Cohort plc

Annual Report and Accounts 2016

Cohort plc

Cohort is the parent company of five innovative, agile and responsive businesses providing a wide range of services and products for UK, Portugal and international customers in defence and related markets.

EID designs and manufactures advanced communications systems for the defence and security markets.

www.eid.pt

MASS is a specialist defence and technology business, focused on electronic warfare, information systems and cyber security.

www.mass.co.uk

MCL is an expert in the sourcing, design, integration and support of communications and surveillance technology for the defence and security markets.

www.marlboroughcomms.com

SCS is a defence consultancy, combining technical expertise with armed forces experience and domain knowledge.

www.scs-ltd.co.uk

SEA is an advanced electronic systems and software house operating in the defence, transport and offshore energy markets.

www.sea.co.uk

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Read more about our business and capabilities from page 04

Financial and operational highlights

Adjusted operating profit (£m)*

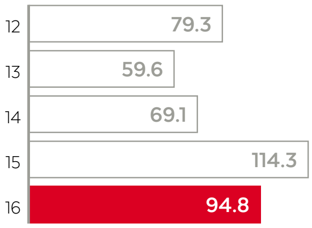
£11.9m

+18%

Order intake (£m)

£94.8m

-17%



Net funds (£m)

£19.8m

+1%

- Organic revenue and adjusted operating profit growth of 5% and 13% respectively
- Adjusted earnings per share increased 33%
- Full year contributions from MCL and J+S (both acquired in 2014/15)
- Net funds maintained at the level of the strong position of last year
- New bank facility for £25m agreed in the year
- Order intake for the year was £94.8m (2015: £114.3m)

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

Visit our website at **www.cohortplc.com** for up-to-the-minute news, announcements and investor information

Continued strong performance

Highlights

- The Board is recommending a final dividend of 4.1 pence per ordinary share (2015: 3.4 pence)
- Cohort achieved a record adjusted operating profit for the year of £11.9m (2015: £10.1m)
- The Group ended the year with net funds of £19.8m (2015: £19.7m)
- MASS and SEA achieved record profits
- Full year contributions from J+S (reported as part of SEA) and MCL

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Read more about our recent operational activities, strategy and business review from page 10

Key financials

In the year ended 30 April 2016, Cohort achieved revenue of £112.6m (2015: £99.9m), including £32.0m (2015: £32.5m) from MASS Consultants Limited (MASS), £18.1m (2015: £16.9m) from Systems Consultants Services Limited (SCS), £48.8m (2015: £40.4m) from SEA (Group) Limited (SEA), and a full year contribution from Marlborough Communications Limited (MCL) of £13.7m (2015: £10.1m for ten months). The SEA revenue included a full year contribution from J+S Limited (J+S) of £12.8m (2015: £7.9m for seven months). The improved revenue reflects both the full year impact of MCL and J+S, the latter reported within SEA, and also increased revenue on SEA's submarine projects.

The Group's adjusted operating profit was £11.9m (2015: £10.1m). This included contributions from MASS of £6.0m (2015: £5.5m), SCS £1.2m (2015: £1.3m), SEA £5.4m (2015: £4.0m) and a full year contribution from MCL of £1.4m (2015: £1.3m for ten months). Cohort Group overheads were £2.1m (2015: £2.0m). MASS, which remains the Group's largest contributor to profit, improved its performance as a result of changed mix despite a slight fall in revenue. The improved performance at SEA reflected its increased revenue, and also an improved mix due to the higher activity in support services. MCL also improved its contribution, although its percentage margin was lower with a greater proportion of revenue derived from bought-in product. Despite growing its revenue, SCS had a challenging year with an increase in the proportion of lower margin work following the end of several profitable projects.

The Group operating profit of £5.2m (2015: £5.9m) is stated after recognising amortisation of intangible assets of £6.4m (2015: £3.6m), exceptional items of £0.8m in respect of the acquisition costs associated with EID and net foreign exchange gains of £0.5m (2015: £0.1m charge). Profit before tax was £5.3m (2015: £5.9m) and profit after tax was £5.4m (2015: £5.2m).

Adjusted earnings per share (EPS) were 27.18 pence (2015: 20.45 pence). The adjusted EPS were based upon profit after tax, excluding amortisation of other intangible assets, net foreign exchange gains and exceptional items. Basic EPS were 19.14 pence (2015: 14.04 pence). The significant improvements in EPS included the benefit of some one-off tax items. With these removed, adjusted EPS would have been 24.98 pence, 22% above the comparative for 2014/15.

Order intake for the year at £94.8m, was, as expected, lower than the strong performance seen in 2015 at £114.3m and accounts for the lower closing order book. The net funds at the year end were £19.8m (2015: £19.7m).

> Cohort again improved its performance in the year, achieving record revenue, adjusted operating profit and closing cash. MASS, MCL and SEA all recorded growth in adjusted operating profit. After some delay, the Group completed the acquisition of EID. I welcome EID to the Group as Cohort's fifth operating business and look forward to its positive contribution in the coming year and thereafter.
>
> **Nick Prest CBE**

Dividends

The Board is recommending a final dividend of 4.1 pence per ordinary share (2015: 3.4 pence), making a total dividend of 6.0 pence per ordinary share (2015: 5.0 pence) for the year, a 20% increase. This will be payable on 21 September 2016 to shareholders on the register at 26 August 2016, subject to approval at the Annual General Meeting on 13 September 2016.

MASS

MASS's adjusted operating profit of just under £6.0m (2015: £5.5m) was ahead of last year, driven by an improved mix. Its net margin increased from 16.9% to 18.7%, with lower levels of activity in education accounting for the slight drop in revenue. Looking forward we expect MASS's operating margin to fall back to a slightly lower level as it grows its cyber offering. Although the cyber opportunities available to MASS are substantial and growing, a larger part of MASS's activity in this area has bought-in content.

MASS's order book reduced during the year as it delivered on its longer term orders, a number of which are due to be replenished in the coming year. Its closing order book of £41.7m (2015: £53.4m) provides a good underpinning for 2016.

MCL

MCL improved its adjusted operating profit from £1.3m for the ten months ended 30 April 2015 to £1.4m for the year ended 30 April 2016 on higher revenue of £13.7m (2015: £10.1m). The improved performance was a result of the higher revenue although, as expected, the net margin was lower with a higher proportion of bought-in product and less support work in the revenue mix.

MCL benefitted from a strong final quarter of orders, sales and profit from its main customer, the UK MOD, despite evidence that it was under some budgetary pressure. This demonstrated the importance of MCL's niche offerings and typified its historical business model of short cycle times, especially in support and repeat work.

Its strong order book of £7.0m (2015: £2.8m) and pipeline of prospects give us confidence that it will make progress in the coming year.

SCS

In what continues to be a challenging domestic defence market for technical consultancy, SCS did grow its revenue, much of this a result of its unique position in delivering high level training to the Joint Warfare Centre. Training activity in this area again increased following the end of the UK's operations in Afghanistan in late 2014.

The withdrawal from Afghanistan also resulted in the cessation of an in-country support contract and the resultant mix change has reduced SCS's net margin from 7.8% in 2015 to 6.6% this year.

Although SCS enters the coming year with a good order book of £11.7m (2015: £9.8m) its short term prospects are not as strong as we are seeing elsewhere in the Group and we expect SCS's performance to remain flat.

SEA

SEA had another strong year with its adjusted operating profit growing to £5.4m (2015: £4.0m) which included a full year contribution from J+S (2015: seven months).

SEA and J+S are now fully integrated and the efficiencies realised by combining the businesses have increased the net margin from 9.9% to 11.1%. The recognition of a full year of trading of J+S has contributed to the stronger performance but the underlying SEA business also increased its revenue by over 11%, driven mostly by activity on the Common External Communications System (CECS) for the UK's submarine fleet, particularly on the Vanguard Class. This project will move into its delivery phase in the coming year and as a result will have lower engineering activity.

SEA secured over £36m (2015: £50m) of orders in the year. The 2015 comparator was very strong, and included a number of large CECS orders which are being delivered now and into the future. The SEA order book of £55.6m (2015: £68.0m) underpins over half of SEA's expected revenue for 2016/17 and along with good prospects gives us confidence that SEA will continue to grow.

Cash

The net funds of the Group increased by £0.1m. The £11.9m of adjusted operating profit, after an expected net working capital outflow, delivered £8.5m of operating cash inflow. Although some way behind last year's very strong performance (£20.5m inflow), this was considerably better than we had expected and reflected a very strong closing quarter, some of which will reverse in the early part of 2016/17.

The operating cash inflow was utilised in paying tax, dividends and capital investment, a total outflow of £4.9m as well as a deposit for acquiring EID, net purchases of own shares and foreign exchange movements (£3.5m net outflow) resulting in the positive, albeit small, net funds movement of the Group.

The Group paid an initial €0.9m (£0.7m) for EID and a further €9.9m (£8.2m) on 28 June 2016 to take a 57% share and control of the business. It is expected that the acquisition of the additional 23% the Group has agreed to purchase from the Portuguese Government will complete by 31 October 2016 leaving the Portuguese Government with a 20% stake in EID. This will cost €4.4m (£3.6m) taking the Group to an 80% holding in EID.

The Group also expects to acquire the minority interest (49.9%) of MCL during the coming year. The consideration for this is currently estimated at £5.5m.

The Group continued to purchase shares through its Employee Benefit Trust, primarily to satisfy employee share option awards with a net investment in the year of £3.2m and this process is expected to continue in 2016/17.

In November 2015 the Group completed a new tri-bank facility with Barclays, Lloyds and RBS. The facility is a revolving credit facility for three years with an option to extend for up to a further two years. The amount is £25m with an option to extend by a further £10m to £35m.

Board, management and staff

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

There have been no changes in the Board and Senior Management of the Group in the past year. Jeff Perrin, appointed in 2015, has been a valuable addition to the Board as Non-executive Director and Chairman of the Audit Committee.

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

I take this opportunity to welcome the management and staff of EID into the Cohort Group. We look forward to working closely with them on the future development of EID and its relations with Cohort and its subsidiaries.

Outlook

The closing order book of £116.0m along with a number of expected long term order renewals provide a solid underpinning to the coming year. Although the UK defence market remains tight, the Cohort businesses have strong and relevant capabilities, established positions on some key long-term UK MOD programmes, and a good pipeline of new opportunities. Export prospects continue to strengthen, especially at SEA. Outside defence, MASS continues to make progress with its cyber capability. We expect the order intake for the coming year to be stronger with a number of key long term renewals due. As already mentioned, the addition of EID to the Group will be earnings enhancing and provides the Group with a new domestic customer in Portugal and particularly important access to new export markets, both for EID's products and services and the rest of the Group.

It is too early to quantify the impact of the recent referendum result in favour of the United Kingdom leaving the European Union. In 2015/16 only £1.0m (2015: £0.8m) of Cohort's revenue came from EU nations and institutions. The majority of Cohort's business in Europe is with NATO, £4.2m in the year ended 30 April 2016 (2015: £3.4m), and the UK's exit from the EU is not expected to affect this market. The acquisition of EID provides Cohort with a long-term operating platform within the EU. Any short-term impact is likely to be driven by changes to UK government priorities and possibly spending in the aftermath of the referendum. We will inform the market if we become aware of any material effects arising from these changes.

The management emphasis is now on driving further growth, supported by a continuing strong funding position. The recently completed acquisition of a controlling interest in EID provides a good start to the year ahead and the Board considers that Cohort's order book and near-term prospects provide a good base for future progress.

Nick Prest CBE
Chairman

A cross-section of the Group's activity in 2015/16

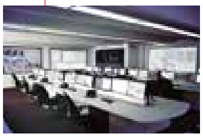
Cohort plc

Subsidiary	Operating division	Products and systems	Secure networks
mass	Cyber security		✕
	Electronic warfare operational support		
	Secure networks		✖
	Strategic systems		✕
MCL	Marlborough Communications	✖	
SCS	Air systems		
	Capability development		
	Training support		✕
sea	Maritime defence	✕	
	Research and technical support		
	Software solutions and products	✕	
	Subsea engineering		

✕ Capability

✖ Case study

MCL protects the hearing of British Forces with the Tactical Hearing Protection System



MASS is a leading certification body for Cyber Essentials, helping companies achieve Government cyber security standards

	Application software	Operational support	Training	Studies and analysis	Applied research	Specialist expertise
	✕			✕		✕
	✕	✕	✕	✕		✕
	✕	✕		✕		✕
	✕			✕		✕
		✕				
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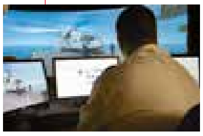
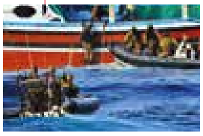
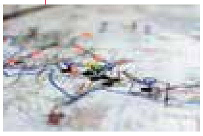


SEA delivered a new Flight Deck Training Simulator to train the crew of the new HMS Queen Elizabeth class Aircraft Carriers

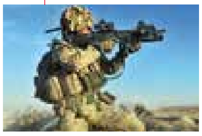


SCS provides the Communication and Information System to the EU's counter-piracy Operation Atalanta

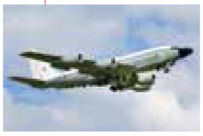


SCS provides a support service to the UK's Joint Forces Command to deliver exercises in combined and joint environments at an operational level

MASS has provided strategic advice for a UK Police Service into managing and responding to advances in digital forensic technology



SEA was the lead industry partner responsible for delivering the Delivering Dismounted Effect research programme



SCS provides Independent Technical Evaluation for air platforms entering UK military service, including Airseeker and Protector

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

Our business model

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

Cohort plc

EID mass MCL SCS sea

Management expertise bringing strategic and financial guidance

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

Adding value through:

Higher margin exports

Established position in key UK defence programmes

Flexible capabilities to meet customer needs

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We measure our progress using key performance indicators, which can be found on page 08

Our strategy

Organic growth

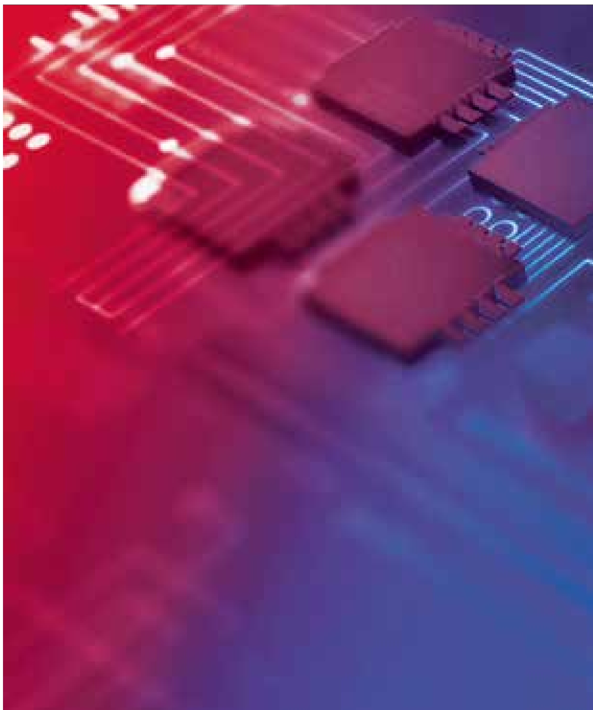
Consistently grow profits and cash generation organically through our subsidiaries

Acquisitions

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

Maintain confidence

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



Delivered through	What we did in 2015/16	Our priorities for 2016/17
• A focus on trusted delivery to our customers. • Encouraging innovation and responsiveness with a low cost base. • Identifying and pursuing growth opportunities. • Developing high quality leadership teams and a high performance culture.	• Adjusted operating profit of the Group increased by 18% to £11.9m. When adjusted to remove the full year effect of the acquisitions made in 2014/15 the increase was 13%. • Net funds increased to £19.8m. • Completed first executive and leadership development programme for Directors and future leaders of the Group respectively.	• Continued organic growth through pursuing identified opportunities in UK and export defence and other market areas. • Invest in current and future market growth opportunities including cyber and new naval systems. • Continue Executive Development Programme for Cohort and subsidiary Directors. • Continue Group-wide Leadership Development Programme, aimed at the future leaders of the business.
• Proactive engagement with businesses that can add value to the Group. • Maintaining a strong acquisition team. • Demonstrating a structure and culture that is attractive to potential sellers.	• 57% of EID acquired (completed 27 June 2016), the Group's first overseas subsidiary and fifth leg of the Cohort Group. • New £25m tri-bank facility put in place.	• Minority of MCL expected to be acquired on or before 30 April 2017. • A further 23% of EID expected to be acquired on or before 30 November 2016. • Funding capacity in place for further standalone and bolt-on acquisitions.
• A framework of financial control, strategy review, performance management and leadership development. • Clear and consistent communication. • An ability to act fast if problems arise.	• Succession planning and training. • SEA and J+S now fully integrated. Some system work still to be completed. • New SCS IT system fully operational with no issues. • Canaccord initiated analysis coverage providing further investor relations news flow.	• SEA and J+S reporting systems to be integrated to deliver improved efficiency. • Refreshed website to be published. • Complete integration of reporting and governance procedures for EID.

Performance indicator	Why is it measured?	2016	2015
Change in revenue Changes in total Group revenue compared to the prior year.	Revenue growth gives a quantified indication of the rate at which the Group's business activity is expanding over time.	13%	40%
Change in adjusted operating profit Change in Group operating profit before amortisation of other intangible assets, marking forward exchange contracts to market and exceptional items.	The adjusted profit trend provides an indication of whether additional revenue is being gained without profit margins being compromised and whether any acquisitions are value enhancing.	18%	23%
Order book visibility Orders for next financial year expected to be delivered as revenue, presented as a percentage of consensus market revenue forecasts for the year.	Order book visibility, based upon expected revenue during the year to come, provides a measure of confidence in the likelihood of achievement of future forecasts.	55% cover on forecast 2017 revenue of £120m (excluding EID) at 30 April 2016	65% cover on forecast 2016 revenue of £111m at 30 April 2015
Change in adjusted earnings per share Annual change in earnings per share, before amortisation of other intangible assets, marking forward exchange contracts to market and exceptional items, all net of tax.	Change in adjusted earnings per share is an absolute measure of the Board's management of the Group's return to shareholders net of tax and interest.	33%	7%
Operating cash conversion Net cash generated from operations before tax as compared to the profit before tax, excluding amortisation and other intangible assets.	Operating cash conversion measures the ability of the Group to convert profit into cash.	73%	215%

Comment

The increase in revenue was due in part to a full year contribution from MCL and J+S. The underlying Group revenue increased by 5% on a like for like basis, the single largest factor being an increase in ECS deliveries

The increase in 2016 was a result of improved profitability at SEA and MASS and higher revenue at MCL.

The order book cover for the coming year is lower at all of our businesses with the exception of MCL. At MASS and SEA long term contracts are due for renewal in 2016/17 mitigating some of the order book cover risk.

Strong growth in 2016 reflecting improved profitability and a small tax credit (2015: tax charge). Excluding one-off tax items (£0.9m), the underlying adjusted earnings per share is 24.98 pence, 22% higher than 2015.

The Group does see year to year fluctuations depending on working capital levels at the end of its reporting periods, but in general cash conversion has been strong. The last three years' operating cash inflow of £31.6m compares with cumulative adjusted operating profit for the same period of £30.2m.

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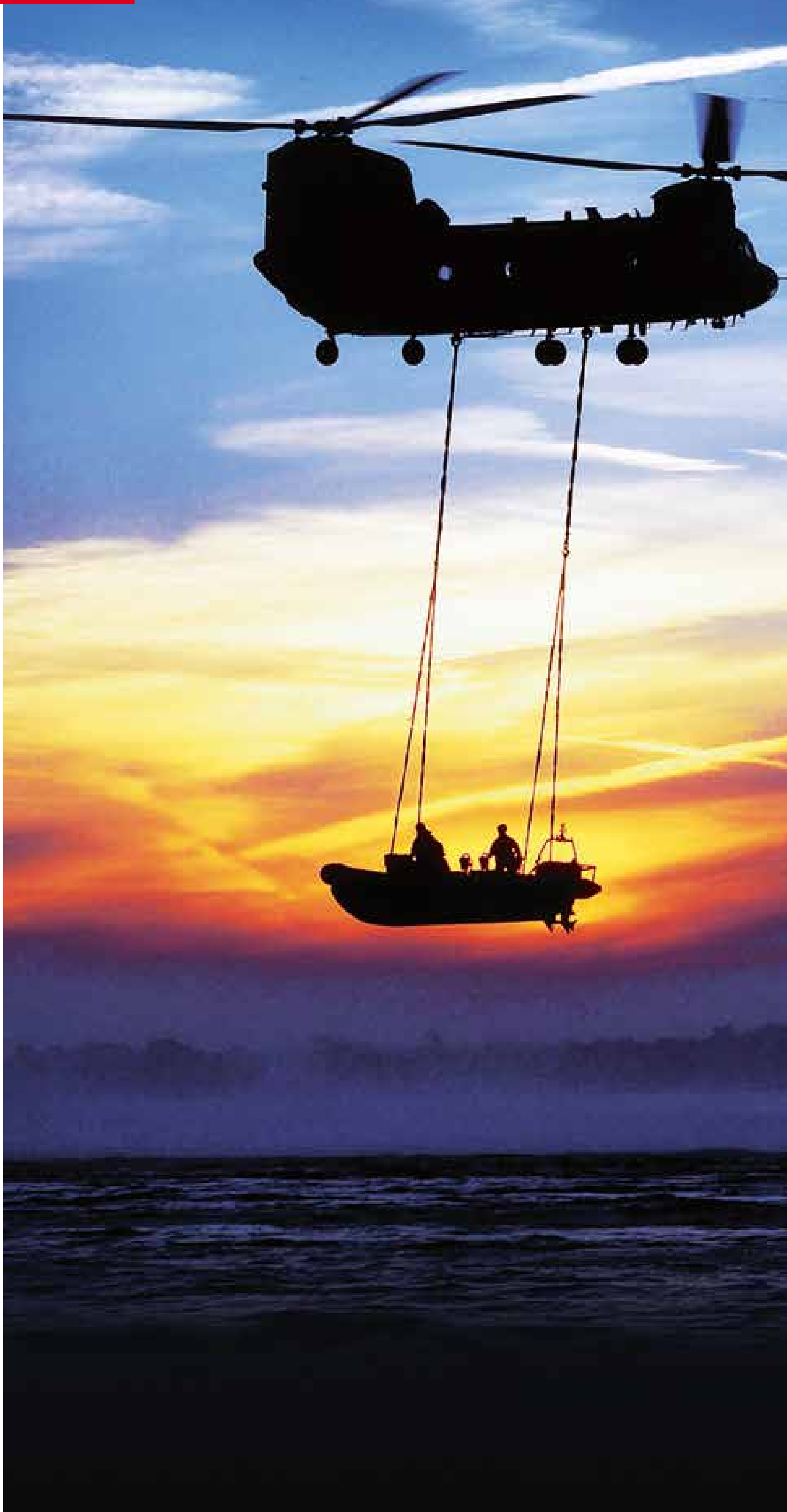
Read how risk identification, analysis and management allow us to deliver our strategic objectives from page 22



In focus

SCS supports the EU Anti-piracy Mission

SCS provides technical support to the Operational Communication and Information Services system for Operation Atalanta.

Another year of continued progress

Highlights

- Cohort has continued its progress, delivering a record level of adjusted operating profit
- Excluding the full year effect of acquisitions, revenue and adjusted operating profit increased by 5% and 13% respectively
- MASS and SEA achieved record profit
- SEA's operating performance continued to improve
- Full year contribution from MCL of £1.4m
- Order book at 30 April 2016 underpins over £65m of 2016/17 revenue
- Strong net funds and banking facility provide capacity to carry out our strategy

IBC
See the inside back cover of this report for a five-year performance summary

Operating review

2015/16 has been another year of progress for Cohort delivering a record level of revenue, adjusted operating profit and net funds. The closing order book of £116.0m, along with a good pipeline of prospects, provide substantial underpinning for the coming financial year.

The Group's adjusted operating profit of £11.9m (2015: £10.1m) on revenue of £112.6m (2015: £99.9m) was a net return of 10.6% (2015: 10.1%).

Adjusted operating profit by subsidiary

	Adjusted operating profit			Operating margin	
	2016 £m	2015 £m	Change %	**2016 %**	2015 %
MASS	**6.0**	5.5	9	**18.7**	16.9
MCL	**1.4**	1.3	8	**10.2**	13.1
SCS	**1.2**	1.3	(8)	**6.6**	7.8
SEA	**5.4**	4.0	35	**11.1**	9.9
Central costs	**(2.1)**	(2.0)	(5)	**–**	–
	11.9	10.1	18	**10.6**	10.1

This has been another year of continued progress for Cohort. The Group made its first overseas acquisition just after the year end in acquiring EID.

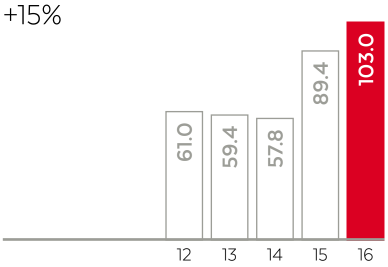
Andrew Thomis, Chief Executive
Simon Walther, Finance Director

Revenue share

Defence & Security revenue (£m)

£103.0m

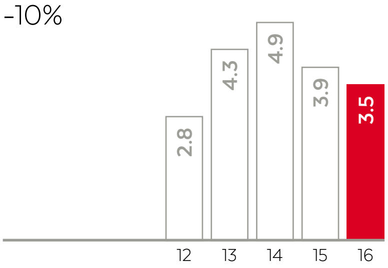
+15%



Transport revenue (£m)

£3.5m

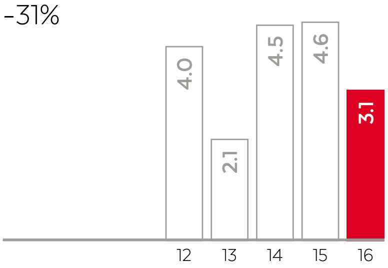
-10%



Other commercial revenue (£m)

£3.1m

-31%



Revenue share 2016

Defence & Security 91%

Transport 3%

Offshore energy 3%

Other commercial 3%

The 2015/16 result includes a full year contribution from J+S (reported as part of SEA) and MCL compared with seven and ten months respectively in 2014/15. Adjusting for these annualised impacts, the underlying organic revenue and adjusted operating profit growth were 5% and 13% respectively.

MASS was again the strongest contributor to the Group, growing its adjusted operating profit by 9% on slightly lower revenue. MASS's net margin of 18.7% is higher than we would expect due to favourable mix, particularly lower levels of education deliveries where there is relatively high level of bought-in content. Looking forward we would expect MASS's margin to return to a slightly lower level, reflecting growth in its cyber defence and other UK work where a larger part of MASS's activity in these areas has bought-in content.

Following its acquisition last year, MCL improved its adjusted operating profit to £1.4m (2015: £1.3m for ten months) on increased revenue of £13.7m (2015: £10.1m). The increase was primarily due to deliveries of hearing protection systems for the British Army, an order secured in August 2015. The net margin was down from 13.1% to 10.2% reflecting the increased proportion of revenue derived from products compared to higher margin support work.

In what has been a challenging year, SCS produced an adjusted operating profit of £1.2m (2015: £1.3m) on slightly higher revenue of £18.1m (2015: £16.9m). This weaker performance was a result of a change in mix, in particular arising from the cessation of support activity in Afghanistan in late 2014. SCS undertook some cost mitigation to offset this downturn. Looking forward, the market conditions for SCS remain tight and our expectation is that SCS will remain flat in terms of performance.

SEA's business produced an increase of 35% adjusted operating profit on 21% higher revenue. This was a result of a strong performance in its defence business, with increased submarine engineering activity and higher support work for its navy customer.

Taking into account the full year effect of J+S compared with the seven months in 2014/15, SEA's underlying revenue and adjusted operating profit grew by 6% and 32% respectively with J+S contributing strongly to the adjusted operating profit as a result of operational gearing and mix.

The small increase in central costs was as expected and reflects the growth of the Group over the past year. Looking forward we expect to see a further increase as the Group absorbs its new overseas subsidiary EID.

Operating strategy

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

- MASS is a leading international provider in the fields of electronic warfare (EW) and secure communications, including cyber security. Its products include the THURBON™ EW database and it provides EW operational support services to a number of customers in the UK and overseas. MASS has some unique capabilities that have enabled it to establish strong niche positions in these important areas of defence and security, as well as gaining an increasing reputation as a leading provider of secure networks to educational and other non-defence markets. MASS was founded in 1983 and is led by Managing Director Ashley Lane.
- MCL is a supplier of advanced electronic warfare, surveillance technologies and hearing protection systems to defence and security customers, mostly in the UK. It sources technologies from a global supplier network as well as developing and supplying its own solutions. MCL has a reputation for being flexible and agile in creating effective, mission deployable solutions for customers in the most challenging time frames. MCL was founded in 1980 and is led by its Managing Director Darren Allery.
- SCS is a provider of independent expert advisory services to defence and related markets. It serves both government and private sector customers in the UK and internationally. Many of its people have experience in the armed forces covering a wide range of technical specialisations, enabling the business to provide rapid expert support in areas including information systems, training, airworthiness, delivery and management of complex systems and support to operations in high threat areas. SCS was founded in 1992 and is led by its Managing Director Christian Cullinane.
- SEA specialises in providing systems engineering and specialist design solutions to government and industry. Its submarine External Communications System is being provided for all of the Royal Navy's Astute Class submarines, and will ultimately be fitted to all of the RN's submarines. It is also a supplier of systems and in-service support for the defence and offshore energy markets in the UK and overseas with its products including sonar systems, torpedo launchers and a range of other naval equipment. It provides a range of simulation-based training solutions and middleware to provide realistic training for complex environments. SEA also provides software and systems for the transport market. SEA was founded in 1988 and is led by Managing Director Steve Hill.
- The recently acquired business of EID in Portugal is discussed below under acquisitions.

Operating review continued

Operating strategy continued

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

Within our markets we have sought to use our agility and innovation to identify niches where future prospects are attractive and where we have some sustainable competitive advantage. These can be for products, services or high value one-off projects to design bespoke equipment or software. Examples include MASS's electronic warfare operational support offerings, SCS's training support work for the Joint Forces Command, SEA's External Communication System (ECS) for submarines and MCL's range of hearing protection systems. We have also been active in finding new customers for the capabilities we have developed, both in export markets, and for non-defence purposes. During the recent year we have continued to widen the customer base for our network security offering and extended the application of our Roadflow product to address moving offences, in particular yellow boxes and illegal right turns.

Being part of the Cohort Group brings significant advantages to our businesses compared with operating independently. The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are technically well-able to execute but which might otherwise be perceived as risky. Examples include MASS's £50m in-service support contract awarded in 2010, and around £70m of contracts awarded to SEA so far for ECS across the UK's submarine platforms. The Group's Directors have long experience of operating in the defence sector and have contacts and working relationships with senior customers in the UK and internationally which it would be hard for independent smaller businesses to establish. Our current four UK operating businesses, while remaining operationally independent, have close working relationships and are able to benefit from each other's technical capabilities, customer relationships and market knowledge. We will work in the coming year on ensuring that EID fully participates in this collaborative approach.

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

Acquisitions

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

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

For stand-alone acquisitions we are looking for agile, innovative businesses that have reached a stage of development where there will be mutual benefit in joining Cohort. It is likely that candidates will be operating in the defence and security markets either in the UK or internationally as that is where the Group can add most value. Growth prospects, sustainable competitive advantage and the ability to operate as part of a publicly quoted UK group will all be important. The acquisition of just over 50% of MCL last year met this criterion.

We expect to acquire the remainder of MCL (just under 50%) for an estimated further consideration of £5.5m on or before 30 April 2017.

The Group has added a fifth member of Cohort by acquiring 57% of EID. The total consideration paid for this was just under €11m (£8.9m). Subject to final approval of the Portuguese Government, the Group expects to acquire a further 23% of EID from the Government on the same terms and price as the initial 57% with the Portuguese Government retaining a 20% stake in EID. This second transaction is likely to complete on or before 31 October 2016 and will be accompanied by a shareholder agreement, which will set out various undertakings by both parties.

On the acquisition of the 57%, Cohort has also taken effective control and will consolidate 100% of EID from that point, recognising the minority interest in EID as appropriate.

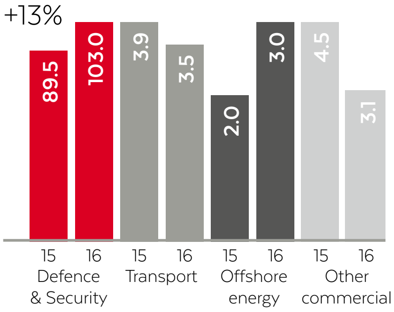
EID is a hi-tech company with more than 30 years' experience in the design, manufacture and support of advanced, high performance command, control and communications equipment for the global defence and security market. Customers for its naval communications systems include the Royal Navy and other NATO navies including those of Portugal, the Netherlands, Spain and Belgium. It has also supplied a number of other export customers; in total its products equip over 120 warships worldwide, and its army products have also enjoyed wide domestic and export success.

Group revenue by market

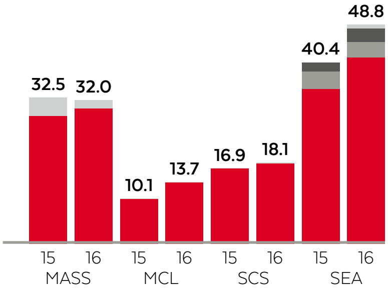
Total revenue by market (£m)

£112.6m

+13%



Total revenue by business (£m)



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See a breakdown of Defence & Security revenue on page 15

Defence & Security
Transport
Offshore energy
Other commercial

In focus

SEA provides expertise in dismounted soldier operations

SEA continues to lead in the delivery of integrated dismounted soldier systems research to UK MOD DSTL through the Delivering Dismounted Effect programme.

Operating review continued

Acquisitions continued

EID operates through two market-facing divisions:

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

These divisions are supported by an internal production and logistics unit. EID operates from an engineering facility near Lisbon, and has a regional office in Malaysia. It has a total of 138 employees.

Divisional review

MASS

	2016 £m	2015 £m
Revenue	**32.0**	32.5
Adjusted operating profit	**6.0**	5.5
Operating cash flow	**4.9**	8.2

MASS had another solid year under Ashley Lane's leadership, increasing its adjusted operating profit by 9% although on slightly lower revenue.

MASS received a Queen's Award for Enterprise in April of this year, a deserved recognition of both the quality of its technical work and its strong record of business success.

A significant contributor to the increase in MASS's profitability was a change in mix with lower education activity offset by work in Electronic Warfare and Strategic Systems. MASS continued to increase its cyber offering, securing some initial work under a strategic framework contract with various UK Government customers.

As already mentioned, the mix of work has resulted in MASS's net margin being higher than last year. At 18.7% (2015: 16.9%) this is above the level we expect to see in future because of the growing level of activity in areas where MASS's bought-in content is usually higher. MASS's portfolio will continue to include long term managed service offerings, higher margin but unpredictable export business and more predictable but relatively lower margin secure network and cyber activity in education, commercial, security and defence markets.

MASS's support contract for the NATO Joint EW Core Staff, originally secured during 2013/14, was extended for a further year during 2015/16. As well as being a valuable growing work stream in its own right, this provides MASS with further opportunities to access NATO customers with its EWOS and THURBON™ offerings.

After a strong operating cash flow last year, MASS's operating cash flow this year was slightly weaker with a build-up of working capital at the end of the financial year linked to higher activity. MASS, as part of its cyber strategy, is currently investing in facility upgrades to enable it to offer a more comprehensive cyber service. This work will complete in the summer of 2016 and will enable MASS to continue to grow its business in this area.

MASS operated through the year with four divisions and will continue to do so for the coming 2016/17 financial year. The EWOS division focuses on all of its export EW capability and THURBON™, including SHEPHERD (the provision of a system embodying THURBON™ to the UK MOD) as well as its EW managed service offerings in the UK. The Cyber Security division includes MASS's offerings of solutions and training to government security customers. The Secure Networks division includes MASS's secure network design, delivery and support, including Information assurance services to commercial, defence and educational customers. The Strategic Systems division covers certain managed service and niche technical offerings to the UK MOD.

MASS enters the current year with a strong order book and pipeline of opportunities, including exports, though the latter are always unpredictable in terms of timing. The coming year is also expected to see the renewal of a number of MASS's longer term projects.

MCL

	2016 £m	2015 £m
Revenue	**13.7**	10.1
Adjusted operating profit	**1.4**	1.3
Operating cash flow	**0.5**	(2.1)

MCL's full year contribution was above last year's ten month contribution. This was driven in particular by delivery of the first sets of Tactical Hearing Protection System for the British Army, an order secured in the first half of 2015/16.

The increased revenue derived from these deliveries, where the value added by MCL is low compared to its support activities, has resulted in MCL's net margin falling to 10.2% from 13.1% last year.

MCL has continued to enjoy success in supporting the UK Royal Navy both above and below water with specialist electronic systems.

MCL is currently a business with a short order to delivery timescale, resulting in a relatively low order backlog at any time. In joining Cohort, one of its objectives was to increase its visibility and predictability of revenue. MCL has made some progress towards this goal, finishing the year with an order book of £7.0m (2015: £2.8m). Historical experience and a strong pipeline of opportunities suggest it will once again both win and deliver much of its revenue in the course of the financial year. MCL's pipeline, particularly in expanding its hearing protection provision to the UK military and potentially beyond, gives us confidence that it will progress in the coming year.

The positive, albeit small, operating cash flow was expected and reflects MCL's peak of activity at the end of the financial year.

Darren Allery, MCL's Managing Director, has led his team through the integration with Cohort and we are looking forward to continuing to work with the existing MCL team after our expected acquisition of the remaining management shareholders' shares in the course of 2016/17.

SCS

	2016 £m	2015 £m
Revenue	**18.1**	16.9
Adjusted operating profit	**1.2**	1.3
Operating cash flow	**(0.1)**	2.5

SCS, under the leadership of Christian Cullinane, had a challenging year and despite a 7% increase in revenue, SCS's trading profit fell by 8%.

The drop, despite some cost mitigation, was a result of a change in mix, particularly following cessation of support activities in Afghanistan in late 2014.

More positively, SCS secured a further two years, with a potential to go out to March 2020, of its high level training offering to the UK's Joint Warfare Centre (JWC), a service SCS has supplied for over 15 years. This capability forms the core of SCS's business and has enabled it to win further customers in the UK and overseas.

In other areas of its business, SCS has had a mixed performance. It was unsuccessful in renewing its framework contract with NATO in late 2015 although has continued to win revenue from NATO, albeit at a slower and lower rate.

In Air Systems, SCS continued to deliver its Independent Technical Evaluation services for a number of air platforms.

SCS's net return at just under 7% is lower than last year as a result of the change in mix. SCS's operating cash performance was, as expected, down on last year as deferred supplier payments fell into this year. SCS, like all of our businesses, also saw increased activity at the year end driving trade receivables higher.

SCS enters 2016/17 with an order book of £11.8m (2015: £9.8m). It faces a challenging market and with an anticipated fall off in Air Domain activity in the coming year, we do not expect SCS to grow in the year ahead.

SEA

	2016 £m	2015 £m
Revenue	**48.8**	40.4
Adjusted operating profit	**5.4**	4.0
Operating cash flow	**2.7**	8.4

SEA, led by Managing Director Steve Hill, has had another busy and successful year with profit increasing by 35% on nearly 21% higher revenue.

These significant increases include a contribution from the effect of owning J+S for a full year. When this is adjusted for, the underlying increases in revenue and adjusted operating profit remain a healthy 6% and 32% respectively.

The marked improvement in net margin, increasing from 9.9% last year to 11.1% in 2015/16, was driven by an increase in support and production activity at Barnstaple, and the benefit of operational gearing arising from the higher activity levels.

Setting aside the full year impact of J+S, the increase in the underlying revenue was due primarily to more deliveries of the External Communications System following the large orders received in 2014/15. SEA's current ECS activity on the UK submarine fleet has reached its peak in terms of engineering and future periods will see the delivery of completed ship systems at a steady but lower run rate. However, with critical design milestones achieved in 2015/16, we expect to see an increasing contribution of both revenue and profit from SEA's naval systems export work.

SEA's research business had a steady year including successfully completing the Delivering Dismounted Effect programme for its customer, DSTL. Looking forward, we do not expect any growth in the short term but the pipeline for 2017/18 and beyond looks good.

SEA's transport activity was slightly down on 2014/15 but within this Roadflow sales grew vigorously. Prospects in the UK market for Roadflow, particularly the Red Light and Motion variants, along with further export opportunities give us confidence that the Transport activity will grow in the coming years. The sale of Red Light Systems for level crossings has been slower than we hoped, in the main due to customer delays, and we expect this to pick up going forward.

SEA's Subsea Engineering Division, which primarily services the North Sea Oil & Gas market, had a very challenging year due to the tightness of its market. The apparent growth in revenue was mostly due to the recognition of a full year's trading compared to only seven months in 2014/15. However, the business, which is mainly involved in operational support, remained profitable and any sustained improvement in the oil price should enable it to start growing again.

SEA had a better than expected operating cash flow in the year with some large receipts on the submarine programme received at the year end. An unwind of supplier payments and a resultant cash outflow occurred as expected in the first half of the year but the second half has been better, a major factor in the Group's strong cash performance.

SEA's closing order book of £55.6m (2015: £68.0m) provides a solid underpinning to 2016/17 revenue, especially in its submarine and other naval system work. Elsewhere, its order cover, especially in Software Solutions and Products and Subsea Engineering Division, is typically low with a short order to delivery timeframe. SEA's Research & Technical Support Division enters 2016/17 with lower order cover compared to recent years. It has recently completed its Delivering Dismounted Effect programme and is waiting for the replacement project, the Dismounted Engine Room (DER), which will commence later in our financial year. During this year the division will continue to deliver ad hoc tasks to its MOD customer, partly delivering some of the DER requirements early. SEA has a number of longer term contracts due for renewal in 2016/17.

As expected, the integration of J+S and SEA which was completed last year, has delivered around £0.5m of annual savings and the combined business has been conducted in 2015/16 through its four market facing divisions spread across its four operating facilities comprising:

- Maritime Division, including design, development, production and support of its naval communication systems, sonar, torpedo launch and other naval systems.
- Research and Technical Support Division, including its capabilities in the land and research markets of defence.
- Software Solutions and Products Division, including SEA's transport work in the UK and overseas as well as other civil and non-maritime products, its training and simulation capabilities and other information systems.
- Subsea Engineering Division, developing and delivering SEA's activities in the offshore energy market, primarily oil and gas.

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

Revenue by market and business

	MASS		MCL		SCS		SEA		Group			
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	**%**	2015 £m	%
Defence & Security	**30.1**	28.4	**13.6**	10.0	**17.9**	16.7	**41.4**	34.4	**103.0**	**91**	89.4	89
Transport	**–**	–	**–**	–	**–**	–	**3.5**	3.9	**3.5**	**3**	3.9	4
Offshore energy	**–**	–	**–**	–	**–**	–	**3.0**	2.0	**3.0**	**3**	2.0	2
Other commercial	**1.9**	4.1	**0.1**	0.1	**0.2**	0.2	**0.9**	0.1	**3.1**	**3**	4.6	5
	32.0	32.5	**13.7**	10.1	**18.1**	16.9	**48.8**	40.4	**112.6**	**100**	99.9	100

The Defence & Security revenue is further broken down as follows:

	MASS		MCL		SCS		SEA		Group			
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	**%**	2015 £m	%
Direct to UK MOD	**13.1**	11.5	**11.1**	8.4	**10.7**	8.7	**11.6**	9.7	**46.5**	**41**	38.3	38
Indirect to UK MOD where the Group acts as a sub-contractor or partner	**6.7**	6.1	**0.4**	0.3	**2.7**	3.9	**26.9**	21.7	**36.7**	**33**	31.7	32
Total to UK MOD	**19.8**	17.6	**11.5**	8.7	**13.4**	12.6	**38.5**	31.4	**83.2**	**74**	70.0	70
Export and other	**10.3**	10.8	**2.1**	1.3	**4.5**	4.1	**2.9**	3.0	**19.8**	**17**	19.4	19
	30.1	28.4	**13.6**	10.0	**17.9**	16.7	**41.4**	34.4	**103.0**	**91**	89.4	89

Operating review continued

Revenue breakdown by capability

		2016		2015	
		£m	%	£m	%
Defence products	The design, supply and support of such equipment and its associated embedded software, as well as the integration of commercial "off the shelf" equipment for specialist applications primarily by SEA and MCL.	**47.0**	**42**	34.8	35
Training	This includes formal, on-the-job and scenario-based training services. An example is SCS's provision of exercise-based training for the UK's Joint Forces Command.	**10.7**	**9**	10.6	11
Specialist expertise	The provision of expert individuals as part of a customer's team. Three of our businesses are active in this area, most notably SCS and MASS with a small level of activity at SEA.	**12.0**	**11**	10.4	10
Application software	The design and supply of specialist software systems such as MASS's work on Project SHEPHERD and SEA's work for its transport and defence customers.	**8.7**	**8**	10.1	10
Operational support	The provision of direct support to active operations which takes place at MASS through its Electronic Warfare Operational Support activities, at SCS in defence and at SEA in defence and offshore energy.	**11.3**	**10**	9.7	10
Secure networks	The provision of advice and system implementation to protect against cyber attack and other threats. Both MASS and SCS provide these services for a range of clients.	**7.9**	**7**	9.1	9
Studies and analysis	Other self-contained studies, consultancy and analytical work such as SCS's work on the Protector UAV.	**8.9**	**8**	8.4	8
Applied research	The management and execution of scientific investigation work aimed at specific objectives, such as SEA's leadership of the DDE research programme for MOD.	**6.1**	**5**	6.8	7
		112.6	**100**	99.9	100

Notable changes between 2015 and 2016 were:

- A significant growth in defence products, in absolute and percentage terms. A major factor in this was increased level of work on ECS. Other contributing factors included MCL's hearing protection systems and SEA's naval product and support business.
- A fall in secure networks as MASS's activity in education was lower, following its failure to secure a place on the new delivery framework in 2015.
- A fall in applied research as the DDE project reached completion.

Our people

At the year end the Group had 648 permanent employees as well as a number of people on fixed-term or task-specific contracts. Many of these are highly qualified engineers, mathematicians and scientists but our management and support people also make important contributions.

We are not a business that focuses on high-volume products requiring capital-intensive machinery and tooling. Almost all of the work that we win and execute across the Group is a result of the technical excellence, managerial skills and sheer hard work of our people. They are our most important source of competitive advantage, innovation and agility, and they are vital to our future success. Developing our people and keeping them engaged are therefore high priorities for the Group.

One means by which we do this is Cohort's Business Excellence Awards, which are intended to recognise outstanding contributions to business success. In the 2016 financial year the Gold Award went to the team at MCL who successfully executed a project to design and manufacture a system that was technically new and highly challenging, both in terms of performance and the operating environment. This was achieved within an extremely tight timescale to meet a planned Royal Navy operation; and the system MCL provided was the key item – without it, the operation could not go ahead. Other award winners included a team introducing a new Tactical Hearing Protection System into the British Army and others working in critical areas of the UK's defence where recognition was received from the customer at the highest level. The awards also gave an opportunity to celebrate some relatively unsung but important achievements by the Group's support staff.

The Group's inaugural Leadership Development Scheme was completed during the financial year. The scheme is intended to hone the skills of the next generation of our senior leaders and is supported by the top management of both the operating businesses and the headquarters team. As well as developing individual skills and encouraging people to achieve their full potential we see this as being a way to encourage the growth of informal networks across the Group, improving our ability to share information and work together more effectively.

It has been considered a valuable exercise and a second Leadership Development Scheme will commence in 2016/17. In addition, a scheme to develop the soft skills of some of our able technical people will be launched within the coming year.

Cohort's largest customers are the UK armed forces, and the work we do helps them to carry out their vital task more effectively. This is a significant motivating factor for our people, many of whom are current reservists or former members of the armed forces themselves. Cohort is proud to have been an early signatory of the UK Armed Forces Corporate Covenant and in the 2016 financial year MASS received a Silver Award under the Defence Employer Recognition Scheme, which is in addition to previous Gold and Silver awards to SCS and Cohort respectively. As already mentioned, it is very pleasing to congratulate MASS on receiving a Queen's Award for Enterprise, a deserved recognition of its excellent capabilities and business achievements.

SCS provides a comprehensive training support service to the UK military

SCS designs, develops and delivers Command Post and Computer Assisted Exercises in combined and joint environments at an operational level for the UK's Joint Forces Command.

Our people continued

Our people are frequently involved in fund-raising for armed forces charities, activities which we are pleased to support, in a modest way, corporately. Either directly or through matching employee efforts the Group donated just over £36,000 in 2015/16 (2014/15: £27,000), the vast majority to military charities including SSAFA and ABF.

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

Operational Outlook

Order intake and order book

	Order intake		Order book	
	2016 £m	2015 £m	**2016 £m**	2015 £m
MASS	**20.3**	39.6	**41.7**	53.4
MCL	**18.0**	7.5	**7.0**	2.8
SCS	**20.1**	16.7	**11.7**	9.8
SEA	**36.4**	50.5	**55.6**	68.0
	94.8	114.3	**116.0**	134.0

The decrease in the Group's order intake was a reflection of the very high intake in 2014/15 rather than any weakness in the current year. This drop was particularly noticeable at MASS and SEA. MASS secured a number of renewals of key overseas support work last year, some of which are due to be renewed again during 2016/17. At SEA, 2014/15 saw a very large order to extend ECS to the whole UK submarine fleet, known as Common ECS.

MASS's order intake in 2015/16 included a number of UK MOD renewals and extensions, many for programmes on which MASS has been the provider for many years. Some further export EWOS opportunities were secured and the pipeline for these remain strong but as always the timing unpredictable. Of MASS's order book at 30 April 2016, over £22m is deliverable in 2015/16, a slightly lower level of underpinning than last year, although a number of renewals, some in the export market, are expected in the coming year.

MCL's order intake of £18.0m was dominated by a hearing protection system order for over £11m secured last August and deliveries of which began in January of this year. MCL's closing order book of £7.0m is virtually all deliverable in 2016/17. MCL's visibility of its pipeline is short (typically three to six months) and MCL's business model, with low headcount (and hence cost), enable it to respond rapidly to opportunities and customer needs. MCL's pipeline for 2016/17 is strong. Although the timing of individual prospects is uncertain, there are some large opportunities which, if secured, would provide MCL with a more stable future revenue stream. Since joining Cohort, MCL has begun to improve the predictability of its revenue and we will look to make further progress this year.

SCS's order intake was significantly up on last year and included an extension to its JWC high level training provision for a further two years, out to March 2018 and with an option to extend to March 2020. SCS's closing order book of £11.7m includes £7.0m deliverable in 2016/17 with the balance in 2017/18. The SCS order book provides slightly lower underpinning to the coming year, although, as elsewhere in the Group, a number of contracts are due for renewal. The visibility of SCS's pipeline remains short (typically around six months) and so SCS retains a flexible resource model to enable it to respond quickly to changes in market conditions. SCS's pipeline of opportunities is extensive but current conditions, especially for the provision of technical consultancy to the UK MOD remain challenging.

SEA's order intake of over £36m was down on the prior year with nearly half of the reduction due to the lower level of ECS orders, £17m this year versus over £25m last year.

Other notable changes were order wins last year for delivery during this year and next year, specifically projects for ancillary products and services to the submarine programme in the UK.

Outside defence, SEA's level of Roadflow orders was ahead of last year and looking forward we expect further export opportunities and also domestic growth from new variants.

The Oil & Gas market has been very challenging and order intake was down on the prior year, despite a single order for over £1m, the largest order ever received by SEA's Subsea Engineering Division. We would expect conditions going forward to remain tight although the oil price has recovered some of its lost ground in the last few months.

SEA's closing order book of £55.6m will deliver nearly £30m of revenue in 2016/17, lower than last year, mainly due to the conclusion of the DDE framework for the UK MOD which we expect to be replaced later in the coming financial year.

In the near term, the majority of Cohort's business will continue to derive from the UK MOD, either directly or indirectly. The Government's Strategic Defence Review published last November continued the focus on a number of the Group's key capabilities, in particular submarines, Special Forces, cyber and secure communications. It also brought a welcomed increase in defence procurement spending although not until 2017/18 at the earliest and the coming year, 2016/17, remains a challenging domestic defence market.

We also remain active in exports, where we have had a steady year in 2015/16. Our focus has been on markets with growing demands for defence equipment and resources to match. Our non-defence activities reduced in 2015/16 as a result of lower education activity. Transport was relatively flat and oil & gas grew because of the full year effect of the J+S business acquired in October 2014. The Group's defence and security activity is now 91% (2015: 89%). The overall market background, together with the pipeline of opportunities and our order book for the coming year give us confidence that we will continue to make progress in 2016/17.

Funding resource and policy

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

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

In November 2015 the Group completed a new tri-bank facility with Barclays, Lloyds and RBS.

RBS remain the Group's primary bank, especially for clearing purposes and day to day transactions.

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

The facility itself provides the Group with a flexible arrangement to draw down on for acquisitions and trading activities and as at 30 April 2016 the facility was drawn as follows:

	Facility £m	Drawn £m
M&A loan	10–15	3.3
Overdraft	3	—
FX, bonding and other trade instruments	7–12	0.9
	25	4.2

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

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

The cost of the facility, including legal fees was £0.5m and this was disclosed as part of the exceptional cost related to the EID transaction, a major driver of the need for it.

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

MCL's cash balances are held with Barclays and are currently outside the above facility and offset arrangements.

The Group has retained its inherited bank relationship with Clydesdale in order for customer payments to be received where contractual terms or relationships make bank changes impractical. These accounts will be closed once they are no longer receiving deposits.

During the year, the Group set up facilities in Portugal in order to facilitate the acquisition of EID. This was with Novo Bank which has a credit rating of Caa1. This was considered acceptable due to the short term that the funds would be held in Portugal. In the event, these funds have been held longer than was expected due to the delay in completing the acquisition.

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

The Group's return on net funds during the period was 0.20% to 0.75% (2015: 0.20% to 1.35%).

In addition to its cash resources, the Group has in issue 41.0m ordinary shares of 10 pence each. Of these shares 0.7m are owned by the Cohort plc Employee Benefit Trust (EBT), which waives its rights to dividends. In addition the Group has issued options over ordinary shares through Key Employee Share Option and SAYE schemes to the level of 1.8m at 30 April 2016.

The Group maintains a progressive dividend policy with dividends having increased by approximately 20% per annum over the last six years and dividend cover in the current year at 4.5 times (2015: 4.4 times) based upon the adjusted earnings per share.

The Group's cash generation in 2015/16 was better than expected but not as strong as the previous year. In summary, the Group's cash performance was as follows:

	2016 **£m**	2015 £m
Adjusted operating profit	**11.9**	10.1
Depreciation and other non-cash operating movements	**1.5**	0.8
Working capital movement	**(4.4)**	9.8
	9.0	20.7
Acquisition of EID (deposit only)	**(0.7)**	–
Acquisition of 50.001% of MCL	**–**	(5.7)
Acquisition of 100% of J+S	**–**	(11.7)
Disposal of SEA's Space business	**–**	4.0
Tax, dividends, capital expenditure, interest, loans and investments	**(8.2)**	(3.9)
Increase in net funds	**0.1**	3.4

As signalled last year, we expected working capital outflows in 2015/16 as some of the strong, timing driven inflow in 2014/15 unwound in the early part of the year. However, the Group's working capital performance has been stronger than we expected particularly at SEA where some large receipts were received in the final months of the year in respect of the CECS programme. Looking forward into 2016/17 we expect a significant decrease in net funds, primarily as a result of the investment of around £13m in acquiring EID and the remaining shares in MCL.

The significantly higher cash outflow in tax, dividends etc. was mainly due to the investment in Cohort's own shares by the EBT, a net £3.2m outflow (2015: inflow of £0.7m). The use of EBT shares to satisfy employee share options during 2015/16 will probably require further shares to be purchased by the EBT in the coming year.

The Group's customer base of Governments, major prime contractors and international agencies make its debtor risk low. The year end debtor days in sales were 31 days (2015: 24 days). This calculation is based upon dividing the revenue by month, working backwards from April, into the trade debtors balance (excluding unbilled income and work in progress) at the year end. This is a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year. The increase in debtor days is a reflection of the high level of trading in the final quarter across the Group, especially at MASS, MCL and SEA.

Tax

The Group's tax credit for the year ended 30 April 2016 of £54,000 (2015: charge of £707,000) was at an effective credit rate of 1.0% (2015: charge rate of 11.9%) of profit before tax. This includes a current year corporation tax charge of £1,935,000 (2015: £1,485,000), a prior year corporation tax credit of £368,000 (2015: credit of £204,000) and a deferred tax credit of £1,621,000 (2015: £574,000).

Including the current year deferred tax, the effective current tax rate for the year ended 30 April 2016 is 5.9% (2015: 16.3%). The current tax rate (including deferred tax) on profit before tax is lower than the standard rate (calculated at 20.0%; 2015: 20.83%), primarily due to recognition of Research & Development (R&D) credits, a reduction in the future UK corporation tax rate which has increased the deferred tax credit (£0.3m), and recognition of a statutory deduction on the exercise of share options by employees (£0.3m). The Group has switched its R&D tax credit scheme from the old superdeduction method to the now required R&D Expenditure Credit (RDEC), the impact of this change being a lower tax charge of £0.2m. The Group will continue to recognise its R&D tax credit in the tax line, in accordance with IAS 12.

The Group's overall tax rate was below the standard corporation tax rate of 20.0% (2015: 20.83%). The reduction is due to the reasons given above for the current year's rate and in addition, a prior year tax credit in respect of the recognition of tax allowable expenditure incurred in 2014/15 on the acquisition and integration of J+S into SEA which was previously not recognised. Looking forward, the Group's effective current tax rate for both 2016/17 and 2017/18 is estimated at 16% and 15% respectively, taking account of the reduction in headline tax rates and assuming the R&D tax credit regime remains unchanged from its current level and scope. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2013/14, 2014/15 and 2015/16.

Exceptional items

The exceptional costs in the year were all in respect of the acquisition of EID. These costs include £0.5m in respect of the Group's new bank facilities.

Adjusted earnings per share

The adjusted earnings per share of 27.18 pence (2015: 20.45 pence) is reported in addition to the basic earnings per share and excludes the effect of amortisation of intangible assets, exchange movement on marking forward exchange contracts to market, revaluing the cash set aside to acquire EID and exceptional items, all net of tax.

The adjustments to the basic earnings per share in respect of the exchange movements and other intangible asset amortisation of MCL only reflect that proportion of the adjustment that is applicable to the equity holders of the parent, analysed as follows:

	Adjustment to adjusted operating profit £'000	Applicable tax adjustment £'000	Adjustment to adjusted earnings per share (net of tax) £'000
Exceptional items	821	—	821
Exchange gain on revaluing the cash held for the acquisition of EID	(537)	108	(429)
Exchange adjustment in marking forward contracts to market	(7)	1	(6)
Amortisation of other intangible assets:			
J+S	1,187	(302)	885
MCL	2,596	(602)	1,994*
	4,060	(795)	3,265

* This adjustment is at 50% of the adjustment to adjusted operating profit, reflecting the share appropriate to the equity holdings of the parent.

As reported in the Chairman's statement, the adjusted earnings per share includes some one-off tax credits of £0.9m which when taken into account reduces the adjusted earnings per share by 2.20 pence to 24.98 pence, 22% higher than last year.

Financial estimates and judgements

In preparing the Annual Report and Accounts of Cohort plc for 2016, a number of financial estimates and judgements have been made including:

Revenue recognition on fixed-price contracts

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

Cost contingency on fixed-price contracts

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

Goodwill and other intangible assets

The Group has recognised goodwill and other intangible assets in respect of the acquisition of MASS (including Abacus EW), MCL and SEA (including J+S). The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and in each case are amortised over the expected life of the earnings associated with the other intangible asset acquired. The goodwill, which is not subject to amortisation but to annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived. This includes, but is not limited to, reputation, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of MASS (including Abacus EW), MCL and SEA (including J+S) has been tested for impairment as at 30 April 2016. In all three cases there was no impairment.

The Group performs significant research and development work for third parties for which tax credits are claimed. As this is performed for third parties no intangible asset is recognised. Where the Group performs its own research and development an intangible asset is only recognised where it meets the criteria of IAS38 'Intangible Assets'.

Provisions

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

Accounting policies

There were no significant changes in accounting policies applying to the Group for the year ended 30 April 2016.

Additional financial reporting disclosure

As in the past, the Group makes reference to additional financial reporting over and above that required by IFRS, specifically:

Adjusted operating profit

The adjusted operating profit is presented to reflect the trading profit of the Group and excludes amortisation of other intangible assets, exchange differences on marking forward exchange contracts to market and on revaluing cash set aside for acquiring EID and exceptional items. This enables the Group to present its trading performance in a consistent manner year on year. The adjusted operating profit is stated after charging the cost of share-based payments of £197,000 (2015: £198,000) which is allocated to each business in proportion to its employee participation in the Group's share option schemes. The segmental analysis (see note 1) is disclosed for each business after deducting the cost of share-based payments.

The exchange adjustment on marking forward exchange contracts to market at the year end is a requirement of IFRS and has no economic impact upon the Group's performance or assets and liabilities.

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

MASS supports electronic warfare countermeasure development and testing

MASS provides world-class services to assist customers in enhancing platform survivability and delivering effective missions.

Market risks

Risk area	Nature of risk	Mitigation and progress
Customers	The Group's single most important customer remains the UK MOD. £46.5m of revenue came directly from this source in 2016 (2015: £38.3m), 41% (2015: 38%) of Group revenue. In addition, £36.6m (2015: £31.8m) of Group revenue, 33% (2015: 32%), was sourced ultimately from the UK MOD but received via other contractors. With the Government running a significant budget deficit and the current uncertainties arising from Brexit there is a risk that further controls on defence expenditure could be introduced, which could have an impact on the Group's ability to win new work or could result in termination of its existing contracts. Any event that affected the Group's reputation with the UK MOD could put this revenue at risk.	The increase in the proportion of its revenue to its ultimate primary customer in 2016 compared with 2015 reflects the full year impact of the acquisitions of MCL and J+S made in 2014, both of which have the UK MOD as their primary customer. It also reflects the marked increase in activity on the Royal Navy's submarine programmes. £41.0m (2015: £30.0m), 36% (2015: 30%) of Group revenue, representing 49% (2015: 43%) of revenue derived from the UK MOD, was in relation to the Joint Combat Aircraft, Astute and other submarine programmes, nuclear deterrent programmes and operational naval support, all of which have been confirmed as high priority areas following the Government's Strategic Defence and Security Review.

Operational risks

Risk area	Nature of risk	Mitigation and progress
Suppliers	As is typical in the defence sector, the Group is reliant on certain key suppliers for specific elements of its technical and product offerings. This reliance is long term, with product duration in this sector often being tens of years.	This risk is managed through close liaison with suppliers, good project management and having contingency plans to go to alternative suppliers or bring work in-house. The long-term life of many defence products requires a regular review of product life and capability and the Group supports the customer in this respect through funded ongoing product support and re-life tasks.
Operations *(MASS and SEA)*	The subsidiary trading and business risks are similar in the cases of MASS and SEA. i. Bid risk – the businesses bid on contracts where the scope of work may not be well or fully defined by the customer. ii. Fixed-price contracts – these are often of a long-term nature (greater than 12 months) and typically include delivery of hardware and software. iii. Due to the nature of their niche technical skills requirement, both MASS and SEA have a fixed level of core software and hardware engineering and technical expertise.	This is typical in defence and is managed through bid/no bid reviews at the appropriate level using experienced personnel, including the Cohort Executive and Board. These projects are managed by dedicated project management teams, monthly reviews by the subsidiary board and regular interaction with the customer and key suppliers. Revenue and cost are recognised taking account of risk and estimated cost at completion (including any contingency). This cost base is carefully monitored at budget time and by rolling quarterly forecasts to identify any potential risk of low utilisation and thus under-recovery of cost, or over utilisation leading to the inability to meet customer commitments. The risk is mitigated, in the short term, by the use of sub-contractor staff. In the long term, a programme of skills assessment and training is in place to ensure continued flexibility of the engineering resource.

Operational risks continued

Risk area	Nature of risk	Mitigation and progress
Operations (SCS)	The primary cost risk is in respect of staff utilisation. SCS revenue visibility is short with typical contract duration of three to six months. This carries risk to forward utilisation.	The business maintains a comprehensive prospects schedule. This risk is also an opportunity, with SCS often securing and delivering work in a very short time frame. This risk is managed by retaining a minimal core staff, essential for business support, development and delivering key skills to customers. The majority of deliverable service is provided by non-core staff (associates) where cost is only incurred when the associates are on task. The forward utilisation of core staff is monitored on a weekly basis looking forward up to three months. Utilisation levels were maintained during the year.
Operations (MCL)	Like SCS, MCL's revenue visibility is short at typically three to six months. This carries risk to staff utilisation and predictability of revenue and profit.	MCL's staff levels are low (2016: 25) and the people employed are flexible and possess multiple skills enabling them to take on design, integration and support tasks across the full range of MCL's product offering. MCL, in joining the Cohort Group, has a strategy to improve its visibility by securing longer term contracts, utilising the Group's size and financial stability.
	The Group (through three of its subsidiaries) operates a number of off-site managed service contracts. These contracts are long term in nature (typically five years at commencement) and are managed through dedicated site project managers. The contracts are fixed-price in terms of revenue with opportunities for additional tasks enhancing volume and return.	The Group carefully manages the partnership with its customer and supplier base in all these cases to ensure the customer receives value for money and skilled Group staff providing a dedicated, flexible and responsive approach. The primary risk to these managed service contracts is termination, which is mitigated by the partnering approach adopted by the Group and our close engagement with the customer to ensure customer requirements remain paramount at all times.
Partners	The Group, especially in the defence sector, often secures business through teaming and partnering with other suppliers and this is often a requirement of securing work with the UK MOD in order to ensure the end customer receives the best solution. This creates a risk that the Group's revenue or profit will be affected by poor performance of a partner business.	The Group takes an active part in these arrangements and, through regular (usually monthly) project review meetings and other communication, ensures that the team (including our partners) delivers as a whole to the customer and to the needs of the individual team members.

Strategic risks

Risk area	Nature of risk	Mitigation and progress
Acquisitions	The buying (and selling) of businesses is a risk in respect of value, distraction, integration and ongoing obligations and undertakings.	The Group's acquisition risk is mitigated as far as practicable by the acquisition process being managed at the Cohort Board level, making use of appropriate external expertise and resources as and when required.

Financial risks

Risk area

Nature of risk

Mitigation and progress

Treasury

Cash and bank deposits are held as follows:

	2016 **£'000**	2015 £'000	Moody's credit rating of bank as at 10 June 2016
Royal Bank of Scotland Plc	**14,845**	16,850	A3
Barclays Bank plc	**205**	2,606	A2
Clydesdale Bank	**104**	245	Baa2
Novo Bank (Portugal)	**7,955**	—	Caa1
	23,109	19,701	

In November 2015 the Group completed a new tri-bank facility with Barclays, Lloyds and RBS. RBS remain the Group's primary bank, especially for clearing purposes and day-to-day transactions. The facility is a revolving credit facility for three years with an option to extend for up to a further two years. The amount is £25m with an option to extend by a further £10m to £35m. The facility itself provides the Group with a flexible arrangement to draw down on for acquisitions and trading activities.

This facility is available to all of the Group's entities (excluding MCL) through an offset arrangement. The current facility expires in November 2018, although the Group has an option to extend it for a further two years.

Under the Facility Agreement, the Group is required to meet certain banking covenants every quarter. There is a risk that the Group does not meet some or all of the covenants and that the facility is amended or cancelled as a consequence.

The Group takes a very prudent approach to the management of its financial instruments, which are described in note 15. The Group's cash is usually held with at least Baa2 rated institutions and on deposits usually not exceeding three months. This ensures a very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits.

The Group regularly reviews the ratings and other relevant factors in respect of the banks with which it deposits its cash and on each and every occasion that a short-term deposit is placed.

The credit rating of the banks used has remained at Baa2 or above, with the exception of Novo Bank. This account was used to hold funds for the acquisition of EID which was expected to complete before the year end but slipped into the new financial year completing on 27 June 2016.

The Group has regular (at least quarterly) meetings with its bank to discuss operational and other business issues.

The Group regularly monitors its covenant position and considers the impact of proposed transactions vis-à-vis the banking covenants to ensure that they are not breached. It also has regular meetings with its banking providers to ensure that any potential issues or risks are identified and communicated early to ensure that any implications for covenants can be addressed and avoid any adverse changes or restrictions to the Group's facilities.

Currency risk

The Group has contracts with overseas customers and suppliers requiring payment or receipt in currencies other than £ sterling.

The Group's exposure to credit risk at 30 April 2016 in respect of financial derivatives (forward foreign exchange contracts) was £0.8m of payable and £1.5m of receivable (2015: £2.0m of payable).

The financial derivatives at 30 April 2016 were all held with RBS, Lloyds and Barclays (30 April 2015: Barclays only). These are disclosed in detail in note 18 to the financial statements.

The Group manages its exposure to currency risk by using forward foreign currency exchange contracts. The level of forward cover is determined contract by contract, taking into account the net currency exposure to receipts and purchases. Forward contracts are only put in place when customer contracts are deemed highly probable. The Group does not enter into speculative forward exchange contracts. The Group's primary exposure is to the US$ through MCL, which purchases a number of products in the United States, and SEA with sales in the United States. The Group's exposure to the fluctuation in currency in respect of its reporting subsidiaries, which have a reporting currency other than sterling as their base currency, is not hedged.

Financial risks continued

Risk area

Revenue

Nature of risk

The Group has risk in respect of:

i. milestone and acceptance failure on projects; and

ii. unrecoverable trade debts.

The recognition of revenue is discussed at length in the Accounting Policies (page 69) and Critical Accounting Judgements (page 70 to 71) and as such may from time to time have a degree of risk.

The 2016 bad debt charge was £nil (2015: £3,000) on Group revenue of £112.6m (2015: £99.9m).

Financial assets exposed to credit risk at 30 April:

	2016 £m	2015 £m
Trade receivables	**18.3**	10.7
Other receivables	**9.7**	8.8
Cash and bank deposits	**23.1**	19.7

Mitigation and progress

The Group takes a prudent approach to revenue and credit risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis.

The Group uses project control processes and regularly reviews project progress to ensure recognition of revenue takes account of external milestones and customer acceptance as well as the internal costs incurred.

The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing ensures minimal bad debts.

The Group also uses letters of credit and other methods of payment guarantee, including customer advances, especially in respect of overseas customers, to ensure any export debt risk is minimised.

Significant debt receivable in foreign currency is hedged using forward exchange contracts which are entered into when contracts are deemed effective.

The risk to the major debtor of the Group, as a government department, is considered very low.

Board of Directors

Nick Prest CBE 🟥▨

Chairman

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

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

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

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

Andrew Thomis 🟥

Chief Executive

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

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

Simon Walther 🟥

Finance Director and Company Secretary

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

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

🟥 Member of the Cohort plc Board of Directors
▨ Member of the Remuneration & Appointments Committee
⬛ Member of the Audit Committee

Executive Management 2015/16

Stanley Carter ■ ■ ■

Non-executive Director

Term of office

Stanley has been with Cohort since its formation, initially as its Chief Executive before holding the office of Co-Chairman from 2009 until 2015.

Background and experience

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

Jeff Perrin ■ ■ ■

Independent Non-executive Director

Term of office

Jeff joined the Board of Cohort on 1 July 2015 and became Chairman of the Audit Committee following the AGM on 22 September 2015.

Background and experience

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

External appointments

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

Sir Robert Walmsley KCB, FREng ■ ■ ■

Independent Non-executive Director and Senior Independent Director

Term of office

Sir Robert joined the Board of Cohort on flotation in March 2006. He is Chairman of the Remuneration & Appointments Committee.

Background and experience

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

External appointments

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

Ashley Lane

Managing Director of MASS

Term of office

Ashley was appointed as Managing Director of MASS in May 2009.

Background and experience

After graduating from Surrey University with a master's degree (distinction) in Electronic and Electrical Engineering, Ashley joined Thorn EMI Electronics as a Systems Engineer working on radar, countermeasures and surveillance systems. He also spent four years in technology development and licensing, building the successful 3G wireless technology company UbiNetics. He has held key technical roles on programmes spanning defence, security and telecommunications, as well as managerial positions including Business Manager, Consultancy Division Head and, for five years, Systems Development and Technical Director for MASS.

Darren Allery

Managing Director of MCL

Term of office

Darren became Managing Director of MCL in March 2009.

Background and experience

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

Christian Cullinane

Managing Director of SCS

Term of office

Christian was appointed as Managing Director of SCS in June 2015.

Background and experience

A law graduate and Henley Business School alumnus, Christian has over 15 years' commercial experience holding senior positions in consultancy and telecommunications businesses. Before joining SCS he was Commercial Director at Airbus Defence and Space, where he was involved in a major telecommunications project in the Kingdom of Saudi Arabia. From 2005 until 2012 he was Commercial and Performance Director for QinetiQ's consultancy business. Christian has also undertaken senior business management roles with Deloitte Consulting, BT Global Services and GPT (Marconi). He has significant negotiation and programme delivery experience in the defence, security and civil markets, both in the UK and overseas.

Stephen Hill

Managing Director of SEA

Term of office

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

Background and experience

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

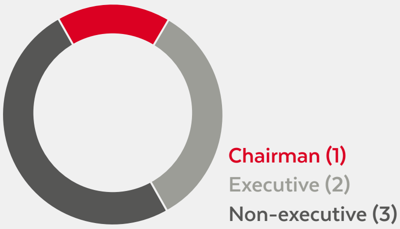
Governance structure

Corporate structure

The Board

Audit Committee	Remuneration & Appointments Committee
Jeff Perrin (Chairman)	Sir Robert Walmsley (Chairman)
Stanley Carter	Stanley Carter
Sir Robert Walmsley	Jeff Perrin
	Nick Prest CBE

Board composition



Introduction

As an AIM quoted company, Cohort plc is not required to comply with the UK Corporate Governance Code (the Code). Nevertheless, the Board fully supports the principles set out in the Code and seeks to comply wherever this is appropriate for its size and complexity. This Corporate Governance report provides details of how the Group complies with the 2013 Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code).

The Board

As at 30 April 2016, the Board of Directors comprised the Chairman, Nick Prest CBE, two Executive Directors, Andrew Thomis and Simon Walther, and three Non-executive Directors, Stanley Carter, Jeff Perrin and Sir Robert Walmsley.

The Board has determined that Sir Robert Walmsley and Jeff Perrin are independent; the Board is therefore compliant with the QCA Code in having two independent Non-executive Directors. Sir Robert Walmsley has been designated as the Senior Independent Director.

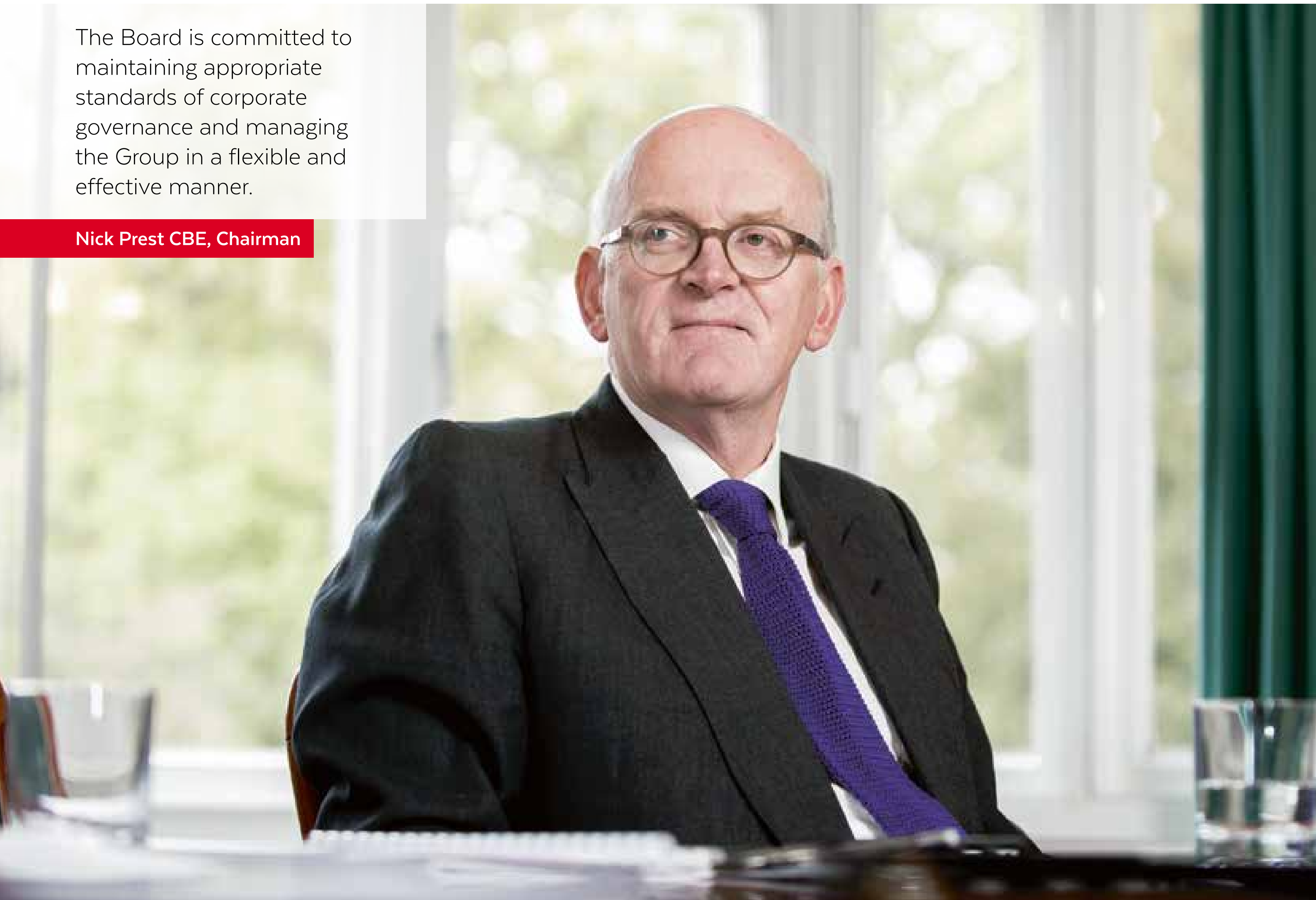
The Board meets most months and receives a monthly Board pack comprising individual reports from each of the Executive Directors and the subsidiary Managing Directors, together with any other material necessary for the Board to discharge its duties. It is the Board's responsibility to formulate, review and approve the Group's strategy, budgets, major items of expenditure, major contract bids, acquisitions and disposals.

All Directors retire by rotation and are subject to election by shareholders at least once every three years. The Board does not make a formal evaluation of its performance, a matter which is under constant review by the Chairman.

Board committees

The Board has established two committees: Audit and Remuneration & Appointments, each having written terms of reference.

> The Board is committed to maintaining appropriate standards of corporate governance and managing the Group in a flexible and effective manner.
>
> **Nick Prest CBE, Chairman**



Attendance at Board and Committee meetings

Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary including meetings with subsidiary Managing Directors to review strategic and financial plans. The scheduled Board and Committee meetings and attendance during the year ended 30 April 2016 were as follows:

	Board (7 formal meetings)	Audit (3 meetings)	Remuneration & Appointments (2 meetings)
N Prest CBE (Chairman)	■■■■■■■	■	■■
S Carter (Non-executive Director)	■■■■■■■	■■■	■■
Sir Robert Walmsley (Non-executive Director)	■■■■■■■	■■■	■■
J Perrin (Non-executive Director)	■■■■■■■	■■■	■■
A Thomis (Chief Executive)	■■■■■■■	—	—
S Walther (Finance Director and Company Secretary)	■■■■■■■	—	—

Nick Prest attended all scheduled meetings whilst a member of the Audit Committee.

Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the Company's and consolidated accounts	**22**	22
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**121**	135
Total audit fees	**143**	157
Interim review fee	**14**	14
Fee in respect of due diligence on the acquisition of EID S.A.	**53**	—
Fee in respect of due diligence on the acquisition of J+S Ltd	**—**	53
Fee in respect of assistance on disposal of SEA's Space business	**—**	34
Other non-audit fees	**5**	—
Total non-audit fees	**72**	101
Total fees paid to the auditor and its associates	**215**	258
Charged to profit for the year	**215**	258

Audit Committee

The Audit Committee comprises the three Non-executive Directors and is scheduled to meet at least three times a year. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply financial reporting under IFRS and the Companies Act 2006 and the internal control requirements of the QCA Code, whilst maintaining an appropriate relationship with the independent auditor of the Group.

Jeff Perrin is Chairman of the Audit Committee having a relevant background. The current terms of reference of the Audit Committee were published in May 2014 and are due to be reviewed in the coming year.

Committee consideration of the financial statements

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

Areas of judgement

Revenue recognition on fixed-price contracts

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

Cost contingency on fixed-price contracts

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

Goodwill and other intangible assets

The Group has recognised goodwill and other intangible assets in respect of the acquisitions of MASS (including Abacus EW), SEA (including J+S) and MCL. The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and in each case are amortised over the expected life of the earnings associated with the other intangible asset acquired. The goodwill, which is not subject to amortisation but to annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived. This includes, but is not limited to, reputation, customer relations, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of MASS (including Abacus EW), SEA (including J+S) and MCL has been tested for impairment as at 30 April 2016. In each case there was no impairment. The impairment test for the goodwill in respect of MCL is more sensitive, with no impairment at the Group's post-tax weighted average cost of capital (WACC) of 10.2% (2015: 12.6%) but materially impaired if the Group's post-tax WACC increases to over 20%. The Group's 2016 post-tax WACC of 10.2% is lower than the 2015 equivalent of 12.6%, which reflects lower equity risk and volatility in the share price of Cohort plc. The Group's pre-tax WACC is 14.1% (2015: 18.0%).

MCL's goodwill is more sensitive to impairment due to it currently having a high level of other intangible fixed assets. These other intangible fixed assets are being amortised at such a rate that the sensitivity of MCL's goodwill to impairment will diminish over the next three years.

As at 30 April 2016, the acquisition of EID S.A. had not completed and it has not been consolidated at that date. Note 31 sets out the initial details of the acquisition of EID, 56.89% of which was acquired on 27 June 2016.

Provisions

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

Accounting policies

There were no significant changes in accounting policies applying to the Group for the year ended 30 April 2016.

Independent auditor

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

The independent auditor presented its audit plan to the Audit Committee prior to the Audit Committee meeting held in March 2016. The plan was reviewed and approved at that meeting with specific areas of focus by the independent auditor discussed in detail for the ensuing audit.

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

The analysis of the auditor's, KPMG LLP (2015: KPMG LLP), remuneration is shown in the table on page 29.

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

Whistle-blowing

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

Remuneration & Appointments Committee

The Remuneration & Appointments Committee comprises the Company Chairman and the Non-executive Directors and is scheduled to meet at least twice a year. The role of the Remuneration & Appointments Committee is to:

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

Sir Robert Walmsley is Chairman of the Remuneration & Appointments Committee.

Management of the Group and its subsidiary undertakings

The management of the Group and subsidiary undertakings is as follows:

Group management

- The Cohort Board will meet at least seven times per calendar year, in addition to business and strategic reviews which are not recorded as formal Board meetings.
- The Group Executive Committee will meet at least four times per calendar year, comprising Cohort Executive Directors and subsidiary Managing Directors.

Subsidiary management

- There are monthly executive management meetings involving the senior management of each subsidiary. Cohort Executive Directors attend subsidiary executive management meetings on a regular basis.

Shareholder relations

The Company meets with its institutional shareholders and analysts as appropriate and uses the AGM to encourage communication with private shareholders. In addition, the Company uses the Annual Report and Accounts, the Interim Report, the website (www.cohortplc.com), social media, webcasts and email news alerts to provide further information to shareholders.

Internal control and risk management

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

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

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

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

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

Anti-bribery

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

The Group's anti-bribery policy is reviewed at least every two years or more often if necessary. The policy was last reviewed and updated in August 2015.

Modern slavery

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

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

Cyber risk

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

The Group's Security Policy Framework is constantly reviewed taking account of best practice and requirements in government and industry and was last updated in April 2016.

Directors' report

Introduction

The Directors present their report and the audited financial statements (pages 39 to 71) of Cohort plc for the year ended 30 April 2016. Cohort plc is a company incorporated in and operating from England. Its registered address is 2 Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW. The Corporate Governance report set out on pages 28 to 30 forms part of this report.

Principal activities

The principal activity of the Company is that of a holding company. The principal activities of the Group are described in our business and capabilities report on pages 4 to 5.

The Chairman's statement is included in the overview section on pages 2 to 3.

Post-balance sheet events

On 27 June 2016, the Group acquired 56.89% of Empresa de Investigação e Desenvolvimento de Electrónica, S.A. (EID) for €10.8m (£8.2m). The acquisition is further explained in note 31.

Dividends

The Directors recommend a final dividend of 4.10 pence (2015: 3.40 pence) per 10 pence ordinary share which, subject to shareholder approval, is due to be paid on 21 September 2016 to ordinary shareholders on the register on 26 August 2016. Together with the interim dividend of 1.90 pence paid on 2 March 2016, the full dividend for the year will be 6.00 pence (2015: 5.00 pence), an increase of 20% over last year.

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

Disclosure	Report	Pages
Directors who served throughout the year	Remuneration & Appointments Committee report	33 to 35
Directors retiring by rotation	Remuneration & Appointments Committee report	33 to 35
Directors' biographies	Board of Directors and Executive Management	26 to 27
Directors' interests	Remuneration & Appointments Committee report	33 to 35
Directors' share options	Remuneration & Appointments Committee report	33 to 35

Table 2: Substantial shareholdings and voting rights

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
S Carter	22.23	9,105,718	Direct
Schroder Investment Management	14.20	5,816,733	Direct
Hargreave Hale	10.52	4,307,109	Direct
N Prest CBE	5.09	2,084,580	Direct

Research and development

During the year ended 30 April 2016 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure, was £5.3m (2015: £6.8m).

Going concern

The Group's financial statements have been prepared on the going concern basis. The reasons for this are set out on page 65 of the Accounting Policies.

Capital structure

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

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

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

At 30 April 2016, the EBT held 755,743 Cohort plc ordinary shares, 1.8% of the issued share capital (2015: 500,041; 1.2%). This was also the maximum number held at any time in the year ended 30 April 2016. Shares in Cohort plc are acquired and disposed of by the EBT, for the purposes of satisfying employee share option and restricted share schemes, details of which are shown in note 21.

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

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the QCA Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Corporate Governance report on pages 28 to 30.

Under its Articles of Association, the Company has authority to issue up to half of its issued shares as new ordinary shares. This approximates to 20.5m shares at 30 April 2016.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as: commercial contracts; bank facility agreements; property lease arrangements; and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, other than those disclosed in the Remuneration & Appointments Committee report on pages 33 to 35.

International Financial Reporting Standards (IFRS)

The Group and parent company's reported results for the year ended 30 April 2016 are prepared in accordance with IFRS as adopted by the EU.

Directors

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

Details of information in respect of the Directors of the Company is referenced in table 1 on page 31.

Fixed assets

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

Employee consultation

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

Disabled employees

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

Donations

During the year ended 30 April 2016 the Group made charitable donations of £36,255 (2015: £26,999), mainly in respect of military and local charities. The Group made no political donations during the year (2015: £Nil).

Substantial shareholdings

The Company has been notified as at 7 June 2016, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the voting rights of substantial shareholders of the Company as shown in table 2 on page 31.

Re-appointment of auditor

A resolution to re-appoint KPMG LLP as auditor will be proposed at the Annual General Meeting.

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

Approved by the Board of Directors on 28 June 2016 and signed on its behalf by:

Simon Walther
Company Secretary

Introduction

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

During the year, the Remuneration & Appointments Committee led the process to appoint an additional Non-executive Director. Following a review of potential candidates and an interview process, the Board appointed Jeff Perrin as a Non-executive Director on 1 July 2015.

Remuneration policy

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

Executive Directors receive salary, medical cover and pension contribution as well as annual cash bonuses, shares and share options.

Directors' interests

	At 30 April 2016 Number of 10p ordinary shares	At 30 April 2015 Number of 10p ordinary shares
S Carter	**9,105,718**	9,105,718
N Prest CBE	**2,084,580**	2,084,580
J Perrin	**4,000**	—
A Thomis	**100,000**	86,219
Sir Robert Walmsley	**30,000**	25,035
S Walther	**88,039**	79,151

Directors' interests in the equity of Cohort plc

The Directors in office during the year under review and their interests in the equity of the Company are shown in the table above. The changes in the Executive Directors' equity interests in the Company between 30 April 2015 and 30 April 2016 are analysed as follows:

	A Thomis	S Walther
At 30 April 2015	86,219	79,151
Shares awarded under Restricted Share Scheme	10,512	8,518
Cohort plc shares purchased	2,376	—
Automatic dividend reinvestment in shares (within an ISA and/or SIPP)	919	396
Shares sold as part of transfers to an ISA and/or SIPP to settle transfer fees	(26)	(26)
At 30 April 2016	**100,000**	**88,039**

The executive's shareholdings at 30 April 2016 represent 180.42% of Andrew Thomis' and 200.45% of Simon Walther's annual salaries respectively (at 30 April 2015 the respective levels were 117.17% and 132.75%) and are based upon the market price of Cohort plc shares at those respective dates: £3.825 at 30 April 2016 and £2.65 at 30 April 2015.

Of the above shareholdings at 30 April 2016, 20,579 (2015: 20,556) of Andrew Thomis' and 16,936 (2015: 17,196) of Simon Walther's are held on trust by the Employee Benefit Trust as part of the Restricted Share Scheme and do not receive a dividend. Jeff Perrin acquired 4,000 Cohort plc shares on 15 December 2015 at £3.90 per share. Sir Robert Walmsley acquired 4,965 Cohort plc shares on 9 February 2016 at £3.32 per share. There was no change in the interests of Stanley Carter and Nick Prest CBE. None of the Chairman's or Non-executive Directors' shareholdings are held as part of the Restricted Share Scheme (2015: Nil).

Service contracts of the Executive Directors who served in the year

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

Pensions

During the year ended 30 April 2016, the Group made contributions to a stakeholder pension scheme (a defined contribution scheme) at a rate of 10% of any Executive Director's contribution plus 3% of the Executive Director's salary per annum to the same scheme.

Performance incentives

The Cohort Executive Directors' incentive scheme was agreed by the Board on 19 June 2013 following a recommendation from the Remuneration & Appointments Committee. This scheme has applied to the year ended 30 April 2016 and will also apply for the year ended 30 April 2017 with some changes, as noted below.

The incentive scheme comprises two elements:

1. In-year performance

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

2. Long-term performance

The Cohort Executive Directors will be eligible to receive the following based upon achieving annualised profit growth targets:

i. up to 20% of salary as a cash bonus;

ii. up to 20% of salary as Restricted Shares. For the year ended 30 April 2015 and earlier this is calculated as the number of shares under the Restricted Share Scheme at the closing market price on the trading day prior to the award. From 1 May 2015 onwards this is calculated as the number of shares under the Restricted Share Scheme at the average share price for the respective year.

From 1 May 2016, a further 10% of salary over and above the 20% shown in i. and ii. is payable either as cash or Restricted shares under the long-term performance scheme; and

iii. a discretionary award of up to 20% of salary as share options (calculated as the number of shares under option at the market price on the day of grant).

These rewards are payable for the year ended 30 April 2017 on a linear basis from zero to 20% (plus up to a further 10% as cash or Restricted Shares, at the Executive's choice) of salary as the compound annual growth rate in adjusted profit before interest and tax per share over a rolling four year period starting 1 May 2013 goes from zero to 10%.

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

Performance incentives continued

2. Long-term performance continued

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

At the Remuneration & Appointments Committee held on 1 June 2016, the following awards were made to the Executive Directors:

i. A cash bonus of £119,637 was payable to the Executive Directors for the year ended 30 April 2016 (2015: £123,550).

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

	In respect of the year ended 30 April 2016		In respect of the year ended 30 April 2015	
	Actual number of shares	**Estimated value of shares £**	Actual number of shares	Actual value of shares £
A Thomis	**12,007**	**42,400**	14,365	39,000
S Walther	**9,515**	**33,600**	11,639	31,600
	21,522	**76,000**	26,004	70,600

The total estimated value received by the Executive Directors in respect of the Restricted Share Scheme, including income tax and employee NIC was £143,396 in respect of the year ended 30 April 2016 (2015: £133,481). The Restricted Shares in respect of the year ended 30 April 2015 were approved at the Remuneration & Appointments Committee meeting of 3 June 2015 and were awarded on 20 August 2015. The Restricted Shares in respect of the year ended 30 April 2016 are expected to be awarded in August 2016 following the end of the close period. The actual number of shares is based on the average mid-market share price for the year ended 30 April 2016 (353.13 pence). The total estimated value is based on this average share price and the prevailing tax rates. For the year ended 30 April 2015, the share price used to calculate the award of Restricted Shares was the closing price on the business day preceding the date of the award.

iii. Ordinary shares under option granted during the year ended 30 April 2016 and outstanding at 30 April 2016 were as shown in table 1 (opposite).

The mid-market price of Cohort plc 10 pence ordinary shares at 30 April 2016 was 382.5 pence (2015: 265.0 pence); the lowest and highest market prices in the year were 260.0 pence and 427.5 pence respectively.

No bonuses are payable or share options awardable to the Non-executive Directors. Cash bonus schemes for other senior management of the subsidiary companies have been established for the year ended 30 April 2016, with a similar framework to that of the Cohort Executive Directors, with varying levels of percentage of salary, none exceeding 45% subject to the discretion of the Committee.

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

Chairman and Non-executive Directors

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

Nick Prest CBE and Stanley Carter are due to retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting on 13 September 2016.

Directors' remuneration

Details of Directors' remuneration are set out in table 2 below.

Salaries for Andrew Thomis and Simon Walther have been increased to £230,000 and £180,000 per annum respectively for the year ended 30 April 2016. The fees payable to the Chairman and Non-executive Directors (see table 2) for the year ended 30 April 2016, are unchanged from last year. Jeff Perrin's annual fees are £45,000, commencing from 1 July 2015.

Table 1: Directors' share options

	At 1 May 2015 or date of appointment Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2016 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
Cohort plc 2006 share option scheme (approved)								
– Option price of £1.975 per share	15,189	–	–	–	**15,189**	11 Aug 2014	12 Aug 2017	7
Cohort plc 2006 share option scheme (unapproved)								
– Option price of £0.835 per share	66,995	–	66,995	–	**–**	23 Jul 2010	24 Jul 2013	7
– Option price of £0.915 per share	76,546	–	76,546	–	**–**	26 Jul 2011	27 Jul 2014	7
– Option price of £1.165 per share	75,000	–	75,000	–	**–**	2 Aug 2012	3 Aug 2015	7
– Option price of £1.675 per share	24,250	–	–	–	**24,250**	9 Aug 2013	10 Aug 2016	7
– Option price of £1.975 per share	4,153	–	–	–	**4,153**	11 Aug 2014	12 Aug 2017	7
– Option price of £3.725 per share	–	10,470	–	–	**10,470**	20 Aug 2015	21 Aug 2018	7
Save as you earn (SAYE) scheme								
– Option price of £1.545 per share	2,330	–	–	–	**2,330**	13 Aug 2013	1 Sep 2016	
– Option price of £2.075 per share	2,602	–	–	–	**2,602**	11 Aug 2014	1 Sep 2017	
– Option price of £3.38 per share	–	2,300	–	–	**2,300**	14 Aug 2015	1 Sep 2018	
	267,065	12,770	218,541	–	**61,294**			
S Walther								
Cohort plc 2006 share option scheme (approved)								
– Option price of £1.975 per share	15,189	–	–	–	**15,189**	11 Aug 2014	12 Aug 2017	7
Cohort plc 2006 share option scheme (unapproved)								
– Option price of £0.835 per share	55,172	–	–	–	**55,172**	23 Jul 2010	24 Jul 2013	7
– Option price of £0.915 per share	30,252	–	–	–	**30,252**	26 Jul 2011	27 Jul 2014	7
– Option price of £1.165 per share	65,000	–	–	–	**65,000**	2 Aug 2012	3 Aug 2015	7
– Option price of £1.675 per share	21,750	–	–	–	**21,750**	9 Aug 2013	10 Aug 2016	7
– Option price of £1.975 per share	406	–	–	–	**406**	11 Aug 2014	12 Aug 2017	7
– Option price of £3.725 per share	–	8,483	–	–	**8,483**	20 Aug 2015	21 Aug 2018	7
Save as you earn (SAYE) scheme								
– Option price of £1.545 per share	5,825	–	–	–	**5,825**	13 Aug 2013	1 Sep 2016	
– Option price of £2.075 per share	867	–	–	–	**867**	11 Aug 2014	1 Sep 2017	
– Option price of £3.38 per share	–	468	–	–	**468**	14 Aug 2015	1 Sep 2018	
	194,461	8,951	–	–	**203,412**			

Andrew Thomis exercised 218,541 share options held under the Cohort plc 2006 share option scheme (unapproved) on 11 April 2016 when the market price of Cohort plc ordinary shares was 375.0 pence per share.

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

Table 2: Directors' remuneration

	Salary 2016 £	**Bonus 2016 £**	**Restricted Share awards 2016 £**	**Benefits in kind 2016 £**	**Emoluments 2016 £**	**Pension contributions 2016 £**	**Total 2016 £**	Total 2015 £
Executive Directors								
A Thomis	**212,000**	**66,745**	**80,000**	**648**	**359,393**	**8,495**	**367,888**	345,261
S Walther	**168,000**	**52,892**	**63,396**	**648**	**284,936**	**6,560**	**291,496**	279,652
Non-executive Directors								
N Prest	**90,000**	**–**	**–**	**–**	**90,000**	**–**	**90,000**	90,000
S Carter	**45,000**	**–**	**–**	**–**	**45,000**	**–**	**45,000**	45,000
J Perrin	**37,500**	**–**	**–**	**–**	**37,500**	**–**	**37,500**	–
Sir Robert Walmsley	**45,000**	**–**	**–**	**–**	**45,000**	**–**	**45,000**	45,000
Total	**597,500**	**119,637**	**143,396**	**1,296**	**861,829**	**15,055**	**876,884**	804,913

The Restricted Share awards include tax and employee NIC.

Statement of Directors' responsibilities

in respect of the Annual Report and financial statements

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and which enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

By order of the Board on 28 June 2016.

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Financial statements

Independent auditor's report

to the members of Cohort plc

We have audited the financial statements of Cohort plc for the year ended 30 April 2016 set out on pages 39 to 71. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
28 June 2016

Consolidated income statement

for the year ended 30 April 2016

	Notes	2016 £'000	2015 £'000
Revenue	1	**112,577**	99,938
Cost of sales		**(79,061)**	(69,988)
Gross profit		**33,516**	29,950
Administrative expenses		**(28,270)**	(24,085)
Operating profit	1	**5,246**	5,865
Comprising:			
Adjusted operating profit	1	**11,902**	10,085
Amortisation of other intangible assets (included in administrative expenses)	9	**(6,379)**	(3,602)
Credit/(charge) on marking forward exchange contracts to market value at the year end (included in cost of sales)	18	**7**	(38)
Foreign exchange gain on marking cash held for purchase of EID to market value at the year end (included in administrative expenses)		**537**	–
Exceptional items			
Cost of acquisition of EID (included in administrative expenses)	31	**(821)**	–
Cost of acquisition of MCL (included in administrative expenses)	29	**–**	(197)
Cost of acquisition of J+S (included in administrative expenses)	30	**–**	(427)
Profit on disposal of SEA's Space business (included in administrative expenses)		**–**	44
		5,246	5,865
Finance income	4	**68**	87
Finance costs	5	**(4)**	(5)
Profit before tax		**5,310**	5,947
Income tax credit/(charge)	6	**54**	(707)
Profit for the year	3	**5,364**	5,240
Attributable to:			
Equity shareholders of the parent		**7,775**	5,628
Non-controlling interests		**(2,411)**	(388)
		5,364	5,240

Earnings per share		Pence	Pence
Basic	8	**19.14**	14.04
Diluted	8	**18.78**	13.74

All profit for the year is derived from continuing operations.

The comprehensive income for each year attributable to equity shareholders of the parent and the non-controlling interests is the same as the profit for the year attributable to the equity shareholders of the parent and the non-controlling interests.

The accompanying notes form part of the financial statements.

Consolidated statement of changes in equity

for the year ended 30 April 2016

	Attributable to the equity shareholders of the parent								
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
At 1 May 2014	4,096	29,656	(2,274)	526	—	30,194	62,198	—	62,198
Profit for the year	—	—	—	—	—	5,628	5,628	(388)	5,240
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(1,765)	(1,765)	—	(1,765)
New shares issued	—	1	—	—	—	—	1	—	1
Vesting of Restricted Shares	—	—	—	—	—	44	44	—	44
Own shares sold	—	—	822	—	—	—	822	—	822
Net loss on selling own shares	—	—	617	—	—	(617)	—	—	—
Share-based payments	—	—	—	198	—	—	198	—	198
Transfer of share option reserve on vesting of options	—	—	—	(321)	—	321	—	—	—
Option for acquiring non-controlling interest in MCL	—	—	—	—	(12,500)	—	(12,500)	—	(12,500)
Introduction of non-controlling interest on acquisition of MCL	—	—	—	—	—	—	—	8,609	8,609
At 30 April 2015	4,096	29,657	(835)	403	(12,500)	33,805	54,626	8,221	62,847
Profit for the year	—	—	—	—	—	7,775	7,775	(2,411)	5,364
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(2,158)	(2,158)	—	(2,158)
Vesting of Restricted Shares	—	—	—	—	—	76	76	—	76
Own shares purchased	—	—	(4,162)	—	—	—	(4,162)	—	(4,162)
Own shares sold	—	—	914	—	—	—	914	—	914
Net loss on selling own shares	—	—	1,348	—	—	(1,348)	—	—	—
Share-based payments	—	—	—	197	—	—	197	—	197
Deferred tax adjustment in respect of share based payments	—	—	—	711	—	—	711	—	711
Transfer of share option reserve on vesting of options	—	—	—	(244)	—	244	—	—	—
Change in option for acquiring non-controlling interest in MCL	—	—	—	—	7,000	—	7,000	—	7,000
At 30 April 2016	**4,096**	**29,657**	**(2,735)**	**1,067**	**(5,500)**	**38,394**	**64,979**	**5,810**	**70,789**

The accompanying notes form part of the financial statements.

Company statement of changes in equity

for the year ended 30 April 2016

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 2014	4,096	29,656	(2,274)	526	—	7,831	39,835
Profit for the year	—	—	—	—	—	2,953	2,953
Transactions with owners of Company, recognised directly in equity							
Equity dividends	—	—	—	—	—	(1,765)	(1,765)
New shares issued	—	1	—	—	—	—	1
Vesting of Restricted Shares	—	—	—	—	—	44	44
Own shares sold	—	—	822	—	—	—	822
Net loss on selling own shares	—	—	617	—	—	(617)	—
Share-based payments	—	—	—	198	—	—	198
Transfer of share option reserve on vesting of options	—	—	—	(321)	—	38	(283)
Option for acquiring non-controlling interest in subsidiary, MCL	—	—	—	—	(12,500)	—	(12,500)
Total contributions by and distributions to owners of the Company	—	1	1,439	(123)	(12,500)	(2,300)	(13,483)
At 30 April 2015	4,096	29,657	(835)	403	(12,500)	8,484	29,305
Profit for the year	—	—	—	—	—	6,788	6,788
Transactions with owners of Company, recognised directly in equity							
Equity dividends	—	—	—	—	—	(2,158)	(2,158)
Vesting of Restricted Shares	—	—	—	—	—	76	76
Own shares purchased	—	—	(4,162)	—	—	—	(4,162)
Own shares sold	—	—	914	—	—	—	914
Net loss on selling own shares	—	—	1,348	—	—	(1,348)	—
Share-based payments	—	—	—	197	—	—	197
Deferred tax adjustment in respect of share based payments	—	—	—	711	—	—	711
Transfer of share option reserve on vesting of options	—	—	—	(244)	—	50	(194)
Change in option for acquiring non-controlling interest in subsidiary, MCL	—	—	—	—	7,000	—	7,000
Total contributions by and distributions to owners of the Company	—	—	(1,900)	664	7,000	3,408	9,172
At 30 April 2016	**4,096**	**29,657**	**(2,735)**	**1,067**	**(5,500)**	**11,892**	**38,477**

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 2016

		Group		Company	
	Notes	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Assets					
Non-current assets					
Goodwill	9	**36,961**	36,961	**–**	–
Other intangible assets	9	**12,492**	18,871	**–**	–
Property, plant and equipment	10	**10,227**	10,338	**15**	7
Investment in subsidiaries	11	**–**	–	**61,643**	51,376
Deferred tax asset	17	**818**	104	**147**	32
		60,498	66,274	**61,805**	51,415
Current assets					
Inventories	12	**2,036**	1,078	**–**	–
Trade and other receivables	13	**28,000**	19,415	**789**	219
Cash and cash equivalents		**23,109**	19,701	**–**	–
		53,145	40,194	**789**	219
Total assets		**113,643**	106,468	**62,594**	51,634
Liabilities					
Current liabilities					
Trade and other payables	14	**(30,223)**	(25,380)	**(2,061)**	(2,796)
Current tax liabilities		**(570)**	(786)	**–**	–
Derivative financial instruments	18	**(31)**	(38)	**–**	–
Bank borrowings	15	**(3,297)**	(4)	**(16,556)**	(7,033)
Provisions	16	**(499)**	(558)	**–**	–
Other creditors	29	**(5,500)**	–	**(5,500)**	–
		(40,120)	(26,766)	**(24,117)**	(9,829)
Non-current liabilities					
Deferred tax liability	17	**(2,727)**	(4,345)	**–**	–
Bank borrowings	15	**(7)**	(10)	**–**	–
Other creditors	29	**–**	(12,500)	**–**	(12,500)
		(2,734)	(16,855)	**–**	(12,500)
Total liabilities		**(42,854)**	(43,621)	**(24,117)**	(22,329)
Net assets		**70,789**	62,847	**38,477**	29,305
Equity					
Share capital	19	**4,096**	4,096	**4,096**	4,096
Share premium account		**29,657**	29,657	**29,657**	29,657
Own shares	21	**(2,735)**	(835)	**(2,735)**	(835)
Share option reserve	20	**1,067**	403	**1,067**	403
Other reserves: option for acquiring non-controlling interest in MCL	29	**(5,500)**	(12,500)	**(5,500)**	(12,500)
Retained earnings		**38,394**	33,805	**11,892**	8,484
Total equity attributable to the equity shareholders of the parent		**64,979**	54,626	**38,477**	29,305
Non-controlling interests		**5,810**	8,221	**–**	–
Total equity		**70,789**	62,847	**38,477**	29,305

The accompanying notes form part of the financial statements.

The financial statements on pages 39 to 71 were approved by the Board of Directors and authorised for issue on 28 June 2016 and are signed on its behalf by:

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Consolidated and Company cash flow statements

for the year ended 30 April 2016

		Group		Company	
	Notes	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Net cash from operating activities	23a	**6,718**	18,798	**5,535**	1,983
Cash flow from investing activities					
Interest received		**68**	87	**62**	82
Purchases of property, plant and equipment	10	**(980)**	(1,063)	**(15)**	(2)
Deposit paid on acquisition of EID	31	**(744)**	—	**—**	—
Investment in Thunderwaves S.A. (holding company in Portugal for EID)		**—**	—	**(8,699)**	—
Acquisition of MCL, net of cash acquired	29	**—**	(5,698)	**—**	(5,698)
Capital contribution to SCS	11	**—**	—	**(1,000)**	—
Acquisition of J+S, net of cash acquired	30	**—**	(11,688)	**—**	—
Disposal of SEA's Space business		**—**	4,000	**—**	—
Net cash used in investing activities		**(1,656)**	(14,362)	**(9,652)**	(5,618)
Cash flow from financing activities					
Dividends paid	7	**(2,158)**	(1,765)	**(2,158)**	(1,765)
Issue of new shares	19	**—**	1	**—**	1
Purchase of own shares	21	**(4,162)**	—	**(4,162)**	—
Sale of own shares	21	**914**	822	**914**	822
Drawdown of borrowings	15	**3,302**	—	**3,302**	—
Repayment of borrowings	15	**(3)**	(131)	**—**	—
Net cash used in financing activities		**(2,107)**	(1,073)	**(2,104)**	(942)
Net increase/(decrease) in cash and cash equivalents		**2,955**	3,363	**(6,221)**	(4,577)
Represented by:					
Cash and cash equivalents and short-term borrowings brought forward		**19,701**	16,338	**(7,033)**	(2,456)
Cash flow		**2,955**	3,363	**(6,221)**	(4,577)
Exchange		**453**	—	**(9)**	—
Cash and cash equivalents and short-term borrowings carried forward	23b	**23,109**	19,701	**(13,263)**	(7,033)

The accompanying notes form part of the financial statements.

1. Segmental analysis

For management and reporting purposes, the Group, during the year ended 30 April 2016, operated through its four trading subsidiaries: MASS, MCL, SCS and SEA. These subsidiaries are the basis on which the Company reports its primary business segment information in accordance with IFRS 8.

The principal activities of the subsidiaries are described in the Overview (pages 4 to 5) and in the Strategic report (pages 4 to 24).

Business segment information about these subsidiaries is presented below:

2016	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue						
External revenue	31,998	13,709	18,097	48,773	–	112,577
Inter-segment revenue	92	–	51	–	(143)	–
	32,090	13,709	18,148	48,773	(143)	112,577
Segment adjusted operating profit	5,956	1,404	1,250	5,442	–	14,052
Unallocated corporate expenses	–	–	–	–	–	(2,150)
Adjusted operating profit	5,956	1,404	1,250	5,442	–	11,902
Credit/(charge) on marking forward exchange contracts to market value at the year end	–	37	–	(30)	–	7
Foreign exchange gain on marking cash held for purchase of EID to market value at the year end	–	–	–	–	–	537
Costs of acquisition of EID	–	–	–	–	–	(821)
Amortisation of other intangible assets	–	(5,192)	–	(1,187)	–	(6,379)
Operating profit/(loss)	5,956	(3,751)	1,250	4,225	–	5,246
Finance income (net of cost)	–	6	–	(4)	–	64
Profit/(loss) before tax	5,956	(3,745)	1,250	4,221	–	5,310
Income tax credit						54
Profit after tax						5,364

All are UK operations and all 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	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Central £'000	Group £'000
Capital additions	–	117	49	799	15	980
Depreciation	84	70	179	751	6	1,090

Balance sheet	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Assets						
Segment assets	10,007	2,755	3,563	23,357	581	40,263
Goodwill and other intangible assets	12,500	10,660	–	26,293	–	49,453
Deferred tax asset						818
Cash						23,109
Consolidated total assets	22,507	13,415	3,563	49,650		113,643
Liabilities						
Segment liabilities	(6,056)	(2,657)	(3,223)	(17,715)	(6,602)	(36,253)
Current tax liabilities						(570)
Deferred tax liability						(2,727)
Bank borrowings						(3,304)
Consolidated total liabilities	(6,056)	(2,657)	(3,223)	(17,715)		(42,854)

The above figures include 100% of MCL. The non-controlling interest (49.999%) is reported separately in the income statement and reserves.

1. Segmental analysis continued

2015	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue						
External revenue	32,528	10,143	16,892	40,375	—	99,938
Inter-segment revenue	25	—	56	—	(81)	—
	32,553	10,143	16,948	40,375	(81)	99,938
Segment adjusted operating profit	5,492	1,327	1,319	3,964	—	12,102
Unallocated corporate expenses	—	—	—	—	—	(2,017)
Adjusted operating profit	5,492	1,327	1,319	3,964	—	10,085
Charge on marking forward exchange contracts to market value at the year end	—	(38)	—	—	—	(38)
Reduction in loss on disposal of SEA's Space business	—	—	—	44	—	44
Costs of acquisition of MCL	—	—	—	—	(197)	(197)
Costs of acquisition of J+S	—	—	—	(427)	—	(427)
Amortisation of other intangible assets	—	(2,224)	—	(1,378)	—	(3,602)
Operating profit/(loss)	5,492	(935)	1,319	2,203	(197)	5,865
Finance income (net of cost)	—	5	—	(3)	—	82
Profit/(loss) before tax	5,492	(930)	1,319	2,200	(197)	5,947
Income tax charge						(707)
Profit after tax						5,240

All are UK operations and all 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	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Central £'000	Group £'000
Capital additions	—	30	271	760	2	1,063
Depreciation	225	64	120	542	6	957

Balance sheet	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Assets						
Segment assets	10,202	3,899	3,172	15,261	(1,703)	30,831
Goodwill and other intangible assets	12,500	15,852	—	27,480	—	55,832
Deferred tax asset						104
Cash						19,701
Consolidated total assets	22,702	19,751	3,172	42,741		106,468
Liabilities						
Segment liabilities	(6,757)	(2,835)	(4,983)	(11,541)	(12,374)	(38,490)
Current tax liabilities						(786)
Deferred tax liability						(4,345)
Consolidated total liabilities	(6,757)	(2,835)	(4,983)	(11,541)		(43,621)

50.001% of MCL was acquired on 9 July 2014 and 100% of its figures are reported above from that date. The non-controlling interest (49.999%) is reported separately in the income statement and reserves.

100% of J+S was acquired on 1 October 2014. Its figures are included in SEA's reported figures from that date and have been restated to reflect a change in the goodwill on acquisition (see note 30).

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.

1. Segmental analysis continued

Geographical segments

The Group's subsidiaries are all located in the UK. The following table provides an analysis of the Group's revenue by geographical location of the customer:

	2016 **£'000**	2015 £'000
UK	**92,978**	81,863
Other EC countries	**5,569**	3,975
Asia Pacific	**11,398**	12,274
North and South America	**2,632**	1,826
	112,577	99,938

All Group assets, tangible and intangible, are located in the UK.

Market segments

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

	2016 **£'000**	2015 £'000
Defence (including security)	**102,995**	89,569
Transport	**3,532**	3,859
Offshore energy	**3,022**	1,967
Other commercial	**3,028**	4,543
	112,577	99,938

Further information on revenue by capability can be found in the Strategic report (page 16).

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2016 is as follows:

	2016				2015			
	UK MOD **£'000**	**Customer A** **£'000**	**Customer B** **£'000**	**Customer C** **£'000**	UK MOD £'000	Customer A £'000	Customer B £'000	Customer C £'000
MASS	**13,095**	**6,451**	**–**	**3,217**	11,500	5,296	2,857	2,810
MCL	**11,052**	**–**	**300**	**–**	8,420	–	–	–
SCS	**10,711**	**–**	**2,983**	**–**	8,713	–	–	–
SEA	**11,624**	**20,496**	**–**	**–**	9,675	16,902	–	–
	46,482	**26,947**	**3,283**	**3,217**	38,308	22,198	2,857	2,810

Customers B and C in 2016 are not the same as customers B and C in 2015.

2. Employee benefit expense (including Directors)

	2016 **£'000**	2015 £'000
Wages and salaries	**31,131**	27,307
Social security costs	**3,360**	2,883
Defined contribution pension plan costs	**2,294**	2,022
Share-based payments	**197**	198
	36,982	32,410

Average number of employees (including Directors)

	2016 **Number**	2015 Number
Other operational (including production)	**392**	383
Managed services	**90**	86
Total operational	**482**	469
Administration and support	**189**	178
	671	647

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration & Appointments Committee report on pages 33 to 35.

3. Profit for the year

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

	Notes	**2016** **£'000**	2015 £'000
Net foreign exchange (gains)/losses	18	**(544)**	38
Research and development costs		**5,330**	6,800
Depreciation of property, plant and equipment	10	**1,090**	957
Amortisation of other intangible assets	9	**6,379**	3,602
Cost of inventories recognised as expenses		**49,056**	36,311
Staff costs (excluding share-based payments)	2	**36,785**	32,212
Share-based payments	20	**197**	198

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 Corporate Governance report on pages 29 to 30.

4. Finance income

	2016 **£'000**	2015 £'000
Interest on bank deposits	**68**	87

All finance income is in respect of continuing operations.

5. Finance costs

	2016 **£'000**	2015 £'000
Loans and finance leases	**4**	5

All finance costs are in respect of continuing operations.

6. Income tax (credit)/charge

	2016 **£'000**	2015 £'000
Corporation tax: in respect of this year	**1,935**	1,485
Corporation tax: in respect of prior years	**(368)**	(204)
	1,567	1,281
Deferred tax: in respect of this year	**(1,621)**	(518)
Deferred tax: in respect of prior years	**–**	(56)
	(1,621)	(574)
	(54)	707

The corporation tax is calculated at 20.0% (2015: 20.83%) of the estimated assessable profit for the year, as disclosed below.

The current tax in respect of the year ended 30 April 2016 includes £nil credit (2015: £28,000 charge) in respect of exceptional items. The deferred tax includes a credit of £1,505,000 in respect of amortisation of other intangible assets (2015: £721,000), and a charge of £1,000 (2015: £8,000) in respect of marking forward exchange contracts to market at the year end and a charge of £108,000 (2015: £nil) in marking cash held (in Euros) for the purchase of EID to market at the year end. The deferred tax is further explained in note 17.

6. Income tax (credit)/charge continued

The tax charge for the year is reconciled to the profit per the Consolidated income statement for the year ended 30 April 2016 as follows:

	2016 £'000	2015 £'000
Profit before tax on continuing operations	**5,310**	5,947
Tax at the UK corporation tax rate of 20.0% (2015: 20.83%)	**1,062**	1,239
Tax effect of expenses that are not deductible in determining taxable profit	**197**	129
Tax effect of R&D tax credits	**(400)**	(336)
Tax effect of exceptional items that are not recognised in determining taxable profit	**164**	130
Tax effect of change in tax rate from 20% to 18% in 2016 (2015: no change in tax rate)	**(287)**	—
Tax effect of recognising unutilised trading losses at SEA	**(41)**	(78)
Tax effect of statutory deduction for share options exercised	**(395)**	(204)
Tax effect of deferred tax movement on share options to be exercised	**14**	87
Tax effect of prior year R&D tax credits	**—**	(170)
Tax effect of other prior year adjustments	**(368)**	(90)
Tax charge for the year	**(54)**	707

The UK corporation tax for the year ended 30 April 2016 is calculated at 20.0% for 12 months.

The UK corporation tax rate for the year ended 30 April 2015 is calculated at 20.83%, based upon eleven months at 21.0% and one month at 20.0%.

7. Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2015 at 3.40 pence per ordinary share (2014: 2.80 pence per ordinary share)	**1,387**	1,121
Interim dividend in respect of the year ended 30 April 2016 at 1.90 pence per ordinary share (2015: 1.60 pence per ordinary share)	**771**	644
	2,158	1,765
Proposed final dividend for the year ended 30 April 2016 at 4.10 pence per ordinary share (2015: 3.40 pence per ordinary share)	**1,648**	1,369

The proposed final dividend is subject to approval by shareholders at the AGM to be held on 13 September 2016 and has not been included as a liability in these financial statements. If approved, this dividend will be paid on 21 September 2016 to shareholders on the register as at 26 August 2016.

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc representing 1.85% (2015: 1.22%) of the Company's called up share capital, has agreed to waive all dividends due to it in accordance with an arrangement dated 20 November 2009.

8. Earnings per share

The earnings per share are calculated as follows:

	2016			2015		
	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)	**40,622,496**	**7,775**	**19.14**	40,071,658	5,628	14.04
Share options	**767,501**	**—**	**—**	894,739	—	—
Diluted earnings	**41,389,997**	**7,775**	**18.78**	40,966,397	5,628	13.74

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 each of the years ended 30 April 2016 and 30 April 2015 is after deducting the own shares, which are held by the Cohort Employee Benefit Trust.

8. Earnings per share continued

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

		2016			2015		
	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		**40,622,496**	**7,775**	**19.14**	40,071,658	5,628	14.04
(Credit)/charge on marking forward exchange contracts to market value at the year end (net of income tax charge of £1,000 (2015: charge of £8,000))	18	**—**	**(6)**	**—**	—	23	—
Profit on disposal of SEA's Space business (including tax credit of £28,000)		**—**	**—**	**—**	—	(72)	—
Acquisition costs of EID	31	**—**	**821**	**—**	—	—	—
Acquisition costs of MCL		**—**	**—**	**—**	—	197	—
Acquisition costs of J+S		**—**	**—**	**—**	—	427	—
Foreign exchange gain on marking cash held (in Euros) for the acquisition of EID to market value at the year end (net of tax charge of £108,000)		**—**	**(429)**	**—**	—	—	—
Amortisation of other intangible assets (net of income tax credit of £1,505,000 (2015: £721,000))	9	**—**	**2,879**	**—**	—	1,992	—
Adjusted earnings		**40,622,496**	**11,040**	**27.18**	40,071,658	8,195	20.45
Share options		**767,501**	**—**	**—**	894,739	—	—
Diluted adjusted earnings		**41,389,997**	**11,040**	**26.67**	40,966,397	8,195	20.00

The adjusted earnings are in respect of continuing operations.

The adjustment to earnings for calculating the adjusted earnings per share excludes the non-controlling interest in respect of the charge in marking forward exchange contracts to market (2016: £nil; 2015: £23,000 of £46,000) and the amortisation of other intangible assets in respect of MCL was £2,696,000 of £5,192,000 (2015: £1,112,000 of £2,224,000), all adjustments net of the appropriate tax adjustment in each case.

9. Goodwill and other intangible assets

	Goodwill				Other intangible assets			
	SEA £'000	MASS £'000	MCL £'000	Group £'000	SEA £'000	MASS £'000	MCL £'000	Group £'000
Cost								
At 1 May 2014	18,895	12,500	—	31,395	1,160	4,340	—	5,500
At 1 May 2015 as previously reported	23,943	12,500	2,398	38,841	7,955	4,340	15,678	27,973
Adjustment on acquisition of J+S	120	—	—	120	—	—	—	—
At 1 May 2015 as reported now	24,063	12,500	2,398	38,961	7,955	4,340	15,678	27,973
At 30 April 2016	**24,063**	**12,500**	**2,398**	**38,961**	**7,955**	**4,340**	**15,678**	**27,973**
Amortisation								
At 1 May 2014	2,000	—	—	2,000	1,160	4,340	—	5,500
Charge for the year ended 30 April 2015	—	—	—	—	1,378	—	2,224	3,602
At 1 May 2015	2,000	—	—	2,000	2,538	4,340	2,224	9,102
Charge for the year ended 30 April 2016	—	—	—	—	1,187	—	5,192	6,379
At 30 April 2016	**2,000**	**—**	**—**	**2,000**	**3,725**	**4,340**	**7,416**	**15,481**
Net book value								
At 30 April 2016	**22,063**	**12,500**	**2,398**	**36,961**	**4,230**	**—**	**8,262**	**12,492**
At 30 April 2015	22,063	12,500	2,398	36,961	5,417	—	13,454	18,871

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

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

50.001% of MCL was acquired on 9 July 2014. MCL has been accounted for as a 100% subsidiary with the non-controlling interest disclosed separately.

100% of J+S was acquired on 1 October 2014. The goodwill has been adjusted in the period to take account of changes expected in a contractual outcome (and a reduction in work in progress). This adjustment has been made as if it occurred on acquisition and the balances for year ended 30 April 2015 have been restated accordingly (see note 30).

9. Goodwill and other intangible assets continued

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

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

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

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

	Basis of estimate
Cash flow	As in previous years, the cash flows for the years ended 30 April 2017, 2018 and 2019 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% (2015: 2%). With regard to the revenue, margin and overhead cost forecasts the key assumptions underlying these inputs are that current projects contracted will continue as per agreement, that government defence spending will remain largely consistent in the future and that each cash-generating unit will continue to be as successful in competing for new contracts as it has been historically. Currently a reasonable proportion of revenue for 2017, 2018 and 2019 is already under contract and, as such, the main assumptions related to revenue volumes are in periods after 2019 where there is greater uncertainty and risk.
Growth rate	The cash flows for each cash-generating unit from years 4 to 20 inclusive are based upon the forecast cash flow for the year ended 30 April 2019 to which a growth rate of 1.5% is applied each year (2015: 1.5%). This rate reflects a prudent view of recent UK growth rates and is below the historically higher UK inflation rate of 2.25%. The growth rate is similar for all of the 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.

WACC comprises a number of elements as follows:

Value of equity	Calculated as the issued share capital of the Group (Cohort plc) multiplied by the closing share price at 30 April 2016 of £3.825 (2015: £2.65).
Risk free interest rate	Is based upon ten year UK Government gilt rate of 1.60% (2015: 1.88%).
Beta factor	Derived from analyst estimates provided by the Group's NOMAD (Investec) and reflects a range of outcomes from 0.40 to 0.50 (2015: 0.62 to 0.63).
Equity risk premium	Is the equity risk premium of the Group of 9.20% (2015: 8.33%) to which is added a further range of risk premium of 4% to 8% to reflect customer market risk and the low liquidity and risk of AIM stocks.
Cost of debt	The Group has no net debt. The Group loan at 30 April 2016 has an interest cost of 1.475% per annum (2015: zero).

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was 14.1% (2015: 18.0%). The Group WACC has been deemed appropriate to use for each cash-generating unit as all funding is cross guaranteed and therefore the same cost of funding is incurred by each cash-generating unit.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2016 in respect of any of MASS, MCL or SEA. The goodwill of MCL is more sensitive with no impairment at the Group's WACC of 14.1% but is impaired by £2.4m if the Group's pre-tax WACC increases to 34.3%. The Group's pre-tax WACC increases to 34.3% when the premium applied to the equity risk to reflect the Group's AIM listing is increased from 8% to 28%. The likelihood of this increase in the WACC is considered low.

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

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

The SEA other intangible asset, which is now fully amortised, was in respect of contracts acquired on the acquisition of SEA.

10. Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2014	8,640	4,567	13,207
On acquisition	961	787	1,748
Additions	125	938	1,063
Disposals	(34)	(77)	(111)
At 1 May 2015	9,692	6,215	15,907
Additions	156	824	980
Disposals	—	(80)	(80)
At 30 April 2016	**9,848**	**6,959**	**16,807**
Depreciation			
At 1 May 2014	971	3,734	4,705
Charge in the year	215	742	957
Eliminated on disposal	(34)	(59)	(93)
At 1 May 2015	1,152	4,417	5,569
Charge in the year	275	815	1,090
Eliminated on disposal	—	(79)	(79)
At 30 April 2016	**1,427**	**5,153**	**6,580**
Net book value			
At 30 April 2016	**8,421**	**1,806**	**10,227**
At 30 April 2015	8,540	1,798	10,338

The Company's property, plant and equipment was £15,000 at 30 April 2016 (2015: £7,000).

The net book value of fixed assets held under finance leases at 30 April 2016 was £11,211 (2015: £13,000).

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

The valuation (in accordance with International Valuation Standards) of the Group's land and buildings at 30 April 2016 supports the above net book value.

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

11. Investment in subsidiaries and joint ventures

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Subsidiary undertakings	**—**	—	**61,643**	51,376
Joint ventures	**—**	—	**—**	—
	—	—	**61,643**	51,376

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	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned				
Systems Consultants Services Limited (SCS)	England	Ordinary	100%	Technical consultancy
MASS Limited	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Ltd. (SEA)	England	Ordinary	100%	Holding company of Systems Engineering & Assessment Ltd and Beckington Castle Ltd
Marlborough Communications (Holdings) Limited	England	Ordinary	50.001%	Holding company of Marlborough Communications Limited
Digital Millennium Map LLP (DMM)	England	Ordinary	25%	2D digital mapping – in administration
Thunderwaves S.A.	Portugal	Ordinary	100%	The proposed holding company of EID
Held through a subsidiary				
MASS Consultants Limited (MASS)	England	Ordinary	100%	Electronic warfare, managed services, secure communications and IT support services
Systems Engineering & Assessment Ltd	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to the defence and transport markets and is also the holding company of J+S Limited
J+S Limited	England	Ordinary	100%	Subsidiary of System Engineering & Assessment Ltd and provides products and services to the defence and offshore energy markets
Marlborough Communications Limited (MCL)	England	Ordinary	50.001%	Designs, sources and supports advanced electronic and surveillance technology
Beckington Castle Ltd	England	Ordinary	100%	Property company holding freehold of Beckington Castle and SEA's Bristol office
Abacus E W Consultancy Ltd	England	Ordinary	100%	Dormant

During the year, the Group incorporated Thunderwaves S.A., a Portuguese registered company and 100% subsidiary of Cohort plc. This was set up to act as the acquiring and subsequent holding company of EID. On incorporation, it was capitalised by Cohort plc introducing £8.7m of cash.

DMM, which is retained as an investment of the Group, is not accounted for under the equity method of accounting as the Group ceased to have an active participation from 1 November 2006. The Group has received and continues to receive a return on its original investment in DMM. This income of £2,560 (2015: £31,875) is disclosed in "administrative expenses" within the Consolidated income statement.

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

Company

The Company's investments in subsidiaries are as follows:

	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Thunderwaves £'000	Total £'000
At 1 May 2014	14,523	—	1,684	26,441	—	42,648
Acquired	—	8,847	—	—	—	8,847
Share-based payments	75	5	28	56	—	164
Vested in year	(105)	—	(74)	(104)	—	(283)
At 1 May 2015	14,493	8,852	1,638	26,393	—	51,376
Acquired	—	—	—	—	8,699	8,699
Capital contribution	—	—	1,000	—	—	1,000
Share-based payments	77	9	20	64	—	170
Vested in year	(96)	—	(38)	(60)	—	(194)
Deferred tax on share-based payments charged directly to equity	331	—	63	198	—	592
At 30 April 2016	**14,805**	**8,861**	**2,683**	**26,595**	**8,699**	**61,643**

12. Inventories

	2016 £'000	2015 £'000
Finished goods	**2,036**	1,078

The inventory at 30 April 2016 is after a stock provision of £782,000 (2015: £500,000).

13. Trade and other receivables

	Group		Company	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Trade receivables	**18,269**	10,659	**–**	–
Allowance for doubtful debts	**–**	(6)	**–**	–
	18,269	10,653	**–**	–
Amounts recoverable on contracts	**3,929**	2,927	**–**	–
Prepayments and accrued income	**5,058**	5,948	**88**	219
Deposit paid in respect of acquisition of EID (see note 31)	**744**	–	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**701**	–
	28,000	19,528	**789**	219

The average credit period taken on sales of goods is 31 days (2015: 24 days). Of the trade receivables balance, £3.4m was considered overdue at 30 April 2016 (2015: £2.8m). The increase in the debtor days is due to the strong trading of the Group in the final quarter of the current financial year. 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 estimate, 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. The largest trade receivable to which the Group is exposed at 30 April 2016 is the UK MOD, with a balance outstanding of £6.3m (2015: £1.9m). Other customers who represent more than 5% of the total balance of trade receivables include:

	2016 **£m**	2015 £m
Customer A	**5.7**	1.6
Customer B	**1.3**	0.7

Trade receivables include less than £0.5m (2015: £0.1m) denominated in foreign currency.

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

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

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

Ageing of past due but not impaired receivables	**2016** **£'000**	2015 £'000
30–60 days	**1,801**	1,623
60–90 days	**1,163**	333
>90 days	**429**	843
	3,393	2,799

Movement in the allowance for doubtful debts	**2016** **£'000**	2015 £'000
Balance at 1 May	**6**	3
Impairment losses recognised	**–**	3
Amounts written off as uncollectable in year	**(6)**	–
Balance at 30 April	**–**	6

14. Trade and other payables

	Group		Company	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Advance receipts	**–**	–	**–**	–
Trade payables and accruals	**8,096**	11,228	**437**	60
Other payables	**–**	–	**–**	–
Social security and other taxes	**4,378**	2,740	**566**	97
Accruals and deferred income	**17,749**	11,412	**1,058**	761
Amounts due to subsidiary undertakings	**–**	–	**–**	1,878
	30,223	25,380	**2,061**	2,796

14. Trade and other payables continued

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing contract costs. Advance receipts reflect invoicing ahead of work done in accordance with contracted terms. The average credit period taken for trade purchases is 43 days (2015: 68 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms (see Risk Management, pages 22 to 24). The lower average credit period in 2015/16 reflects the high level of purchases in the final quarter of 2014/15 which were paid during the year ended 30 April 2016.

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

Social security and other taxes include employment taxes and VAT.

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

Total payable includes £0.2m (2015: £1.9m) denominated in foreign currency.

15. Bank borrowings

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Bank overdrafts	**—**	—	**13,263**	7,033
Bank loans	**3,293**	—	**3,293**	—
Finance leases	**11**	14	**—**	—
	3,304	14	**16,556**	7,033

These borrowings are repayable as follows:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
On demand or within one year	**3,297**	4	**16,556**	7,033
In the second year	**4**	4	**—**	—
In the third to fifth years inclusive	**3**	6	**—**	—
	3,304	14	**16,556**	7,033
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(3,297)**	(4)	**(16,556)**	(7,033)
Amount due for settlement after 12 months	**7**	10	**—**	—

The weighted average interest rates paid were as follows:

	2016 %	2015 %
Bank overdrafts	**2.25**	2.25
Bank loans	**1.475**	—
Finance leases	**4.6**	4.60

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

At 30 April 2016 the facility has been drawn on as follows:

	Of which drawn is £m
Revolving credit facility loan	3.3
Overdraft	—
Foreign exchange	0.1
Bonding	0.8
	4.2

At 30 April 2016, the Group had available £20.8m of undrawn bank facility. The Directors consider the carrying amount of bank borrowings approximate to their fair value.

15. Bank borrowings continued

The Group's cash at 30 April 2016 of £23.1m is held with the following banks:

	2016 £'000	2015 £'000	Moody's credit rating of bank as at 10 June 2016
Royal Bank of Scotland Plc	**14,845**	16,850	A3
Barclays Bank plc	**205**	2,606	A2
Clydesdale Bank	**104**	245	Baa2
Novo Bank	**7,955**	—	Caa1
	23,109	19,701	

The cash held with Novo Bank (€10.1m) is for the acquisition of EID. Most of this cash was utilised on completion of the acquisition of EID on 27 June 2016.

16. Provisions

Group	MCL earn out £'000	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2014	—	282	509	791
On acquisition	983	—	123	1,106
(Credited)/charged to the income statement	—	(59)	98	39
Utilised	(983)	(35)	(360)	(1,378)
At 1 May 2015	—	188	370	558
(Credited)/charged to the income statement	—	(33)	28	(5)
Utilised	—	(12)	(42)	(54)
At 30 April 2016	**—**	**143**	**356**	**499**
Provisions due in less than one year	—	143	356	499
Provisions due in greater than one year	—	—	—	—
At 30 April 2016	**—**	**143**	**356**	**499**
Provisions due in less than one year	—	188	370	558
Provisions due in greater than one year	—	—	—	—
At 30 April 2015	—	188	370	558

The MCL earn out provision of £983,000 was paid to the vendors of MCL on 30 March 2015.

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

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

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

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

17. Deferred tax

	Accelerated tax depreciation £'000	Other intangible assets £'000	Revaluation of building £'000	Other short-term timing differences £'000	Tax losses £'000	Share options £'000	Derivatives £'000	Group £'000
At 1 May 2014	(194)	—	(399)	16	119	166	(28)	(320)
On acquisition	—	(4,495)	—	—	—	—	—	(4,495)
(Charge)/credit to the income statement in respect of prior year tax	13	—	—	60	(45)	—	28	56
(Charge)/credit to the income statement in respect of the current tax year	(48)	721	10	4	(74)	(87)	(8)	518
At 1 May 2015	(229)	(3,774)	(389)	80	—	79	(8)	(4,241)
(Charge)/credit to the income statement in respect of the current tax year	96	1,275	9	(34)	—	(14)	2	1,334
Effect of change of UK corporation tax rate	22	230	38	(1)	—	(3)	1	287
Recognised in the income statement	118	1,505	47	(35)	—	(17)	3	1,621
Recognised in equity	—	—	—	—	—	711	—	711
At 30 April 2016	**(111)**	**(2,269)**	**(342)**	**45**	**—**	**773**	**(5)**	**(1,909)**

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

	2016 £'000	2015 £'000
Deferred tax assets	**818**	104
Deferred tax liabilities	**(2,727)**	(4,345)
	(1,909)	(4,241)

Deferred tax liabilities in respect of other intangible assets were recognised on the acquisition of MCL (£3,136,000) and J+S (£1,359,000) and will be credited to the income statement as the respective other intangible asset is amortised.

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 2016 was an asset of £147,000 (2015: £32,000) being £14,000 (2015: £13,000) in respect of other short-term timing differences, accelerated tax depreciation of £4,000 (2015: £4,000) and share options of £129,000 (2015: £15,000).

The corporation tax rate in the UK for the year ended 30 April 2016 was 20.0% (2015: 20.83%) which has been applied by Cohort in calculating its income tax (see note 6). Reductions in the UK corporation tax rate from 20.0% to 19.0% (effective 1 April 2017) and to 18% (effective 1 April 2020) were enacted in October 2015. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was announced in the Budget on 16 March 2016. This rate reduction had not been enacted by 30 April 2016 and therefore the deferred tax measurement does not reflect this rate change as at 30 April 2016.

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

18. Derivative financial instruments

The Group has derivative financial instruments as follows:

	2016 £'000	2015 £'000
Assets		
Foreign currency forward contracts	**—**	—
Liabilities		
Foreign currency forward contracts	**(31)**	(38)

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 are in respect of MCL and SEA and are disclosed within their respective operating profits in the segmental analysis (see note 1; 2015: MCL). The credit (2015: charge) to the Consolidated income statement for the year ended 30 April 2016 was as follows:

	2016 £'000	2015 £'000
Foreign currency forward contracts	**7**	(38)

18. Derivative financial instruments continued

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:

2016	Sell £'000	Buy NOK'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2015	–	–	(99)	(136)	–	–	(1,780)	(2,787)
Contracts matured in period	23	278	4,421	6,236	(36)	(51)	1,552	2,462
New contracts in period	(54)	(659)	(4,322)	(6,100)	1,615	2,314	(519)	(767)
At 30 April 2016	(31)	(381)	–	–	1,579	2,263	(747)	(1,092)
Fair value adjustment	–		–		(30)		(1)	
At 30 April 2016 at spot rate	**(31)**		**–**		**1,549**		**(748)**	

The total fair value adjustment is £31,000 (2015: £38,000) and the change in the forward exchange fair values for the year ended 30 April 2016 is £7,000 (30 April 2015: £38,000), which is included in the operating profit of the Group as a credit (2015: charge).

2015	Sell £'000	Buy €'000	Buy £'000	Sell €'000	Sell £'000	Buy US$'000
At forward exchange rates						
At 1 May 2014	–	–	4,001	4,700	136	226
Contracts matured in period	–	–	(4,001)	(4,700)	(136)	(226)
New contracts in period	(99)	(136)	–	–	(1,780)	(2,787)
At 30 April 2015	(99)	(136)	–	–	(1,780)	(2,787)
Fair value adjustment	–		–		(38)	
At 30 April 2015 at spot rate	(99)		–		(1,818)	

Liquidity risk

The maturity of the outstanding contracts was as follows:

At 30 April 2016	Sell £'000	Buy NOK'000	Buy £'000	Sell US$'000	Buy £'000	Sell US$'000
Within one year	(31)	(381)	811	1,116	(747)	(1,092)
One to two years	–	–	138	196	–	–
Greater than two years	–	–	630	951	–	–
At 30 April 2016 at forward rate	**(31)**	**(381)**	**1,579**	**2,263**	**(747)**	**(1,092)**

At 30 April 2015	Sell £'000	Buy €'000	Buy £'000	Sell US$'000
Within one year	(99)	(136)	(1,552)	(2,462)
One to two years	–	–	(228)	(325)
Greater than two years	–	–	–	–
At 30 April 2015 at forward rate	(99)	(136)	(1,780)	(2,787)

The following significant exchange rates applied at 30 April:

	2016			2015	
	NOK	**US$**	**Euro**	US$	Euro
Exchange rates at 30 April	**0.0852**	**0.6845**	**0.7843**	0.6523	0.7289

Sensitivity analysis

A 10% strengthening of £ sterling against the above currencies at 30 April 2016 would decrease the reported operating profit by £102,000 (2015: increase in reported operating profit of £174,000) in respect of marking these forward contracts to market.

19. Share capital

	2016 **Number**	2015 Number
Allotted, called up and fully paid 10 pence ordinary shares	**40,959,101**	40,959,101

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

	Number
At 1 May 2014	40,958,616
Share options exercised	485
At 30 April 2015	40,959,101
Share options exercised	–
At 30 April 2016	**40,959,101**

The Company has one class of ordinary shares which carry no right to fixed income.

During the year ended 30 April 2016, no ordinary shares (2015: 485) in Cohort plc were issued to satisfy share options.

20. Share options

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

The details of the share option schemes are contained in the Remuneration & Appointments Committee report on pages 33 to 35.

The following options were outstanding at 30 April 2016:

				30 April 2016			30 April 2015		
Scheme and grant date	Exercise price £	Vesting date	Expiry date	**Vested**	**Not vested**	**Total**	Vested	Not vested	Total
Cohort plc 2006 share option scheme									
8 Mar 2006	1.230	8 Mar 2009	8 Mar 2016	**—**	**—**	**—**	13,904	–	13,904
19 Feb 2007	1.770	20 Feb 2010	19 Feb 2017	**32,909**	**—**	**32,909**	86,241	–	86,241
11 Jul 2008	1.890	12 Jul 2011	11 Jul 2018	**7,929**	**—**	**7,929**	7,929	–	7,929
5 Aug 2009	1.715	6 Aug 2012	5 Aug 2019	**—**	**—**	**—**	14,277	–	14,277
23 Jul 2010	0.835	24 Jul 2013	23 Jul 2020	**105,471**	**—**	**105,471**	262,466	–	262,466
27 Oct 2010	0.770	28 Oct 2013	27 Oct 2020	**—**	**—**	**—**	12,935	–	12,935
26 Jul 2011	0.915	27 Jul 2014	26 Jul 2021	**98,252**	**—**	**98,252**	326,326	–	326,326
24 Jan 2012	1.100	25 Jan 2015	24 Jan 2022	**9,050**	**—**	**9,050**	17,000	–	17,000
2 Aug 2012	1.165	3 Aug 2015	2 Aug 2022	**248,458**	**—**	**248,458**	–	450,666	450,666
9 Aug 2013	1.675	10 Aug 2016	9 Aug 2023	**—**	**258,150**	**258,150**	–	278,017	278,017
11 Aug 2014	1.975	12 Aug 2017	11 Aug 2024	**—**	**229,852**	**229,852**	–	253,852	253,852
31 Oct 2014	2.425	01 Nov 2017	31 Oct 2024	**—**	**28,000**	**28,000**	–	28,000	28,000
20 Aug 2015	3.725	21 Aug 2018	20 Aug 2025	**—**	**290,482**	**290,482**	–	–	–
22 Sep 2015	3.750	23 Sep 2018	22 Sep 2025	**—**	**4,000**	**4,000**	–	–	–
				502,069	**810,484**	**1,312,553**	741,078	1,010,535	1,751,613
Save As You Earn (SAYE) scheme									
27 July 2010	0.970			**—**	**—**	**—**	–	101,931	101,931
08 Aug 2011	0.885			**—**	**48,098**	**48,098**	–	49,492	49,492
15 Aug 2012	1.190			**—**	**30,252**	**30,252**	–	64,896	64,896
13 Aug 2013	1.545			**—**	**85,193**	**85,193**	–	92,183	92,183
11 Aug 2014	2.075			**—**	**134,041**	**134,041**	–	144,448	144,448
14 Aug 2015	3.380			**—**	**147,098**	**147,098**	–	–	–
				—	**444,682**	**444,682**	–	452,950	452,950
				502,069	**1,255,166**	**1,757,235**	741,078	1,463,485	2,204,563

The SAYE options have maturity periods of three or five years from 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. The vesting period is generally three years, five years in the case of some SAYE options. If options under the Cohort plc 2006 share option scheme 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.

20. Share options continued

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

	2016		2015	
	Options	Weighted average exercise price £	Options	Weighted average exercise price £
Outstanding at 1 May	**2,204,563**	**1.35**	2,735,018	1.12
Granted during the year	**444,134**	**3.61**	456,439	2.04
Forfeited during the year	**(42,186)**	**1.88**	(109,667)	1.53
Exercised during the year	**(849,276)**	**1.08**	(854,327)	0.96
Expired during the year	**—**	**—**	(22,900)	1.23
Outstanding at 30 April	**1,757,235**	**2.04**	2,204,563	1.35
Exercisable at 30 April	**502,069**	**1.10**	741,078	1.04

The weighted average share price at the date of exercise for share options exercised during the year was £1.08 (2015: £0.96). The options outstanding at 30 April 2016 had a weighted average exercise price of £2.04 (2015: £1.35) and a weighted average remaining contractual life of six years (2015: six years).

The exercised options in the year were satisfied by transferring 849,276 shares from the Cohort Employee Benefit Trust (see note 21).

In the year ended 30 April 2016, options were granted as follows: 149,652 on 14 August 2015 under for the SAYE scheme and 290,482 on 20 August 2015 and 4,000 on 22 September 2015 under the Cohort plc 2006 share option scheme. The exercise prices of the options granted on those dates were £3.38, £3.725 and £3.75 respectively.

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

	2016	2015
Weighted average share price	**£3.53**	£2.27
Weighted average exercise price	**£2.04**	£1.35
Expected volatility	**25%**	30%
Risk free rate	**0.91%–1.84%**	0.96%–3.13%
Leaver rate (per annum)	**10.0%**	10.0%
Dividend yield	**1.04%**	0.62%–1.96%

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

The Group recognised a cost of £197,000 (2015: £198,000) 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 costs" within the Consolidated income statement.

21. Own shares

	£'000
Balance at 1 May 2014	2,274
Acquired in the year	—
Sold in the year	(822)
Loss on shares sold in the year	(617)
Balance at 30 April 2015	835
Acquired in the year	4,162
Sold in the year	(914)
Loss on shares sold in the year	(1,348)
Balance at 30 April 2016	**2,735**

The own shares reserve represents the cost of shares in Cohort plc purchased in the market and held by the Cohort Employee Benefit Trust to satisfy options under the Group's share option (see note 20) and restricted share schemes (see Remuneration & Appointments Committee report on pages 33 to 35).

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2016 was 755,743 (2015: 500,041).

21. Own shares continued

Shares were acquired in the year by the Employee Benefit Trust as follows:

Date	Number of shares acquired	Cost per share £'000	Total cost £'000
9 September 2015	16,546	3.81	63
29 September 2015	10,000	3.75	38
30 September 2015	10,000	3.75	38
2 October 2015	10,000	3.70	37
16 October 2015	100,000	3.86	387
23 October 2015	17,500	3.90	68
30 October 2015	37,500	3.90	147
6 November 2015	12,500	3.90	49
24 November 2015	5,000	3.90	20
22 December 2015	19,000	3.90	74
23 December 2015	13,500	3.90	53
8 January 2016	25,000	3.83	96
15 January 2016	31,500	3.82	121
21 January 2016	143,500	3.79	545
3 February 2016	56,750	3.45	196
4 February 2016	8,250	3.45	29
8 February 2016	5,000	3.34	17
15 February 2016	100,000	3.31	332
19 February 2016	14,735	3.36	50
2 March 2016	10,265	3.35	34
7 March 2016	150,000	3.33	500
21 March 2016	9,300	3.30	30
24 March 2016	78,172	3.62	284
15 April 2016	253,528	3.75	954
	1,137,546		4,162

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

Exercise price per share Pence	Number of shares sold	Proceeds £'000	(Loss)/gain on sale of shares £'000
77.0	12,935	10	(12)
83.5	156,995	131	(257)
91.5	228,074	209	(460)
97.0	101,931	99	(135)
110.0	7,950	9	(18)
116.5	202,208	236	(267)
119.0	32,123	38	(36)
123.0	13,904	17	(30)
154.5	4,530	7	(9)
167.5	19,867	33	—
177.0	53,332	94	(71)
197.5	13,500	27	4
207.5	1,927	4	(3)
	849,276	914	(1,294)

In addition, 32,568 (2015: 55,352) ordinary shares in Cohort plc were transferred at nil value realising a loss on sale of shares of £54,368 for the purpose of satisfying shares awarded to the Executive Directors (see Remuneration & Appointments Committee report on pages 33 to 35) 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 £1,348,000 (2015: £617,000).

63,213 (2015: 62,163) shares remain held in the Employee Benefit Trust and remain to be issued under the Restricted Share Scheme on which an estimated loss of £228,768 (2015: £103,750) will be recognised as they are issued.

The market valuation of the ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2016 was £2,890,717 (2015: £1,325,109).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2016 was £89,867 (2015: £29,596) and this cost is included within the "administrative expenses" of the Consolidated income statement.

22. Reserves

The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements on pages 40 and 41. 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.
- Other reserve. This represents the potential acquisition cost to the Group for acquiring the non-controlled interest (49.999%) of MCL. This reserve is expected to be utilised no later than 30 April 2017.
- Retained earnings include the realised gains and losses made by the Group and the Company.

23. Cash flow

a. Net cash from operating activities

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Profit for the year	**5,364**	5,240	**6,788**	2,953
Adjustments for:				
Income tax (credit)/expense	**(54)**	707	**(97)**	(70)
Depreciation of property, plant and equipment	**1,090**	957	**6**	6
Amortisation of other intangible assets and goodwill	**6,379**	3,602	**—**	—
Net finance income	**(64)**	(82)	**(62)**	(80)
Derivative financial instruments	**(7)**	38	**—**	—
Share-based payment	**197**	198	**26**	35
Decrease in provisions	**(59)**	(356)	**—**	—
Operating cash flows before movements in working capital	**12,846**	10,304	**6,661**	2,844
(Increase)/decrease in inventories	**(958)**	450	**—**	—
(Increase)/decrease in receivables	**(8,585)**	1,861	**(486)**	165
Increase/(decrease) in payables	**5,203**	7,890	**(640)**	(1,016)
	(4,340)	10,201	**(1,126)**	(851)
Cash generated by operations	**8,506**	20,505	**5,535**	1,993
Income taxes paid	**(1,784)**	(1,702)	**—**	(8)
Interest paid	**(4)**	(5)	**—**	(2)
Net cash inflow from operating activities	**6,718**	18,798	**5,535**	1,983

b. Cash and cash equivalents at 30 April 2016

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Cash and bank	**23,109**	19,701	**—**	—
Short-term deposits	**—**	—	**—**	—
Total cash and cash equivalents	**23,109**	19,701	**—**	—
Bank overdraft	**—**	—	**(13,263)**	(7,033)
Bank loan	**(3,293)**	—	**(3,293)**	—
Finance lease	**(11)**	(14)	**—**	—
Total debt	**(3,304)**	(14)	**(16,556)**	(7,033)
Net funds	**19,805**	19,687	**(16,556)**	(7,033)

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

24. Operating lease arrangements

Group	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised as an expense in the year:		
– land and buildings	**786**	886
– other	**194**	215
	980	1,101

At 30 April 2016 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 £'000	2015 £'000
Land and buildings:		
– leases which expire within one year	**–**	207
– leases which expire in the second to fifth year inclusive	**672**	888
– leases which expire after five years	**3,968**	3,618
	4,640	4,713
Other:		
– leases which expire within one year	**8**	30
– leases which expire in the second to fifth year inclusive	**280**	263
– leases which expire after five years	**–**	–
	288	293
	4,928	5,006

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

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

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

Company	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised as an expense in the year:		
– land and buildings	**53**	38

At 30 April 2016 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 £'000	2015 £'000
Land and buildings:		
– leases which expire within one year	**53**	–

25. Commitments

There was £83,000 of capital commitments at 30 April 2016 (2015: £Nil).

26. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £2,294,000 (2015: £2,022,000) were charged to the income statement. Contributions outstanding at 30 April 2016 were £213,980 (2015: £140,316).

27. Contingent liabilities

At 30 April 2016 the Group had in place bank guarantees of £nil (2015: £175,000) in respect of leased properties and £962,000 (2015: £1,593,000) in respect of trading contracts. The Group is not aware of any conditions which would realise these contingent liabilities.

28. Related party transactions

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

	Capital contribution to subsidiary (see note 11) £'000	Management fees received from subsidiaries £'000	Rent paid to subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief received from subsidiaries £'000
2016	**1,000**	**1,700**	**53**	**5,500**	**88**
2015	—	1,517	38	3,500	88

There were no transactions between the Group and its joint venture, Digital Millennium Map LLP (DMM), with the exception of receipt of investment income (see note 11). The relationship with DMM is 25% joint venture owned by Cohort plc. From 1 November 2006 this has been accounted for as an investment, the Group no longer having an active participation in this entity. The Group is expected to have no significant transactions with DMM.

During the year ended 30 April 2016, the Directors of Cohort plc received dividends from the Company as follows:

	2016 **£**	2015 £
S Carter	**482,603**	425,612
N Prest CBE	**110,483**	91,722
A Thomis	**4,773**	2,881
Sir Robert Walmsley	**1,327**	1,102
S Walther	**4,651**	2,723
	603,837	524,040

Further details of the remuneration of the Directors are set out in the Remuneration & Appointments Committee report (pages 33 to 35).

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

	2016 **£**	2015 £
Salary (including any allowances, benefits and employer's NI)	**1,423,466**	1,261,236
Employer's pension contribution	**86,727**	91,023
Long-term benefits	**—**	—
	1,510,193	1,352,259

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

29. Acquisition of Marlborough Communications Limited (MCL)

Cohort plc acquired 50.001% of Marlborough Communications (Holdings) Limited, which in turn holds 100% of Marlborough Communications Limited (MCL), on 9 July 2014.

The Sale and Purchase Agreement in respect of the acquisition of MCL includes a put option (from the vendors to Cohort plc) for the purchase of the remaining shares (49.999%) in Marlborough Communications (Holdings) Limited, the non-controlling interest.

This put option is exercisable by 31 December 2016 and is capped at £12.5m. If the performance of MCL in the period to 30 September 2016 is such that the amount payable for the non-controlling interest's shares exceeds the cap, the put option lapses and the Group has the right to negotiate the amount payable at that time or not to acquire the non-controlling interest.

The non-controlling interest is entitled to participate in any dividends payable by MCL in the period to 30 September 2016.

In accordance with IFRS 3, the Group has ascribed a value to the option to acquire the non-controlling interest of MCL. This value is £5.5m (2015: £12.5m) and the option is shown as a current liability (2015: non-current liability) as it is expected to be paid by 30 April 2017 and as the non-controlling interest has a right to dividends, in the other reserves reported as "option for acquiring non-controlling interest in MCL".

The option to acquire the non-controlling interest of MCL is based upon the calculation defined in the Sale and Purchase Agreement. The calculation is a multiple of MCL's earnings before interest and tax over a two year period ending on 30 September and includes an adjustment for the closing order book as at 30 September 2016.

30. Acquisition of J+S Limited (J+S)

The Group's subsidiary Systems Engineering & Assessment Ltd acquired 100% of J+S Limited (J+S) on 1 October 2014 for a cash consideration of £11.7m. No further consideration is payable in respect of this acquisition.

During the twelve months ended 30 September 2015, the goodwill was revised as follows:

	Goodwill £'000
On acquisition (as previously reported)	5,048
Revision of amounts recoverable on contracts	113
Accruals	7
	5,168

This adjustment to goodwill, amounts recoverable on contracts and accruals has been applied to the balance sheet at 30 April 2015.

31. Post-balance sheet event: Acquisition of Empresa de Investigação e Desenvolvimento de Electrónica, S.A. (EID)

On 27 June 2016 the Group reported the acquisition of 56.89% of EID, a company registered in Portugal, for a total consideration of €10.8m (£8.2m).

As this occurred after 30 April 2016, EID has not been included in the Group's reported results and net assets for the year ended 30 April 2016. EID will be consolidated from the acquisition date of 27 June 2016 and as the Group exercises effective control through the EID Board it will recognise 100% of EID's results and net assets from that date.

As announced, the Group expects to acquire another 23.11% of EID on or before 30 November 2016 on the same terms as the initial 56.89% from the Portuguese Government. The Group expects the Portuguese Government to continue to hold 20.0% for the foreseeable future.

As at 30 April 2016 the Group had recognised acquisition costs in respect of EID of £821,000. It also includes costs in respect of setting up the Group's new bank facility of £485,000.

On 5 August 2015 the Group signed the Sale and Purchase agreement with the vendors of EID and at the same time paid a deposit of €0.95m (£0.7m) representing 5% of the total consideration. As the transaction had not completed at 30 April 2016, this deposit balance has been included in trade and other receivables.

Accounting policies

Basis of accounting

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). 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.

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through a facility which is due for renewal in November 2018. Both the current domestic economic conditions and continuing UK Government budget pressures, including defence, create uncertainty, particularly over the level of demand for the Group's products.

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

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

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report on pages 4 to 24. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in the Strategic report on pages 4 to 24.

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 2016. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see business combinations below).

The Group's subsidiary, MCL, has an accounting year end date of 30 September although it prepares figures for consolidation for the year ended 30 April. The different accounting date for MCL is a requirement of the agreement to purchase the remainder of the business, at which point it will change to 30 April, as per the rest of the Group.

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 IFRS, as adopted by the EU, as from 1 May 2015.

Adoption of new and revised standards

Various new and revised standards and interpretations have been adopted by the Group in the year ended 30 April 2016 which have had no significant impact on the amounts reported in these financial statements by the Group.

Bank borrowings

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

Borrowing costs

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

Business combinations

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

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

Adjustments to the provisional value of assets and liabilities acquired in a business combination when the final values have become known within 12 months are adjusted as if the accounting had been completed at the acquisition date and the comparative information for prior periods is restated accordingly.

Any change in consideration, where previously estimated, is immediately recognised as an exceptional item in the income statement.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Deposits are included within cash and cash equivalents where the maturity from commencement of the deposit is three months or less.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net income.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise and are disclosed separately in deriving the Group's adjusted operating profit.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Exceptional items

Items which are both material and non-recurring are presented as exceptional items within the relevant income statement category. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance. 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, 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.

Specifically in the case of the put option to acquire the non-controlling interest of MCL, as the option is a put and the non-controlling interests have a right to participate in any equity distributions (including dividends), the original option value and any subsequent changes to the value of that option are included in equity and not in the income statement.

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 currently sterling for the whole Group. 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.

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

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

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

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

Goodwill

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Intangible assets

Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward and the intangible assets are written off on a straight-line basis over the estimated useful life. As discussed on page 71, the valuation of intangible assets is an area of critical judgement and estimate by the Directors.

Inventories

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

Joint ventures

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

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Pension contributions

Payments are made to the Company's stakeholder pension schemes, all of which are defined contribution schemes. Amounts are charged to the income statement as incurred.

Property, plant and equipment

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

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

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

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

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

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

Provisions

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

Warranty

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

Other contract related provisions including contract loss provisions

These include the following:

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

Where the expected cost at completion of a current contract exceeds the sum of the contracted revenue and any probable revenue, then the amount of that excess (the estimated contract loss) is immediately provided for in full. Such contract loss provisions are reviewed on a regular basis to determine whether the provision is still adequate or excessive. Contract loss provisions and subsequent adjustments to them are charged as cost of sales in the income statement.

Where such an obligation relates to a discontinued operation then the charge will be disclosed as an exceptional item.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's own development activity is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software, product and new processes) and is technically and commercially feasible;
- it is probable that the asset created will generate future economic benefits and the Group has available to itself sufficient resources to complete the development and to subsequently sell and/or use the asset created; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the provision of goods and services, excluding discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

The Group applies either IAS 11 'Construction Contracts' or IAS 18 'Revenue' to account for revenue depending on the nature of the arrangement with the customer. The Group's arrangements fall into four main categories:

1. Time hire

Revenue is recognised in accordance with IAS 18 when the services are provided, i.e. when the employees undertake the work.

2. Managed services

In managed services, revenue is generally a fixed price for the provision of specific ongoing defined services (not the construction of an asset) over an agreed period. These services include the provision of technical engineering support, maintaining help desks and consultancy. Where the services comprise an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the period that the services are provided. Where the services comprise one or more significant acts, revenue is recognised as each act is completed.

3. Product

Goods are delivered to customers and, on their acceptance by the customer, revenue is recognised. At that point, the Group does not have any continuing involvement or control over the goods and all significant risks and rewards have been transferred to the customer.

4. System design, build, test and delivery

These contracts are typically for building complex custom designed assets which are usually components for use in larger customer owned assets. These contracts are accounted for under IAS 11. The Group's contracts of this nature are generally fixed price and without "standalone" values for each element as the contracts are negotiated and ultimately delivered/accepted as a single package.

In these contracts the revenue is recognised using the "percentage of completion" method in IAS 11.

In almost all cases the percentage of completion is based on input measures (i.e. costs incurred as a proportion of estimated total costs). In some cases, an output measure based on surveys of work performed may be used where these are available and measure reliably the work performed.

Costs are expensed as incurred in respect of all contracts unless they relate to goods yet to be delivered, services related to a significant act that has yet to be completed or future activities on a contract accounted for under IAS 11, in which case they are recorded as an asset (either inventory or amounts recoverable on contract).

In some cases, Group contracts can be divided into multiple elements with standalone values using either the principle in IAS 18.13 or the following criteria based on IAS 11.7–10:

- separate proposal for each element;
- each element was subject to separate negotiations; and
- costs and revenues for each element can be identified.

Where separate elements are identified, each is treated as one of the four revenue types described above.

Bid costs

Costs incurred before the award of a contract is probable are expensed as incurred. Where material bid costs arise after the award of a contract has become probable but before the contract is in place, then such identified bid costs are included in contract costs.

Share-based payments

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

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

Fair value is measured by use of the Quoted Companies Alliance binomial model (a Black Scholes model). The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

The cost of share-based payments is charged to the income statement with a corresponding credit applied to the share option reserve. The appropriate element of the reserve is transferred to the retained profit of the Group when the share options to which the reserve relates vest.

Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax expense or credit.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Trade and other receivables

Trade receivables are initially measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Long-term contracts are assessed on a contract-by-contract basis and reflected in the income statement by recording revenue and related costs as contract activity progresses. Revenue is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which revenue exceeds payments on account is classified as "amounts recoverable on contracts" and included within trade and other receivables; to the extent that payments on account exceed relevant revenue, the excess is included as an advance receipt within trade and other payables. The amount of long-term contracts, at cost net of amounts transferred to cost of sales, costs incurred plus recognised profits, less provision for foreseeable losses and payments on account not matched with revenue, is included within trade and other receivables as "amounts recoverable on contracts".

Trade payables

Trade payables are initially measured at fair value.

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.

Critical accounting judgements and key sources of estimation uncertainty continued

1. Critical accounting judgements

Revenue recognition

The revenue recognition policy of the Group is described in detail on page 69. There are areas where the Directors have to make judgements as to the level of revenue to be recognised in the financial statements, in particular "stage of completion":

- In accordance with IAS 11, revenue is recognised using the "percentage of completion" method for system design, build, test and delivery contracts. In almost all cases the percentage of completion is based on input measures (i.e. costs incurred as a proportion of estimated total costs). In a few cases, an output measure based on surveys of work performed may be used where these are available and measure reliably the work performed.
- These contracts generally are not capable of segmentation and the percentage of completion method is applied to the contract as a whole.
- In advance of completion of key stages (or deliverables) of contracts, there is additional uncertainty in the estimated total contract costs and accordingly this additional uncertainty is reflected in increased estimates of the total contract costs, i.e. a contingency is added.
- Once those key stages have been completed and the risks have expired, the relevant remaining contingencies are removed from the forecast total contract costs. It is a critical judgement of the Directors as to both the level of contingency recognised and its retention or not.

Acquisition of other intangible assets

Intangible assets other than goodwill that are obtained through acquisition are capitalised on the balance sheet. These other intangible assets are valued on acquisition using a discounted cash flow methodology which depends on future assumptions about the revenue from contracts, prices and costs and on the Group's cost of capital. These assumptions reflect management's best estimates but depend on inherent uncertainties which may not be within the control of management.

2. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill

The Group has significant goodwill balances, the life of which it considers to be indefinite. It assesses biannually the recoverability of the balance, or more frequently in the event of an occurrence indicating impairment. The assessment involves comparing the carrying amount of the asset with its recoverable amount, which is the greater of its value in use and net realisable value by reference to external measures.

Value in use is determined using discounted cash flow techniques that involve the estimation of future cash flows over a long period and an appropriate discount rate.

Future cash flows are estimated based on historical experience, internal estimates and data from external sources. Such estimates are subject to change as a result of changes in economic and competitive conditions. Higher estimates of future cash flows will increase the value in use of goodwill, but lower estimates of cash flows will reduce the value in use and increase the risk of impairment.

Discount rates (weighted average cost of capital) are applied to the cash flows to arrive at the value in use. An increase in the discount rate will reduce the value in use of the goodwill, and will therefore increase the risk of the value in use falling below the carrying value and resulting in an impairment provision being required. A reduction in the discount rate decreases the likelihood of impairment.

Future changes in interest rates, the premium that markets place on equity investments relative to risk free rates and the specific assessment of the capital markets as to the Group's risk relative to other companies can affect our discount rate. Increases in interest rates or the risk premiums applied by capital markets would result in an increase in the Group's discount rate and vice versa. These factors are largely outside the Group's control or ability to predict and can therefore have a significant impact on the estimated fair value of goodwill and hence its impairment.

The assessment of goodwill impairment is disclosed in note 9.

Other

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

Standards and interpretations issued as at 28 June 2016 not applied to these financial statements

A number of other standard amendments and International Financial Reporting Interpretations Committee (IFRIC Interpretations) have been issued and are yet to be applied by the Group. The most significant of these are:

1. IFRS 15 'Revenue from Contracts with Customers'. This standard is effective from 1 January 2018 and will be required to be first applied to the Group's financial reporting for the year ending 30 April 2019. Earlier adoption is being considered by the Group.
2. IFRS 16 'Leases'. This standard was issued on 13 January 2016 and is effective from 1 January 2019 and will first apply to the Group's financial reporting for year ending 30 April 2020. The impact of this standard on the Group is under review.

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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

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

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

Capita Asset Services

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

Telephone: 0871 664 0300 (calls cost 12 pence per minute plus your phone company's access charge). (From outside the UK: +44 20 8639 3399, 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@capita.co.uk

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

Daily share price listings

- The Financial Times – AIM, Aerospace and Defence
- The Times – Engineering
- Daily Telegraph – AIM section
- London Evening Standard – AIM section

Financial calendar

Annual General Meeting

13 September 2016

Final dividend payable

September 2016

Expected announcements of results for the year ending 30 April 2017

Preliminary half-year announcement

December 2016

Preliminary full-year announcement

June 2017

Registered office

Cohort plc

2 Waterside Drive
Arlington Business Park
Theale
Reading RG7 4SW

Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.

Five-year record

	2016	2015	2014	2013	2012
Headline results (£'000)					
Revenue	**112,577**	99,938	71,555	70,866	75,408
Adjusted operating profit	**11,902**	10,085	8,171	7,336	6,513
Adjusted earnings per share (pence)					
Basic	**27.18**	20.45	19.15	17.94	15.52
Diluted	**26.67**	20.00	18.66	17.68	15.50
Statutory earnings per share (pence)					
Basic	**19.14**	14.04	14.75	20.76	11.30
Diluted	**18.78**	13.74	14.37	20.46	11.28
Net operating cash flow (£'000)	**6,718**	18,798	2,576	4,090	8,424
Net funds (£'000)	**19,805**	19,687	16,338	16,426	14,140
Order intake (£m)	**94.8**	114.3	69.1	59.6	79.3
Order book (£m)	**116.0**	134.0[1]	81.7[2]	95.7	107.1

[1] The order book at 30 April 2015 is after including the acquired order books of MCL (£5.4m) on 9 July 2014 and J+S (£32.6m) on 1 October 2014.

[2] Order book at 30 April 2014 excludes SEA's Space business order book of £10.6m (2013 included £10.4m in respect of SEA's Space business).

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