect of continuing operations.

Notes to the financial statements continued
for the year ended 30 April 2021

6. Income tax charge

	2021 £'000	2020 £'000
Current tax charge/(credit):		
UK corporation tax: in respect of this year	**2,833**	2,227
UK corporation tax: in respect of prior years	**(550)**	(785)
German corporation tax: in respect of this year	**304**	—
Portugal corporation tax: in respect of this year	**1,117**	130
Portugal corporation tax: in respect of prior years	**240**	15
Other foreign corporation tax: in respect of this year	**—**	—
Other foreign corporation tax: in respect of prior years	**—**	(31)
	3,944	1,556
Deferred tax charge/(credit):		
In respect of this year	**(2,498)**	(1,297)
In respect of prior years	**108**	36
	(2,390)	(1,261)
	1,554	295

The corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated taxable profit for the year, as disclosed below.

The current tax in respect of the year ended 30 April 2021 includes £142,000 credit (2020: £188,000) in respect of exceptional items.

The deferred tax includes a credit of £2,374,000 in respect of amortisation of other intangible assets (2020: £1,425,000), and a credit of £78,000 (2020: credit of £25,000) 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 2021 as follows:

	2021 £'000	2020 £'000
Profit before tax on continuing operations	**7,057**	9,979
Tax at the UK corporation tax rate of 19.0% (2020: 19.0%)	**1,341**	1,896
Tax effect of expenses and reserve movements that are not deductible in determining taxable profit	**(99)**	(26)
Tax effect of R&D tax credits in Portugal	**—**	(586)
Tax effect of exceptional items that are not recognised in determining taxable profit	**111**	(38)
Tax effect of other timing differences not reflected in deferred tax	**127**	(282)
Tax effect of change in tax rate: 2021 no change (2020: change in tax rate from 17% to 19% for assets/liabilities falling after April 2020)	**—**	36
Tax effect of statutory deduction for share options exercised	**(22)**	(132)
Tax effect of foreign tax rates	**313**	192
Tax effect of deferred tax movement on share options to be exercised	**(15)**	(31)
Tax effect of other prior year adjustments	**(202)**	(734)
Tax charge for the year	**1,554**	295

The UK corporation tax for the year ended 30 April 2021 is calculated at 19.0%, based upon 12 months at 19.0%. The UK corporation tax rate for the year ended 30 April 2020 is calculated at 19.0%, based upon 12 months at 19.0%. The Portuguese corporation tax rate calculated for the year ended 30 April 2021 is 23.0% (2020: 26.0%) and the German corporation tax rate calculated for the five months ended 30 April 2021 is 31.0% (2020: not applicable).

In addition, a deferred tax credit of £3,000 (2020: credit of £193,000) was recognised directly in equity in respect of share options.

7. Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2020 at 6.90 pence per ordinary share (2019: 6.25 pence)	**2,815**	2,544
Interim dividend in respect of the year ended 30 April 2021 at 3.50 pence per ordinary share (2020: 3.20 pence)	**1,432**	1,309
	4,247	3,853
Proposed final dividend for the year ended 30 April 2021 at 7.60 pence per ordinary share (2020: 6.90 pence per ordinary share)	**3,106**	2,840

The cost of the proposed final dividend, which is an estimate, is subject to approval by shareholders at the AGM to be held on 20 September 2021 and has not been included as a liability in these financial statements. If approved, this dividend will be paid on 27 September 2021 to shareholders on the register as at 20 August 2021.

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc representing 0.42% (2020: 0.56%) 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 2021

8. Earnings per share

The earnings per share are calculated as follows:

	2021			2020		
	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)	**40,841,923**	**5,463**	**13.38**	40,728,149	9,559	23.47
Share options	**413,249**			409,484		
Diluted earnings	**41,255,172**	**5,463**	**13.24**	41,137,633	9,559	23.24

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

The weighted average number of shares for the years ended 30 April 2021 and 30 April 2020 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:

		2021			2020		
	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		**40,841,923**	**5,463**	**13.38**	40,728,149	9,559	23.47
Charge on marking forward exchange contracts at the year end (net of tax credit of £78,000 (2020: credit of £25,000))	18	**—**	**332**	**—**	—	107	—
Acquisition cost of ELAC (net of tax credit of £6,000 (2020: tax credit of £76,000))	30	**—**	**100**	**—**	—	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	**—**	**38**	**—**	—	(750)	—
Costs of restructuring at SEA (net of tax of £124,000)			**527**	**—**	—	—	
Loss on disposal of SEA's subsea business (net of tax of £12,000)		**—**	**510**	**—**	—	—	—
Amortisation of other intangible assets (see below)		**—**	**6,763**	**—**	—	4,840	—
Adjusted earnings		**40,841,923**	**13,733**	**33.63**	40,728,149	15,108	37.10
Share options		**413,249**	**—**		409,484	—	—
Diluted adjusted earnings		**41,255,172**	**13,733**	**33.29**	41,137,633	15,108	36.73

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.

	2021					2020				
	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	**6,319**	**(1,201)**	**5,118**	**(929)**	**4,189**	6,538	(1,242)	5,296	(962)	4,334
EID	**237**	**(53)**	**184**	**(37)**	**147**	816	(183)	633	(127)	506
ELAC	**3,547**	**(1,120)**	**2,427**	**—**	**2,427**	—	—	—	—	—
	10,103	**(2,374)**	**7,729**	**(966)**	**6,763**	7,354	(1,425)	5,929	(1,089)	4,840

Notes to the financial statements continued
for the year ended 30 April 2021

9. Goodwill and other intangible assets

	Goodwill						
	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	ELAC £'000	Group £'000
Cost							
At 1 May 2019	24,063	12,500	2,398	2,195	2,198	—	43,354
Adjustment to fair value on acquisition of Chess	—	—	—	—	737	—	737
At 1 May 2020	24,063	12,500	2,398	2,195	2,935	—	44,091
Acquisition of ELAC Sonar	—	—	—	—	—	1,572	1,572
At 30 April 2021	**24,063**	**12,500**	**2,398**	**2,195**	**2,935**	**1,572**	**45,663**
Amortisation							
At 1 May 2019	2,000	—	—	—	—	—	2,000
Charge for the year ended 30 April 2020	—	—	—	—	—	—	—
At 1 May 2020	2,000	—	—	—	—	—	2,000
Charge for the year ended 30 April 2021	—	—	—	—	—	—	—
At 30 April 2021	**2,000**	**—**	**—**	**—**	**—**	**—**	**2,000**
Net book value							
At 30 April 2021	**22,063**	**12,500**	**2,398**	**2,195**	**2,935**	**1,572**	**43,663**
At 30 April 2020	22,063	12,500	2,398	2,195	2,935	—	42,091

	Other intangible assets						
	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	ELAC £'000	Group £'000
Cost							
At 1 May 2019	7,955	4,340	15,678	10,247	23,934	—	62,154
Adjustment to fair value on acquisition of Chess	—	—	—	—	—	—	—
At 1 May 2020	7,955	4,340	15,678	10,247	23,934	—	62,154
Acquisition of ELAC Sonar	—	—	—	—	—	11,962	11,962
At 30 April 2021	**7,955**	**4,340**	**15,678**	**10,247**	**23,934**	**11,962**	**74,116**
Amortisation							
At 1 May 2019	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 1 May 2020	7,955	4,340	15,678	9,539	11,408	—	48,920
Charge for the year ended 30 April 2021	—	—	—	237	6,319	3,547	10,103
At 30 April 2021	**7,955**	**4,340**	**15,678**	**9,776**	**17,727**	**3,547**	**59,023**
Net book value							
At 30 April 2021	**—**	**—**	**—**	**471**	**6,207**	**8,415**	**15,093**
At 30 April 2020	—	—	—	708	12,526	—	13,234

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

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

The 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.

Notes to the financial statements continued
for the year ended 30 April 2021

9. Goodwill and other intangible assets continued

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

	Basis of estimate
Cash flow	As in previous years, the cash flows for the years ending 30 April 2022, 2023 and 2024 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% (2020: 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 2021, nearly £100m (65% of consensus forecasts) of revenue for 2022 was already under contract and, as such, the main assumptions related to revenue volumes are in periods for 2023 and after where there is greater uncertainty and risk.
Growth rate	The cash flows for each UK-based cash-generating unit from years four to twenty inclusive are based upon the forecast cash flow for the year ending 30 April 2024 to which a growth rate of 1.5% is applied each year (2020: 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% (2020: 1.0%), reflecting the expected growth rate for Portuguese Government expenditure. In the case of ELAC, its domestic customer, the German Bundeswehr, does not form a significant proportion of its revenue with much of its business from export customers. A growth rate of 1.5% has been assumed for ELAC in 2021. 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.

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 2021 of £6.42 (2020: £5.75).
Risk free interest rate	Based upon 30-year UK Government gilt rate of 1.34% (2020: 0.59%). The 30-year gilt rate has been used as a better reflection of long-term rates.
Beta factor	Derived from analyst estimates provided by the Group's Nomad (Investec) and reflects a range of outcomes from 0.15 to 0.43 (2020: 0.46 to 0.84).
Equity risk premium	The equity risk premium of the Group of 9.48% (2020: 10.46%) to which is added a further range of risk premium of 4% to 12% to reflect customer market risk and the low liquidity and risk of AIM stocks.
Cost of debt	The Group is in a net funds position. The Group loans at 30 April 2021 have an average interest cost of 1.64% per annum as at that date (2020: 2.09% per annum).

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was 10.4% (2020: 9.2%). The Group WACC has been deemed appropriate to use for each cash-generating unit as all funding is cross-guaranteed and therefore the same cost of funding is incurred by each cash-generating unit. The increase in the Group's pre-tax WACC is due to higher interest rates and equity risk partly offset by a lower 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 2021 in respect of any of Chess, EID, ELAC, MASS, MCL or SEA. Sensitivity was applied to the impairment tests to deliver a material impairment of goodwill. If the post-tax WACC is increased to over 10%, SEA's goodwill (£22.6m) is impaired by around £10m. SEA's goodwill is the most sensitive to impairment due to its current high level of segmental current assets. This impairment would arise if the higher equity risk was applied to the post-tax WACC calculation.

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

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

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

	2021			2020	
	ELAC £'000	**EID £'000**	**Chess £'000**	EID £'000	Chess £'000
Contracts acquired	**4,701**	**471**	**1,408**	708	2,062
Customer relationships	**3,714**	**—**	**4,799**	—	10,464
	8,415	**471**	**6,207**	708	12,526

Notes to the financial statements continued
for the year ended 30 April 2021

10. Fixed assets
a) Right of use assets
The Group adopted IFRS 16 'Leases' as from 1 May 2019. The Group 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.

	Group			
Cost of right of use assets	Property £'000	Fixtures and equipment £'000	Total £'000	Company £'000
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 1 May 2020	7,474	594	8,068	325
Additions	—	529	529	26
Disposals	(229)	(61)	(290)	—
Acquired (see note 30)	1,430	10	1,440	—
Foreign exchange movements	(43)	(5)	(48)	—
At 30 April 2021	**8,632**	**1,067**	**9,699**	**351**

	Group			
Accumulated depreciation of right of use assets	Property £'000	Fixtures and equipment £'000	Total £'000	Company £'000
At 1 May 2019	—	—	—	—
Charge for the year	972	196	1,168	75
At 1 May 2020	972	196	1,168	75
Charge for the year	1,174	336	1,510	76
Disposals	—	(53)	(53)	—
Foreign exchange movement	1	(3)	(2)	—
At 30 April 2021	**2,147**	**476**	**2,623**	**151**
Net book value at 30 April 2021	**6,485**	**591**	**7,076**	**200**
Net book value at 30 April 2020	6,502	398	6,900	250

	Group			
Lease liabilities	Property £'000	Other £'000	Total £'000	Company £'000
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 1 May 2020	7,088	409	7,497	276
New lease liabilities	—	341	341	26
Acquired (see note 30)	1,465	11	1,476	—
Interest charge	225	12	237	8
Payments	(1,689)	(259)	(1,948)	(89)
Foreign exchange movement	(44)	(4)	(48)	—
At 30 April 2021	**7,045**	**510**	**7,555**	**221**
Current	1,320	251	1,571	101
Non-current	5,725	259	5,984	121
At 30 April 2021	**7,045**	**510**	**7,555**	**221**
Current	1,078	179	1,257	80
Non-current	6,010	230	6,240	196
At 30 April 2020	7,088	409	7,497	276

Notes to the financial statements continued
for the year ended 30 April 2021

10. Fixed assets continued
a) Right of use assets continued

Amounts recognised in Consolidated income statement	2021 £'000	2020 £'000
Interest expense on lease liabilities (note 5)	**237**	246
Depreciation expense	**1,510**	1,168
	1,747	1,414

The Company's right of use asset is in respect of its property lease at Theale (net book value £175,000; 2020: £250,000) and a vehicle (net book value £25,000; 2020: £nil).

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.

b) Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
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 1 May 2020	10,347	10,932	21,279
Additions	35	1,212	1,247
Disposals	(223)	(489)	(712)
Acquired (see note 30)	—	1,419	1,419
Foreign exchange movement	—	(68)	(68)
At 30 April 2021	**10,159**	**13,006**	**23,165**
Depreciation			
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 1 May 2020	2,635	6,523	9,158
Charge in the year	336	1,621	1,957
Eliminated on disposal	(211)	(271)	(482)
Foreign exchange movement	—	(4)	(4)
At 30 April 2021	**2,760**	**7,869**	**10,629**
Net book value			
At 30 April 2021	**7,399**	**5,137**	**12,536**
At 30 April 2020	7,712	4,409	12,121

The net book value of the Company's property, plant and equipment was £209,000 at 30 April 2021 (2020: £250,000). This was after additions of £51,000, net disposals of £nil and a depreciation charge of £92,000 for the year ended 30 April 2021.

The net book value of fixed assets held under finance leases at 30 April 2021 was £178,000 (2020: £240,000).

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

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

11. Investment in subsidiaries and joint ventures

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Subsidiary undertakings	**—**	—	**91,038**	90,970
Joint ventures	**—**	—	**—**	—
	—	—	**91,038**	90,970

Notes to the financial statements continued
for the year ended 30 April 2021

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 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	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Holding company for ELAC SONAR GmbH
Chess Technologies Limited (Chess)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	81.84%	Holding company of Chess Dynamics Limited, Chess Dynamics Inc and Vision4ce Limited
Held through a subsidiary					
MASS Consultants Limited (MASS)	Enterprise House, Great North Road, Little Paxton, St. Neots, Cambridgeshire PE19 6BN	England	Ordinary	100%	Electronic warfare, managed services, secure communications and digital services
Systems Engineering & Assessment Ltd	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to the defence and transport markets and is also the holding company of JS Residual Ltd
JS Residual Ltd	Riverside Road, Pottington Business Park, Barnstaple, Devon EX31 1LY	England	Ordinary	100%	Subsidiary of Systems Engineering & Assessment Ltd. Holds investment in SEA's Canadian operations Dormant
Marlborough Communications Limited (MCL)	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 the defence and security markets
Empresa de Investigação e Desenvolvimento de Electrónica, S.A. (EID)	Quinta dos Medronheiros-Lazarim, 2820-486 Charneca da Caparica, Lisbon	Portugal	Ordinary	80%	Designs and manufactures advanced communications systems for the defence and security markets
8963665 Canada Inc.	1100, Boul Rene-Levesque O, Porte 2500, Montreal (Quebec), Canada H3B 5C9	Canada	Ordinary	100%	The holding company of the Group's investment in JSK Naval Support Inc.
JSK Naval Support Inc.	193 Brunswick Blvd, Quebec, Canada H9R 5N2	Canada	Ordinary	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	USA	Ordinary	100%	US representative of Chess's UK business
ELAC SONAR GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Supplies advanced sonar systems and underwater communications to global customers in the naval market
ELAC SONAR Unterstützungskasse GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Social institution of ELAC SONAR GmbH which provides pension-related support benefits to ELAC SONAR GmbH employees

All shares held in subsidiaries 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 2021

11. Investment in subsidiaries and joint ventures continued

Company

The Company's investments in subsidiaries are as follows:

	Chess £'000	Cohort Deutschland £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Thunderwaves £'000	Total £'000
At 1 May 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 1 May 2020	18,743	—	14,624	16,517	1,584	26,573	12,929	90,970
Additions	—	24	—	—	—	—	—	24
Share-based payments	64	—	139	35	—	88	32	358
Vested in year	—	—	(109)	(32)	—	(107)	(59)	(307)
Deferred tax on share-based payments charged directly to equity	(10)	—	(4)	1	—	6	—	(7)
At 30 April 2021	**18,797**	**24**	**14,650**	**16,521**	**1,584**	**26,560**	**12,902**	**91,038**

12. Inventories

	2021 £'000	2020 £'000
Finished goods and raw materials	**12,892**	11,478

The inventory at 30 April 2021 is after stock provision of £5,419,000 (2020: £575,000). The significant increase in the stock provision is due to the acquisition of ELAC which has historically retained a high level of stock provision against older product lines. The Group also identified a number of stock value issues on acquisition which have been specifically provided for (see note 30).

13. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade receivables (net of provision for doubtful debts)	**30,245**	23,275	**—**	—
Contract receivables	**26,112**	16,475	**—**	—
Prepayments and accrued income	**9,594**	7,541	**388**	175
Current tax assets	**741**	132	**—**	—
Amounts due from subsidiary undertakings	**—**	—	**18,010**	3,341
	66,692	47,423	**18,398**	3,516

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

The average credit period taken on sales of goods is 38 days (2020: 37 days). Of the trade receivables balance, £9.8m was considered overdue at 30 April 2021 (30 April 2020: £6.1m). The increase in the debtor days is due to slippage of some receivables from the UK MOD into early 2021/22. 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 2021, is the UK MOD (customer B below) with a balance outstanding of £5.9m (2020: £2.0m). Customers who represent more than 5% of trade receivables include:

	2021 £m	2020 £m
Customer A	**8.0**	0.9
Customer B	**5.9**	2.0
Customer C	**1.9**	1.9
Customer D	**1.3**	2.7

Customer D in 2021 is not the same as customer D in 2020.

Trade receivables include £13.9m (2020: £7.1m) 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.

Notes to the financial statements continued
for the year ended 30 April 2021

13. Trade and other receivables continued

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

Trade receivables disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful debts because the credit quality of the customer is not considered to have changed and the amount due is considered fully recoverable. The Group recognises provisions for doubtful debts on a credit loss basis taking into account the future anticipated losses based upon the creditworthiness of the end customer.

Ageing of past due but not impaired receivables	2021 £'000	2020 £'000
<30 days	**6,161**	38
30–60 days	**961**	2,890
60–90 days	**97**	96
>90 days	**2,560**	3,113
	9,779	6,137

Movement in the allowance for doubtful debts (reported within trade receivables)	2021 £'000	2020 £'000
Balance at 1 May	**1,026**	980
Expected credit losses recognised	**4**	94
On acquisition of ELAC	**256**	—
Utilised on write off of debt	**—**	(14)
Released on recovery of debt previously provided	**(343)**	(37)
Foreign exchange movement	**—**	3
Balance at 30 April	**943**	1,026

Contract receivables	2021 £'000	2020 £'000
Opening balance	**16,475**	13,044
Acquired	**3,441**	—
Contract receivable recognised in revenue	**29,580**	22,312
Contract receivable invoiced	**(23,326)**	(18,890)
Foreign exchange movement	**(58)**	9
Closing balance	**26,112**	16,475

The Group order book at 30 April 2021 and its expected recognition as revenue in future periods is shown in the Operational review on pages 33 to 34. The order book at 30 April 2020 is shown on page 33.

14. Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Advance receipts	**14,658**	6,057	**—**	—
Trade payables and accruals	**12,338**	8,494	**211**	64
Social security and other taxes	**5,085**	5,149	**218**	161
Accruals and deferred income	**18,245**	11,285	**1,502**	1,667
Amounts due to subsidiary undertakings	**—**	—	**8,556**	1,584
	50,326	30,985	**10,487**	3,476

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 41 days (2020: 43 days), based upon each Group business's standard payment terms. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms (see Risk management, pages 37 to 42).

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 2021

14. Trade and other payables continued

Total payable includes £3.4m (2020: £0.9m) denominated in foreign currency.

Contract liabilities	**2021 £'000**	2020 £'000
Opening balance	**6,057**	4,620
New advances	**20,773**	9,945
Advances consumed in delivery of contract	**(12,175)**	(8,520)
Foreign exchange movement	**3**	12
Closing balance	**14,658**	6,057

15. Bank borrowings

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Bank overdrafts	**—**	—	**13,447**	11,882
Bank loans	**29,742**	25,095	**29,742**	25,095
Finance leases	**88**	179	**—**	—
	29,830	25,274	**43,189**	36,977

These borrowings are repayable as follows:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
On demand or within one year	**50**	85	**13,447**	11,882
In the second year	**29,772**	91	**29,742**	—
In the third to fifth years inclusive	**8**	25,098	**—**	25,095
	29,830	25,274	**43,189**	36,977
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(50)**	(85)	**(13,447)**	(11,882)
Amount due for settlement after 12 months	**29,780**	25,189	**29,742**	25,095

The weighted average interest rates paid were as follows:

	2021 %	2020 %
Bank overdrafts (variable)	**—**	—
Bank loans (variable)	**1.64**	2.09
Finance leases (fixed)	**6.01**	5.10

The variable rates are based upon the Bank of England or European Central Bank interest rates. The interest rate applying to the bank loans drawn in sterling was 1.71% (2020: 2.32%) and in euros was 1.50% (2020: 1.50%).

On 15 November 2018, the Group entered into its current banking facility. On 20 May 2020, the Group exercised an option to extend this facility from £30m to £40m. The facility is provided by Lloyds and NatWest banks. The facility is provided for four years 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 and ELAC)) in respect of acquisition financing and overdraft. 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 second year.

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

	Sterling £'000	Euro £'000	Total £'000
At 1 May 2019	18,000	7,028	25,028
Borrowing drawn down	—	—	—
Borrowing repaid	—	—	—
Foreign exchange movement	—	67	67
At 1 May 2020	18,000	7,095	25,095
Borrowing drawn down	—	12,110	12,110
Borrowing repaid	—	(7,089)	(7,089)
Foreign exchange movement	—	(374)	(374)
At 30 April 2021	**18,000**	**11,742**	**29,742**

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

Notes to the financial statements continued
for the year ended 30 April 2021

15. Bank borrowings continued

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 2021.

Similar bilateral arrangements exist for ELAC with its bank in Germany, Commerzbank. ELAC currently has no overdraft facility and is part of the Group's bank security arrangements.

The Group's cash at 30 April 2021 of £32.3m is held with the following banks:

	2021 £'000	2020 £'000	Moody's long-term credit rating of bank as at 2021
National Westminster Bank plc	**19,160**	13,493	A1*/A2
Barclays Bank PLC	**1**	55	A1
Lloyds Bank plc	**77**	—	A1
Novo Banco	**—**	11	
Santander Bank	**980**	4,449	Baa3
Banco Comercial Português	**5,419**	1,301	Baa2
Caixa Geral de Depósitos Bank	**1,227**	1,246	Baa3
Commerzbank	**5,418**	—	A1
Other banks and cash	**12**	12	
	32,294	20,567	

16. Provisions

Group	Warranty £'000	Other contract related provisions £'000	Total £'000
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 1 May 2020	405	1,411	1,816
On acquisition (see note 30)	275	2,373	2,648
Charged/(released) to the income statement	203	(506)	(303)
Utilised	(128)	(26)	(154)
Foreign exchange movement	(8)	(73)	(81)
At 30 April 2021	**747**	**3,179**	**3,926**
Provisions due in less than one year	747	2,039	2,786
Provisions due in greater than one year	—	1,140	1,140
At 30 April 2021	**747**	**3,179**	**3,926**
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

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.

Notes to the financial statements continued
for the year ended 30 April 2021

16. Provisions continued

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

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

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 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 1 May 2020	(292)	(2,288)	(328)	284	358	44	(2,222)
On acquisition (see note 30)	—	(3,777)	—	1,470	—	—	(2,307)
Credit/(charge) to the income statement in respect of the current tax year	24	2,374	8	(1)	15	78	2,498
Credit/(charge) to the income statement in respect of prior tax years	(108)	—	—	4	(4)	—	(108)
Foreign exchange movement	—	(1)	—	2	—	—	1
Recognised in the income statement	(84)	2,373	8	5	11	78	2,391
Recognised in equity	—	—	—	—	3	—	3
At 30 April 2021	**(376)**	**(3,692)**	**(320)**	**1,759**	**372**	**122**	**(2,135)**

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

	2021 £'000	2020 £'000
Deferred tax assets	**600**	598
Deferred tax liabilities	**(2,735)**	(2,820)
	(2,135)	(2,222)

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 2021 was an asset of £77,000 (2020: £56,000) being £21,000 (2020: £14,000) in respect of other short-term timing differences, accelerated tax depreciation of £17,000 (2020: £12,000) and share options of £39,000 (2020: £30,000).

The corporation tax rate in the UK for the year ended 30 April 2021 was 19.0% (2020: 19.0%) which has been applied by Cohort in calculating its income tax (see note 6). The increase in future UK corporation tax rate to 25.0% (to be effective 1 April 2023) was substantively enacted in May 2021. The effect of this rate change if it was applied for the year ended 30 April 2021 would be an increase in the deferred tax charge and net liability of £200,000.

For deferred tax balances in respect of EID (Portugal), the rate used was 22.20% (2020: 22.20%). For ELAC (Germany) the rate used was 31.575%.

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

Notes to the financial statements continued
for the year ended 30 April 2021

18. Derivative financial instruments

The Group has derivative financial instruments as follows:

	2021 £'000	2020 £'000
Assets		
Foreign currency forward contracts	**38**	—
Liabilities		
Foreign currency forward contracts	**(679)**	(231)

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 Chess, MCL and SEA and are disclosed within their respective operating profits in the segmental analysis (see note 1; 2020: MCL and SEA). They are considered to be level 1 classification. The charge (2020: charge) to the Consolidated income statement for the year ended 30 April 2021 was as follows:

	2021 £'000	2020 £'000
Foreign currency forward contracts	**410**	132

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:

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

The total fair value adjustment is £641,000 (2020: £231,000) and the change in the forward exchange fair values for the year ended 30 April 2021 is £410,000 (30 April 2020: £132,000), which is included in the operating profit of the Group as a charge (2020: charge).

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)	—

Notes to the financial statements continued
for the year ended 30 April 2021

18. Derivative financial instruments continued
Liquidity risk
The maturity of the outstanding contracts was as follows:

At 30 April 2021	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
Within one year	6,685	7,435	(942)	(1,044)	4	5	(4,913)	(6,813)
Within two years	2,221	2,474	(29)	(31)	—	—	—	—
Greater than two years	8,574	9,405	—	—	—	—	—	—
At 30 April 2021 at forward rate	**17,480**	**19,314**	**(971)**	**(1,075)**	**4**	**5**	**(4,913)**	**(6,813)**

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)

The following significant exchange rates applied at 30 April:

	2021		2020	
	US$	**Euro**	US$	Euro
Exchange rates at 30 April	**0.7204**	**0.8698**	0.7987	0.8705

Sensitivity analysis
A 10% strengthening of sterling against the above currencies at 30 April 2021 would decrease the reported operating profit by £995,000 (2020: increase the reported operating profit by £427,000) in respect of marking these forward contracts to market value.

19. Share capital

	2021 Number	2020 Number
Allotted, called up and fully paid 10 pence ordinary shares	**41,041,666**	40,959,101

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

	Number
At 1 May 2019	40,959,101
Share options exercised	—
At 1 May 2020	40,959,101
Share options exercised	82,565
At 30 April 2021	**41,041,666**

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

During the year ended 30 April 2021, 82,565 ordinary shares (2020: Nil) in Cohort plc were issued to satisfy share options.

New shares were issued as follows:

Price per share (£)	Number of Shares	Proceeds from new shares issued £'000
3.380	18,761	64
3.400	20,800	71
3.550	676	2
3.725	4,849	18
3.760	8,000	30
3.900	3,416	13
4.085	21,269	88
4.425	4,593	20
4.475	201	1
	82,565	**307**

£8,256 was added to the share capital with the balance (£299,000) added to the share premium account.

Notes to the financial statements continued
for the year ended 30 April 2021

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 2021:

Scheme and grant date	Exercise price £	Vesting date	Expiry date	30 April 2021 Vested	30 April 2021 Not vested	30 April 2021 Total	30 April 2020 Vested	30 April 2020 Not vested	30 April 2020 Total
Cohort plc 2006 share option scheme									
23 Jul 2010	0.835	24 Jul 2013	23 Jul 2020	—	—	—	15,000	—	15,000
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**	8,500	—	8,500
9 Aug 2013	1.675	10 Aug 2016	9 Aug 2023	**10,700**	—	**10,700**	10,700	—	10,700
11 Aug 2014	1.975	12 Aug 2017	11 Aug 2024	**12,600**	—	**12,600**	12,600	—	12,600
20 Aug 2015	3.725	21 Aug 2018	20 Aug 2025	**38,603**	—	**38,603**	72,090	—	72,090
Cohort plc 2016 share option scheme									
15 Aug 2016	3.400	16 Aug 2019	15 Aug 2026	**40,219**	—	**40,219**	81,366	—	81,366
25 Aug 2017	3.760	26 Aug 2020	25 Aug 2027	**170,784**	—	**170,784**	—	272,158	272,158
10 Aug 2018	3.900	11 Aug 2021	10 Aug 2028	—	**272,433**	**272,433**	—	304,553	304,553
28 Aug 2019	4.425	29 Aug 2022	28 Aug 2029	—	**379,249**	**379,249**	—	408,907	408,907
18 Sep 2019	4.875	19 Sep 2022	18 Sep 2029	—	**13,491**	**13,491**	—	13,491	13,491
7 Nov 2019	5.500	8 Nov 2022	7 Nov 2029	—	**5,454**	**5,454**	—	5,454	5,454
28 Aug 2020	6.200	29 Aug 2023	28 Aug 2030	—	**347,769**	**347,769**	—	—	—
1 Oct 2020	6.150	2 Oct 2023	1 Oct 2030	—	**6,000**	**6,000**	—	—	—
28 Apr 2021	6.340	29 Apr 2024	28 Apr 2031	—	**80,000**	**80,000**	—	—	—
				303,406	**1,104,396**	**1,407,802**	222,256	1,004,563	1,226,819
Save As You Earn (SAYE) scheme									
14 Aug 2015	3.380			—	—	—	—	33,509	33,509
29 Aug 2016	3.550			—	**27,811**	**27,811**	6,853	29,332	36,185
25 Aug 2017	4.085			**3,087**	**27,853**	**30,940**	—	80,392	80,392
1 Sep 2018	3.900			—	**56,401**	**56,401**	—	62,065	62,065
6 Sep 2019	4.475			—	**88,225**	**88,225**	—	96,011	96,011
4 Sep 2020	6.700			—	**68,563**	**68,563**	—	—	—
				3,087	**268,853**	**271,940**	6,853	301,309	308,162
				306,493	**1,373,249**	**1,679,742**	229,109	1,305,872	1,534,981

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 10 August 2020 for the 2020 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).

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for the year ended 30 April 2021

20. Share options continued

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

	2021		2020	
	Options	**Weighted average exercise price £**	Options	Weighted average exercise price £
Outstanding at 1 May	**1,534,981**	**3.90**	1,600,323	3.32
Granted during the year	**510,590**	**6.29**	535,471	4.45
Forfeited during the year	**(105,432)**	**4.18**	(81,045)	3.84
Exercised during the year	**(252,505)**	**3.56**	(515,662)	2.70
Expired during the year	**(7,892)**	**3.63**	(4,106)	3.40
Outstanding at 30 April	**1,679,742**	**4.66**	1,534,981	3.90
Exercisable at 30 April	**306,493**	**3.29**	229,109	2.86

The weighted average remaining contractual life is six years (2020: seven years).

The exercised options in the year were satisfied by transferring shares from the Cohort Employee Benefit Trust (see note 21) and the issue of new shares (see note 19).

In the year ended 30 April 2021, options were granted as follows: 71,372 on 4 September 2020 under the SAYE scheme, and 353,218 on 28 August 2020, 6,000 on 1 October 2020 and 80,000 on 28 September 2020, the latter three under the Cohort plc 2016 share option scheme. The option price for the SAYE scheme was £6.700 per share which was the mid-market price on the day before the scheme invitation was made on 10 August 2020. The option price for the options issued under the Cohort plc 2016 share option scheme was £6.20, £6.15 and £6.34 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:

	2021	2020
Average share price	**£6.01**	£5.30
Weighted average exercise price	**£4.66**	£3.90
Expected volatility	**39.0%**	25.0%
Risk free rate	**0.32%–1.50%**	0.55%–1.51%
Leaver rate (per annum)	**10.0%**	10.0%
Dividend yield	**0.92%**	0.91%

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 £406,000 (2020: £318,000) 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 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
Acquired in the year	1,418
Sold in the year	(821)
Loss on shares sold in the year	(1,093)
Balance at 30 April 2021	**1,068**

The own shares reserve represents the cost of shares in Cohort plc purchased in the market and held by the Cohort Employee Benefit Trust to satisfy options under the Group's share options (see note 20), the Restricted Share Schemes (see the Remuneration Committee report on pages 65 to 74) and the Group's SIP scheme.

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2021 was 172,744 (2020: 231,048).

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for the year ended 30 April 2021

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

Date	Number acquired	Price per share £	Investment £'000
4 August 2020	13,368	5.956	80
1 September 2020	30,197	6.200	187
3 September 2020	32,938	6.018	198
2 October 2020	53,694	6.018	323
15 December 2020	500	5.916	3
9 February 2021	68,500	6.258	429
10 February 2021	31,500	6.280	198
	230,697		1,418

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

Exercise price per share Pence	Number of shares sold	Proceeds £'000	Loss on sale of shares £'000
83.5	15,000	13	(89)
338.0	13,204	45	(42)
340.0	24,200	82	(79)
355.0	661	2	(2)
372.5	24,785	92	(73)
376.0	89,040	335	(262)
390.0	4,640	18	(13)
408.5	26,686	109	(55)
442.5	28,242	125	(59)
	226,458	821	(674)

In addition, 62,543 (2020: 51,816) ordinary shares in Cohort plc were transferred at nil value realising a loss on sale of shares of £419,000 for the purpose of satisfying shares awarded to the Executive Directors (see the Remuneration Committee report on pages 65 to 74) 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 £1,093,000 (2020: £989,000). 26,321 of the shares sold at £4.425 per share were in respect of satisfying the Group's SIP.

82,618 (2020: 102,034) of the shares held by the Employee Benefit Trust at 30 April 2021 remain to be issued under the Restricted Share Scheme, on which an estimated loss of £511,000 (2020: £691,000) will be recognised as they are issued.

As at 30 April 2021, an estimated 18,000 shares (2020: 18,000) held by the Employee Benefit Trust expect to be issued under the SIP on which no estimated loss or gain (2020: loss of £43,000) 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 2021 was £1,109,016 (2020: £1,328,526).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2021 was £24,349 (2020: £23,825) 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 87 and 88. 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.

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for the year ended 30 April 2021

22. Reserves and non-controlling interests continued

The non-controlling interests are analysed as follows:

Group	EID (20.00%) £'000	Chess (18.16%) £'000	Total £'000
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 1 May 2020	2,897	3,349	6,246
Profit/(loss)	589	(549)	40
Other comprehensive income	206	—	206
Dividend from subsidiary with non-controlling interest	(754)	—	(754)
At 30 April 2021	**2,938**	**2,800**	**5,738**

23. Net cash from operating activities

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Profit for the year	**5,503**	9,684	**5,820**	6,681
Adjustments for:				
Income tax charge/(credit)	**1,554**	295	**(161)**	(220)
Depreciation of property, plant and equipment	**1,957**	1,472	**92**	92
Depreciation of right of use assets	**1,510**	1,168	**76**	75
Amortisation of other intangible assets and goodwill	**10,103**	7,354	**—**	—
Net finance expense	**751**	752	**382**	522
Derivative financial instruments and other non-trading exchange movements	**410**	132	**—**	—
Share-based payment	**406**	318	**47**	33
Decrease in provisions	**(1,269)**	(511)	**—**	—
Operating cash flows before movements in working capital	**20,925**	20,664	**6,256**	7,183
Decrease in inventories	**576**	1,974	**—**	—
Increase in receivables	**(13,138)**	(4,597)	**(14,882)**	(505)
Increase/(decrease) in payables	**12,565**	(5,059)	**7,123**	(879)
	3	(7,682)	**(7,759)**	(1,384)
Cash generated by operations	**20,928**	12,982	**(1,503)**	5,799
Income taxes paid	**(3,944)**	(606)	**—**	—
Interest paid	**(768)**	(779)	**(481)**	(534)
Net cash in/(out) flow from operating activities	**16,216**	11,597	**(1,984)**	5,265

Interest paid includes the interest element of lease liabilities under IFRS 16 (see note 10a) of £237,000 (2020: £246,000).

Notes to the financial statements continued
for the year ended 30 April 2021

24. Leases
Prior to 1 May 2019 the Group recognised only finance leases and operating leases. Since 1 May 2019 the Group has recognised three types of lease arrangements for reporting purposes.

Type	How determined	Reporting
1. Finance leases	Lease agreement is a finance lease.	Asset is reported in property, plant and equipment (note 10b) and depreciated over term of lease. Liability is shown as part of debt (see note 15).
2. Operating leases as right of use assets	Lease agreement is an operating lease but does not meet the criteria for type 3 below.	Asset is reported as right of use asset (see note 10a) and depreciated over term of lease and liability is shown as lease liability (see note 10a).
3. Operating leases	Operating leases where: ▶ length of lease is less than 12 months in duration, and/or ▶ the value of the lease is low (below £5,000) at inception.	No asset or liability is recognised and cost of lease is expensed over the lease term as part of operating profit in the income statement. The cost of these operating leases is recognised in the Consolidated income statement in the year ended 30 April 2021 was £370,000 (30 April 2020: £386,000).

25. Commitments
There was £58,000 of capital commitments at 30 April 2021 (2020: £Nil).

26. Retirement benefit obligations
The Group operates a variety of retirement benefit arrangements. These are all defined contribution schemes with the exception in Germany of ELAC Sonar (ELAC) where a defined benefit scheme operates.

i. Defined contribution schemes
The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £2,177,000 (2020: £2,209,000) were charged to the Consolidated income statement. Contributions outstanding at 30 April 2021 were £308,988 (2020: £317,907).

ii. Defined benefit schemes
The Group operates a single defined benefit scheme in Germany on behalf of employees in ELAC. The scheme has been closed to new members since 1 January 2019. The scheme provides annuities to the entitled participants and is funded by an external support fund. At each balance sheet date, the obligations are calculated by an external actuary.

Retirement benefit risks
Defined benefit schemes expose the Group to a number of risks, the most significant of which is detailed below:

Asset risk	As the scheme assets are in the form of purchased annuities held with an independent insurance provider, this risk is low.
Longevity risk	The plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Charges to the income statement in respect of the Group's defined benefit scheme are as follows:

	2021 £'000	2020 £'000
Service cost	132	—
Net interest expense	30	—
	162	—

Amounts recognised in the statement of comprehensive income are set out below:

	2021 £'000	2020 £'000
Net gains from changes in assumptions	330	—
Gains from plan assets	25	—
	355	—

Amounts included in the Group's Consolidated balance sheet arising from the Group's defined benefit scheme obligations are:

	2021 £'000	2020 £'000
Present value of defined benefit obligations	(14,278)	—
Fair value of scheme's assets	6,296	—
Net liability arising from defined benefit obligations	(7,982)	—

Notes to the financial statements continued
for the year ended 30 April 2021

26. Retirement benefit obligations continued
Retirement benefit risks continued
Fair value of the scheme's assets are as follows:

	£'000
At 1 May 2020	—
Plan assets from acquisition of ELAC	6,351
Interest income	28
Amounts recognised in income in respect of defined benefit scheme	28
Return on plan assets excluding amounts included in interest income	25
Amounts recognised in the statement of comprehensive income	25
Contributions:	
Employer	171
Payment from plan:	
Benefits paid	(88)
Effect of movements in exchange rates	(193)
At 30 April 2021	**6,296**

The plan asset at acquisition and at 30 April 2021 comprised insurance annuities held with a third-party insurer.

The present value of defined benefit obligations comprised:

	£'000
At 1 May 2020	—
Scheme liabilities from acquisition of ELAC	(14,871)
Current service cost	(132)
Interest expense	(58)
Amounts recognised in income in respect of defined benefit scheme	(190)
Remeasurement gains/(losses) from:	
Change in financial assumptions	345
Experience adjustments	(15)
Amounts recognised in the statement of comprehensive income	330
Payments from plan:	
Benefits paid	88
Benefit payments from employer	5
Effects of movements in exchange rates	360
At 30 April 2021	**(14,278)**

The net defined retirement obligation acquired on 2 December 2020 as part of the ELAC acquisition was £7,595,000 to which a fair value adjustment was added of £925,000 to arrive at a fair value on acquisition of £8,520,000 comprising asset of £6,351,000 and obligation of £14,871,000 (see note 30).

Actuarial assumptions
The assumptions used for the purpose of the actuarial valuations were as follows:

	At year end 30 April 2021	At acquisition 2 December 2020
Discount rate	**1.00%**	1.10%
Salary increase rate	**2.00%**	2.00%
Pensions-in-payment increase rate	**1.00%**	1.00%
Mortality assumption	**Richttafeln 2018 G**	Richttafeln 2018

The assumptions regarding future mortality are based on actuarial advice in accordance with published statistics, which are country specific.

The current and future beneficiaries of the scheme are as follows:

	Number	Average age	Average annual pension €
Active	93	50.1	5,760
Deferred	74	54.7	1,680
Retired	147	74.5	1,771

The weighted average duration of the benefit obligation as at 30 April 2021 is 21 years.

Notes to the financial statements continued
for the year ended 30 April 2021

26. Retirement benefit obligations continued

Actuarial assumptions continued

Using the mortality tables adopted, the expected lifetime of average members currently at age 65 and average members at age 65 in 20 years' time is as follows:

	Male Years	Female Years
31 December 2020	85.3	88.8
31 December 2040	88.1	91.0

The expected contributions for the year ending 30 April 2022 are £350,000 for scheme assets and a further £50,000 benefit payments not from the plan assets.

The expected total benefit payments for the next ten years are £3.7m ranging from around £280,000 per annum to £420,000 per annum.

Sensitivity analysis

Several significant actuarial assumptions are made for the determination of the defined benefit obligation. These are set out below along with the impact on the net liability of the scheme as at 30 April 2021 by the prescribed sensitivity change:

	Change in assumption	Increase/ (decrease) in net liability of scheme £m
Mortality rate – increase in life expectancy	+1 year	0.8
Discount rate – increase in rate	+1%	(2.4)
Salary increase assumption – increase in rate	+1%	0.9
Pension payment increase assumption – increase in rate	+1%	2.1

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

27. Contingent liabilities

At 30 April 2021 the Group had in place bank guarantees of £13,693,000 (2020: £3,600,000) in respect of trading contracts. The Group is not aware of any conditions which would realise these contingent liabilities. The significant increase in the Group's contingent liabilities is due to the acquisition of ELAC and its bank guarantees in respect of its contracts. The rest of the Group's bank guarantees in respect of contracts were also higher due to increased export orders.

28. Related party transactions

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

	Interest paid to subsidiaries £'000	Interested received from subsidiaries £'000	Management fees received from subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief received from subsidiaries £'000
2021	**13**	**105**	**2,756**	**6,900**	**236**
2020	—	—	2,728	7,200	220

Notes to the financial statements continued
for the year ended 30 April 2021

28. Related party transactions continued

During the year ended 30 April 2021, the Directors of Cohort plc received dividends from the Company as follows:

	2021 £	2020 £
S Carter	**946,000**	859,384
N Prest CBE	**215,981**	196,252
A Thomis	**19,524**	15,417
Sir Robert Walmsley (retired 31 December 2020)	**3,120**	2,835
S Walther	**19,440**	15,887
J Perrin	**416**	378
	1,204,481	1,090,153

Further details of the remuneration of the Directors are set out in the Remuneration Committee report (pages 63 to 74).

The aggregate remuneration (excluding share option costs) of the key management (2021: 12; 2020: 12) of the Group was as follows:

	2021 £	2020 £
Salary (including any allowances, benefits and employer's NIC)	**2,204,898**	1,970,197
Employer's pension contribution	**47,723**	75,370
	2,252,621	2,045,567

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's results and net assets from that date as it has effective control.

The acquisition accounting for Chess was reviewed prior to the first anniversary of its acquisition (12 December 2019) and further provisions were recognised of £900,000 in respect of contract liabilities.

Under the sale and purchase agreement, up to a further £12.7m is payable to the shareholders of Chess as an earn-out based upon its trading performance over the three years ended 30 April 2021. Based upon the actual performance to 30 April 2021 this earn-out is estimated at £438,000 as at 30 April 2021 (2020: £400,000).

The sale and purchase agreement for the acquisition of Chess includes a put and call option for the purchase of the remaining shares (18.16%) in Chess, the non-controlling interest.

This option is 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 was entitled to participate in any dividends payable by Chess in the period to 30 April 2021.

In accordance with IFRS 3, the Group has ascribed a value to the option to acquire the non-controlling interest of Chess. This value is £2,362,000 (2020: £3,600,000) and the option is shown as a current liability and, as the non-controlling interest has a right to dividends, in the other reserves as "option for acquiring non-controlling interest in Chess".

The Group has applied the present-access method to the acquisition of Chess and thus the non-controlling interest is deemed not to be part of the acquisition transaction and the liability arising from the option is not included in the consideration transferred but is accounted for separately.

The values assigned to both the earn-out and option are estimates based upon Chess's actual performance for the years ended 30 April 2019, 30 April 2020 and 30 April 2021. The values remain estimates as the final agreed figures will be subject to the closing net cash/(debt) and working capital at the option exercise date. These estimates are considered to be significant unobservable inputs in accordance with IFRS 13. In accordance with IFRS 13 'Fair Value Measurement' this is a level 3 liability but has not been discounted as the effect is immaterial.

Notes to the financial statements continued
for the year ended 30 April 2021

30. Acquisition of Wärtsilä ELAC Nautik GmbH (ELAC Sonar)

As announced on 3 December 2020, the Group completed the acquisition of 100% of ELAC Sonar (ELAC). The consideration paid on completion was €10.5m (£9.4m) and a further €5.662m (£4.8m) was paid on 1 April 2021 following agreement of the completion accounts. No further payments are due.

The acquisition accounting is as follows:

	Book value £'000	Provisional fair value £'000
Recognised amounts of identifiable assets and liabilities assumed:		
Investments	23	—
Property, plant and equipment	1,878	1,419
Right of use assets	1,440	1,440
Other intangible assets	—	11,962
Inventory	4,695	2,042
Trade and other receivables	6,006	5,742
Cash	12,927	12,927
Trade and other payables	(7,019)	(7,467)
Provisions	(276)	(2,648)
Retirement benefit obligations	(7,595)	(8,520)
Right of use liability	(1,476)	(1,476)
Corporation tax	—	(448)
Deferred tax	—	(2,307)
	10,603	12,666
Goodwill		1,572
Total consideration (all satisfied by cash) transferred		14,238
Net cash outflow arising on acquisition:		
Cash consideration paid		14,238
Cash acquired		(12,927)
		1,311

The fair value adjustments reflect adjustments arising out of Cohort's due diligence work on the acquisition. These include additional provisions against inventory, trade and other receivables and for other contractual and historical obligations, including dilapidations and product warranty.

The retirement benefit obligation has been independently valued (see note 26) and the provisional fair value reflects this valuation.

Notes to the financial statements continued
for the year ended 30 April 2021

30. Acquisition of Wärtsilä ELAC Nautik GmbH (ELAC Sonar) continued
The most significant fair value adjustment is in respect of the other intangible assets and is analysed, including their estimated useful lives, as follows:

	Book value £'000	Provisional fair value £'000	Estimated life Years
Contracts	—	6,683	5
Customer relationships	—	5,279	8
Other intangible assets	—	11,962	

A deferred tax liability of £3.8m in respect of the other intangible assets balance above was established and is disclosed as part of the fair value deferred tax liability. Deferred tax assets in respect of some of the adjustments made as part of the fair value exercise were also recognised of £1.5m in total. These deferred tax assets are considered recoverable.

The other intangible assets acquired are based upon the following:

Contracts	The estimated profit in the acquired order book of ELAC, discounted at an appropriate WACC over the expected life of the order book, and after recognising a discount in respect of fixed asset and technology diminution. This other intangible asset will be amortised over the estimated order book life at a rate to reflect the expected generation of profit from the order book.
Customer relationships	The estimated profit in identified future orders and prospects, discounted at an appropriate WACC over the expected life of the future order or prospect, and after recognising a discount in respect of fixed asset and technology diminution. The estimated profit was also discounted by a likely win factor, 63% in this case. This other intangible asset will be amortised over the estimated useful life at a rate to reflect the expected generation of profit from those future orders and prospects.

The goodwill of just under £1.6m arising from the acquisition represents customer contacts, supplier relationships and know-how to which no certain value can be ascribed. None of the goodwill is expected to be deductible for tax purposes.

On acquiring ELAC from the seller, Wärtsilä Deutschland GmbH, it was agreed that a mechanism would be put in place to pay to Cohort Deutschland GmbH (Cohort's holding company of ELAC) up to €2.415m if a named prospect was delayed or not secured on or before 1 December 2022. This mechanism provides relief to ELAC for costs in place in anticipation of this prospect.

The mechanism has been accounted for as a contingent asset as it will be recognised on a cash receivable basis as and when mechanism schedule dates are passed, and the named prospect has not been secured.

If the prospect is secured on or before any of the agreed schedule dates, any payments receivable after this date will be foregone.

This income will be recognised on a receivable basis in the Group's adjusted operating profit and disclosed within the ELAC business for segmental reporting purposes.

For the year ended 30 April 2021, the Group has recognised just under £0.5m of income in respect of this mechanism which will be received on or before 13 December 2021.

The acquisition costs of £1.05m in respect of ELAC were charged as an exceptional item in the Consolidated income statement. £0.95m was charged in the year ended 30 April 2020 and a further £0.10m in the year ended 30 April 2021, the acquisition taking longer to complete due to the prolonged German Government approval process, in part due to COVID-19.

ELAC contributed £8.3m of revenue and just under £1.2m of adjusted operating profit for the period from 2 December 2020 to 30 April 2021.

Accounting policies

Basis of accounting

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006.

The Company financial statements presented on pages 85 to 128 are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

On publishing the parent company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements. The Company is a public company limited by shares.

The financial statements are prepared on the historical cost basis except for derivative financial instruments that are stated at their fair value.

Going concern

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through a facility which is due for renewal in November 2022. Both the current domestic economic conditions (including the COVID-19 pandemic) and continuing UK Government budget pressures create uncertainty, particularly over the level of demand for the Group's products. Specifically in respect of UK defence spending (UK MOD represents 42% of the Group's 2020/21 revenue), the four-year budget settlement does give the Group some improved visibility from this key customer.

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 1 to 51 and included in the Risk management section on pages 37 to 42. 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 1 to 51.

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 2021. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see "Business combinations" below).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. The Group's subsidiaries have prepared their statutory financial statements in accordance with Adopted IFRS, as from 1 May 2019.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Adoption of new and revised standards

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- COVID-19 Related Rent Concessions – amendments to IFRS 16 and Interest Rate Benchmark Reform amendments to IFRS 7, IAS 39 and IFRS 9

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Accounting policies continued

Adoption of new and revised standards continued

Standards and interpretations issued as at 27 July 2021 not applied to these financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2021 reporting periods and have not been early adopted by the Group. These standards, outlined below, are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- Amendments to IFRS 3 ‘Business Combinations’; IAS 16 ‘Property, Plant and Equipment’; IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’; and Annual Improvements 2018-2020 (all issued on 14 May 2020 and effective for years commencing on or after 1 January 2022)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020 and effective for years commencing on or after 1 January 2021)

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are disclosed within accruals to the extent they are not settled in the period, unless the loan terms provide for the interest to be added to the principal, in which case the interest is added to the carrying amount of the instrument to which it pertains.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred unless, where appropriate, interest costs are capitalised into assets, fixed and current.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the completion date, of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired subsidiary. The costs of acquisition are charged to the Consolidated income statement as an exceptional item in accordance with IFRS 3 (Revised).

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable intangible assets, assets, liabilities and contingent liabilities recognised. If, after reassessment, which is a point in time greater than 12 months after the completion date, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds or is below the cost of the business combination, the excess or shortfall is recognised immediately in the income statement as an exceptional item.

Adjustments to the provisional value of assets and liabilities acquired in a business combination when the final values have become known within 12 months are adjusted 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.

Accounting policies continued

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.

Foreign currencies
The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency), which is generally sterling for the Group. Cohort's direct subsidiaries, Thunderwaves and Cohort Deutschland, and indirect subsidiaries, EID and ELAC, all have the euro as their functional currency. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements, with any exchange difference included in the Consolidated comprehensive statement of income.

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

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

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

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

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

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

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

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

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

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

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

Accounting policies continued

Intangible assets

Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles, including customer relations, arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward. The intangible assets are written off over the estimated useful life of those particular assets. As discussed on page 60, the valuation of intangible assets is an area of critical judgement and estimate for the Directors.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less the further cost expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items. Stock is accounted for on a first in, first out basis.

Joint ventures

The Group accounts for joint ventures where it has a participating interest using the equity method of accounting and discloses the net investment in non-current assets.

Where the investment in a joint venture is negative, the negative investment, to the extent it is a liability of the Group, is offset against any trade and other receivables held by the Group in respect of that joint venture.

The Group accounts for joint ventures in which it no longer has a participating interest by recognising any investment and assets or liabilities due to or from the Group.

Leases

The Group applied IFRS 16 using the modified retrospective approach and therefore the comparative information (prior to 1 May 2019) was not 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;
- 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.

Accounting policies continued

Pension contributions

Payments are made to the Company's stakeholder pension schemes, all of which are defined contribution schemes with the exception of a defined benefit scheme in Germany. In respect of defined contribution schemes, amounts are charged to the income statement as incurred.

In respect of the defined benefit scheme, the schemes' assets and liabilities are valued annually by an external actuary. The service cost and net interest movements are recognised in the Consolidated income statement. Movements in valuation from changes in assumptions, including discount rate and mortality rate, are recognised in the Consolidated statement of other comprehensive income. The gross assets and obligations of the scheme, as independently valued, are shown net as retirement benefit obligations in the Consolidated statement of financial position at each balance sheet date.

Property, plant and equipment

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

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

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

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

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

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

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.

Accounting policies continued

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

The Group provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent separate performance obligations.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative standalone selling prices. Given the bespoke nature of many of the Group's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are typically no observable stand alone selling prices. Instead, standalone selling prices are typically estimated based on expected costs plus contract margin.

Whilst payment terms vary from contract to contract, on some of the Group's contracts, an element of the transaction price is received in advance of delivery. The Group therefore has contract liabilities disclosed as advance receipts (note 14). The Group's contracts are not considered to include significant financing components on the basis that there is no difference between the consideration and the cash selling price. UK Ministry of Defence contracting rules prohibit the inclusion of financing in the sales price.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

The Group has determined that most of its contracts satisfy the over time criteria, either because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs (typically services or support contracts) or the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date (typically development or production contracts).

For each performance obligation to be recognised over time, the Group recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to estimates of transaction price and total expected costs to complete the contract, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Group has determined that this method appropriately depicts the Group's performance in transferring control of the goods and services to the customer.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example on delivery.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Internally, the Group categorises revenue recognition according to three types. One or more of each type can apply to a single customer contract.

Type	Point in time or over time	Reason for type applied
One	Point in time	Revenue is recognised when the product or service is delivered to the customer per the contract and the customer is obliged to pay at this point. This usually applies to all the Group's standard products, support, spares and repairs.
Two	Over time service	Revenue is recognised for a service provision over time. Typically, these services are long term (greater than one year) but the contract with the customer fixes the annual revenue where the costs incurred per annum are variable. Revenue is typically recognised on a monthly basis based on either timesheets or a fixed receivable from the customer.
Three	Over time	Revenue is recognised over the contract based on the input costs to deliver the contract to that stage, taking account of appropriate risk contingencies in the remaining costs to complete the contract. Revenue is recognised (typically monthly) on input costs including internal labour (timesheets) and bought in goods and services (invoices or delivery notes).

The Group's businesses determine the revenue category/categories at the contract outset and apply this recognition method consistently until the contract is completed.

Accounting policies continued

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.

Accounting policies continued

Taxation continued

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.

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. Within the receivables balance and contract assets there is a balance of £7.7m relating to a single customer which, whilst past due, has not been provided for. Management has assessed the recoverability of this balance and concluded that, as the ultimate customer is a sovereign government, the risk of impairment is low.

Fair values on acquisition

Judgement is applied in recognising the fair value of assets and liabilities on acquisition. This judgement will make use of the experience of the Directors, knowledge of the business acquired and the due diligence exercise during the acquisition process. Provisional fair values are recognised on the initial reporting of any acquisition, allowing the Directors to reassess any judgements or estimates made in the first 12 months of ownership.

Accounting policies continued

1. Critical accounting judgements continued

Acquisition of other intangible assets

Intangible assets other than goodwill that are obtained through acquisition are capitalised on the balance sheet. These other intangible assets are valued on acquisition using a discounted cash flow methodology which depends on future assumptions about the revenue from contracts, prices and costs and on the Group's cost of capital. At the time of an acquisition, the Directors use the business's projected gross margin from contracts acquired or future prospects. These gross margin figures will depend upon each contract's cost to complete estimate at that point in time and the Directors will apply judgement in whether those costs to complete are appropriate or not. The Directors will also take into account the expected timing of the recognition of revenue (and gross margin) on each contract or future prospect.

Provisions

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

Research and development

The recognition of research and development expenditure as an internally generated intangible asset requires the Directors to make judgements, especially with respect to whether the asset created will generate future economic benefit. This is a key judgement in this respect as the time between development and any income can be considerable (over five years) and often the income-generating asset may have considerably evolved from the asset originally created. As a result of this, the Group almost always expenses research and development in the period it is incurred.

Taxation

In accordance with IFRS IC 23 'Uncertainty over Income Tax Treatments' the Group currently takes a cautious approach to recognition of R&D tax credits for periods that are still open. As at 30 April 2021, a provision of £775,000 (2020: £440,000) was recognised against R&D tax credit claims made in the final and early build computations for 2019/20 and 2020/21. The Group considers this level of provision as not material.

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% (2020: 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.

Five-year record

	2021	2020	2019	2018	2017
Headline results (£'000)					
Revenue	**143,308**	131,059	121,182	110,547	112,994
Adjusted operating profit	**18,609**	18,223	16,164	15,225	14,399
Operating profit	**7,808**	10,731	5,944	10,262	873
Adjusted earnings per share (pence)					
Basic	**33.63**	37.10	33.60	29.08	27.71
Diluted	**33.29**	36.73	33.41	28.79	27.34
Statutory earnings per share (pence)					
Basic	**13.38**	23.47	13.37	18.95	8.87
Diluted	**13.24**	23.24	13.29	18.76	8.75
Dividend per share (pence)	**11.10**	10.10	9.10	8.20	7.10
Net operating cash flow (£'000)	**16,216**	11,597	8,635	13,220	659
Net funds/(debt) (£'000)	**2,464**	(4,707)	(6,424)	11,338	8,472
Order intake (£m)	**180.3**	124.4	189.9	76.6	108.6
Order book (£m)	**242.4**[1]	183.3	190.9[2]	103.8	136.2[3]

1. The order book at 30 April 2021 is after including the acquired order book of ELAC Sonar (£23.2m) on 2 December 2020.
2. The order book at 30 April 2019 is after including the acquired order book of Chess (£20.1m) on 12 December 2018.
3. 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

ELAC – elac-sonar.de

MASS – mass.co.uk

MCL – marlboroughcomms.com

SEA – sea.co.uk

Shareholder information, financial calendar and advisers

Advisers

Nominated adviser and broker

Investec
30 Gresham Street
London EC2V 7QP

Auditor

RSM UK AUDIT LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire MK9 1BP

Tax advisers

Deloitte LLP
Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers

Shoosmiths LLP
Apex Plaza
Forbury Road
Reading RG1 1SH

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Public and investor relations

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

Bankers

Lloyds Bank
3rd Floor
10 Gresham Street
London EC2V 7AE

NatWest Bank
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

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 Group 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 Group

Shareholder Solutions
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

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

20 September 2021

Final dividend payable

27 September 2021

Expected announcements of results for the year ending 30 April 2022

Preliminary half year announcement

December 2021

Preliminary full year announcement

July 2022

Registered office

Cohort plc

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Theale
Reading RG7 4SW

Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.

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Cohort plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Symbol Freelife Satin and UPM Fine Offset, an FSC® certified material. This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company.

Both the printer and the paper mill are registered to ISO 14001.

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