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COHORT PLC
THE INDEPENDENT TECHNOLOGY GROUP

27 July 2021

COHORT PLC
PRELIMINARY RESULTS
FOR THE YEAR ENDED 30 APRIL 2021

Cohort plc today announces its audited results for the year ended 30 April 2021.

Highlights include:	**2021**	2020	**%**
• Revenue	**£143.3m**	£131.1m	***9***
• Adjusted operating profit[1]	**£18.6m**	£18.2m	***2***
• Adjusted earnings per share[1]	**33.63p**	37.10p	***(9)***
• Net funds/(debt)	**£2.5m**	(£4.7m)	
• Order intake[2]	**£180.3m**	£124.4m	***45***
• Order book (closing)	**£242.4m**	£183.3m	***32***
• Proposed final dividend per share	**7.60p**	6.90p	***10***
• Total dividend per share	**11.10p**	10.10p	***10***

Statutory	**2021**	2020	**%**
• Statutory profit before tax	**£7.1m**	**£10.0m**	***(29)***
• Basic earnings per share	**13.38p**	**23.47p**	***(43)***

- Results in line with 26 May 2021 trading statement
- Record revenue and adjusted operating profit despite COVID impact estimated as £6m on Group revenue and £0.2m on adjusted operating profit
- Better than expected cash performance
- Lower adjusted EPS due to an expected higher tax charge
- Order intake increased to £180.3m (2020: £124.2m) with an additional £50m of orders won since the year end
- Dividend increased by 10%
- Divisional overview:
    - MASS was main profit contributor, although slightly down from record high last year
    - Strong performance improvement at EID
    - MCL returned to growth
    - Initial five-month contribution from ELAC ahead of expectations
    - Weaker results at Chess and SEA.

- Defence revenue from non-UK MOD exceeded UK MOD for the first time, reflecting both the higher sales at EID and Chess, where a much greater proportion of sales are to export markets, and the initial contribution of ELAC.
- Acquisition of ELAC completed in December 2020. Adds a profitable and growing sixth stand-alone business to the Cohort Group.

[1] Excludes exceptional items, amortisation of other intangible assets, research and development expenditure credits and non-trading exchange differences, including marking forward exchange contracts to market.
[2] Excludes acquired order book of £23.2m (2020: nil).

Looking forward:

- Strong order book and pipeline of prospects for the coming year
- £242.4m year end order book underpins nearly £100m of current year revenue, representing 64% (2020: 62%) of current consensus forecast for the year
- Coverage has risen to 70% in mid-July 2021 following recently announced contract wins
- Performance for 2021/22 expected to show good revenue growth but a lower rate of profit growth, with weaker trading at EID offset by stronger results elsewhere
- Expect zero net debt on 30 April 2022

Commenting on the results, Nick Prest CBE, Chairman of Cohort plc said:

Cohort continued to make progress in 2021, achieving a record adjusted operating profit and revenue. MCL and EID both posted an increase in profit and we benefited from an initial five-month contribution from ELAC. These positive movements were partly offset by weaker performances at SEA, Chess and, to a small extent, MASS.

As always, my thanks go to all employees within the Cohort businesses. Our employees have shown remarkable agility and resilience and have remained focused on the needs of our customers as well as the welfare of all our colleagues.

The Group has entered the new financial year with a substantial long-term order book. The 30 April 2021 order book of £242.4m underpins nearly £100m of in-year revenue, representing 64% of the consensus forecast. Following further contract awards of over £50m since the start of the financial year, that cover now stands at 70%.

Looking forward we expect that strong performance across most of the Group in 2021/22 will be partly offset by a weaker year at EID. Overall, we expect to achieve continued growth in 2021/22, albeit at a modest level, and to have zero net debt at the year end.

Prospects for 2022/23 depend on order progress in the current year. We are optimistic that the Group will return to a higher rate of growth in 2023/24, based on current orders for long term delivery and our strong pipeline of opportunities.

A presentation for analysts is being hosted today 27 July 2021 at 9.15am for 9.30am online as follows:

Please join the event 5-10 minutes prior to scheduled start time. When prompted, provide the confirmation code or event title.

WEBCAST: https://webcasting.brrmedia.co.uk/broadcast/60f80d0505da7a5c2646fc86
TELECONFERENCE CALL LINE: +44 (0)330 336 9434

Confirmation Code:	6712075
Event Conference Title:	Cohort plc - Preliminary results for the year ended 30 April 2021
Time Zone:	Dublin, Edinburgh, Lisbon, London
Start Time/Date:	09:30 Tuesday 27 July 2021

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NOTES TO EDITORS

Cohort plc (www.cohortplc.com) is the parent company of six innovative, agile and responsive businesses based in the UK, Germany and Portugal, providing a wide range of services and products for domestic and export customers in defence and related markets.

Chess Technologies, through its operating businesses Chess Dynamics and Vision4ce, offers surveillance, tracking and fire-control systems to the defence and security markets. A majority stake was acquired by Cohort plc in December 2018. www.chess-dynamics.com & www.vision4ce.com

EID designs and manufactures advanced communications systems for naval and military customers. Cohort acquired a majority stake in June 2016. www.eid.pt

ELAC SONAR supplies advanced sonar systems and underwater communications to global customers in the naval marketplace. Acquired by Cohort in December 2020. www.elac-sonar.de

MASS is a specialist data technology company serving the defence and security markets, focused on electronic warfare, digital services and training support. Acquired by Cohort in August 2006. www.mass.co.uk

MCL designs, sources and supports advanced electronic and surveillance technology for UK end users including the MOD and other government agencies. MCL has been part of the Group since July 2014. www.marlboroughcomms.com

SEA delivers and supports technology-based products for the defence and transport markets alongside specialist research and training services. Acquired by Cohort in October 2007. www.sea.co.uk

Cohort (AIM: CHRT) was admitted to London's Alternative Investment Market in March 2006. It has headquarters in Reading, Berkshire and employs in total around 1,000 core staff there and at its other operating company sites across the UK, Germany and Portugal.

Chairman's statement

Performance
Cohort continued to make progress in 2021, achieving a record adjusted operating profit of £18.6m (2020: £18.2m) on revenue of £143.3m (2020: £131.1m). MCL and EID both posted an increase in profit and we benefited from an initial five-month contribution from ELAC.

These positive movements were partially offset by weaker performances at Chess, SEA and, to a small extent, MASS. Despite increased revenue, Chess's profit performance was down, in part due to an operationally challenging project in support of a multinational military deployment. SEA, despite a restructuring exercise that completed in quarter two, had another disappointing year. Its revenue was down 13% and its trading profit down just over 30%. The fall in revenue was mainly in research and technical support areas for the UK MOD but there was also a drop in transport activity, due to the impact of COVID on local authorities' focus and spend, with lower levels of vehicle traffic in the UK throughout much of last year. SEA however completed the sale of its non-core subsea business to management in August 2020. MASS was slightly weaker after a record 2020 with a lull in activity on a long-term support project.

The need for the Group to manage the issues around COVID and the various restrictions on travel, work and social interaction continued throughout the financial year. At the start, we were still in the first wave of COVID, with restrictions in place and uncertainty about the duration and impact of the pandemic. Subsequently, we saw an easing of restrictions and some resumption of travel, but this was significantly curtailed again late in 2020. Lockdowns, in various guises, in the UK, Portugal and Germany, and our wider markets, extended into 2021 and past this financial year end. Despite this, the Group has continued to deliver to its customers and to grow its revenue. We also secured a good level of orders, the second highest annual total in our history, and improved our funding position from opening net debt of £4.7m to closing net funds of £2.5m.

As a result of COVID-19 we have experienced delay to certain aspects of our work. Some tasks requiring access to customer sites, such as the completion of integration and test activities, have been delayed. We have been unable to perform some training, service and support activities due to travel restrictions affecting either us or our customers. Offsetting this, we have made a significant saving in travel and marketing spend, the latter due to cancellation or postponement of many exhibitions.

We estimate the direct impact on the year ended 30 April 2021 as £6m lower revenue (2020: £3m lower) and £0.2m lower trading profit (2020: £1m lower), with reduced margin partly offset by overhead savings.

We do not yet know the impact of the travel and marketing restrictions on future order flow. Although 2020/21 was strong for order intake, much of that was from opportunities that were already in the pipeline. We have certainly seen some delays, including to expected orders from the Portuguese Government, due to COVID. Looking forward, we hope to see a return to some pre-COVID normality in the second half of this financial year.

The Group's operating profit of £7.8m (2020: £10.7m) is stated after recognising amortisation of intangible assets of £10.1m (2020: £7.3m), exceptional items of £1.3m (2020: £0.8m) and research and development expenditure credits of £1.0m (2020: £0.8m). Profit before tax was £7.1m (2020: £10.0m) and profit after tax was £5.5m (2020: £9.7m).

The closing net funds of £2.5m (2020: net debt of £4.7m) was better than our expectation, due to an improved operating cash flow, particularly at EID, MCL and SEA.

Strategic initiatives
Cohort acquired Wärtsilä ELAC Nautik GmbH in early December 2020, following approval by the German Federal Government, a process that took longer than we had expected, in part due to COVID-19. This approval required certain undertakings from Cohort to safeguard German technical capability and military information. We completed the acquisition of the business, now renamed ELAC Sonar (ELAC), on 2 December 2020. The final price paid was €16.2m and the business included €14.4m of cash on completion. The net cash outflow was €1.8m (£1.3m). There are no further payments to be made.

ELAC joined the Group as Cohort's sixth standalone business and the transaction accorded with our strategy of acquiring businesses, primarily in the defence and security sector, with a strong niche capability and market position. ELAC, which is a market leader in sonar systems technology for naval surface ships and submarines, increases the Group's reach and potential internationally and adds Germany as a new home market. ELAC's potential was demonstrated by its win of an order for €49m from the Italian Navy in early July 2021.

When we acquired Chess in December 2018, we agreed to pay further consideration depending on the performance of the business over the three years ending 30 April 2021. Our current best estimate is that the additional consideration payable, including earn-out, to take control of the whole of Chess in 2021 will now be £2.8m (2020: £4.0m), and will be due on or before 31 October 2021.

Shareholder returns
Adjusted earnings per share (EPS) were 33.63 pence (2020: 37.10 pence). The adjusted EPS figure was based upon profit after tax, excluding amortisation of other intangible assets, net foreign exchange movements and exceptional items. Basic EPS were 13.38 pence (2020: 23.47 pence). The adjusted EPS were lower primarily due to the higher tax charge of 17.4% (2020: 6.6%), in part reflecting the change in mix of tax jurisdictions from which the Group's profits were derived.

The Board is recommending a final dividend of 7.60 pence per ordinary share (2020: 6.90 pence), making a total dividend of 11.10 pence per ordinary share (2020: 10.10 pence) for the year, a 10% increase. The dividend has been increased every year since the Group's IPO in 2006. It will be payable on 27 September 2021 to shareholders on the register at 20 August 2021, subject to approval at the Annual General Meeting on 20 September 2021.

Our people
As always, my thanks go to all employees within the Cohort businesses. Their hard work, skill and ability to satisfy our customers' needs are what continue to drive the performance of our Group. It is a pleasure to welcome our new employees in Kiel, Germany to the Group.

As already highlighted, COVID has continued to be a challenge throughout the year. Our employees have shown remarkable agility and resilience and have remained focused on the needs of our customers as well as the welfare of all our colleagues. Where possible, customer visits have taken place and, in some cases employees have undertaken essential travel to support overseas customers, enduring arduous testing and quarantine regimes in both directions. We have continued to enforce COVID safe practices at our places of work and operate shift patterns to ensure safety and delivery to key customers, including the British, Portuguese, and German armed forces as well as export customers and partners.

We continue to see a return of colleagues to work on site and now have around 50% of our employees back on site on a part-time or regular basis. We currently expect 75% of our workforce to be primarily site-based by October 2021and thereafter to see a mix of home and office-based working continue for at least some time.

Andy Thomis, Simon Walther and their senior executive colleagues have continued their dedicated and skilful work which has helped the Group to progress in the face of challenging conditions.

Governance and Board
As previously announced, Sir Robert Walmsley retired from our Board on 31 December 2020. Sir Robert has continued to provide consultancy services to the Group, deploying his skills and experience in project management and knowledge of the naval market.

As separately announced today, Beatrice Nicholas will join the Board as a non-executive director on 1 September 2021. Beatrice had a long and successful career in the defence industry with GEC, BAE Systems and Leonardo and brings a wealth of experience in engineering, project management and general management, much of it in products and technologies closely aligned to Cohort. We look forward to welcoming her to the Board and to her contribution.

I also take this opportunity to welcome new Managing Directors to the Group. Frederico Lemos joined EID in late November 2020, succeeding António Marcos Lopes who retired after 37 years of service. At SEA, Richard Flitton joined us in January 2021 replacing Steve Hill. I also welcome the joint Managing Directors of ELAC, Bernd Szukay and Ole Schneider, who joined the Group in December having both been with ELAC for over ten years.

Outlook
Prior to the COVID-19 pandemic governmental expenditure on defence and security was growing in many parts of the world, as a response to perceived increases in threats of various kinds. So far, we have not seen any notable examples of decreases as a result of public expenditure pressures following fiscal expansions in response to COVID-19, but we are conscious this is a risk.

Our business from the UK into EU countries and vice versa remains small (£4.7m in 2021; £3.0m in 2020), and consequently we do not expect any direct effects upon Cohort from Brexit. In the longer term there could be indirect effects, resulting from the broad economic and political consequences, and the future defence and security relationship that develops between the UK and the EU.

In the UK, we welcomed the recent strategic review and the four-year spending plan for the UK MOD. Both of these improve visibility and provide momentum, some of which we have already seen at MCL. The Cohort businesses have strong and relevant capabilities for both the current and evolving needs of our principal customer, established positions on some key long-term UK MOD programmes and a good pipeline of new opportunities. This was demonstrated by SEA's recent contract win to support the UK's in-service sonar equipment. Export prospects for the Group continue to develop, as exemplified by Chess's successes in the year and the recent large win at ELAC. For the first time in Cohort's history, revenue derived from the UK MOD is in a minority.

Our order intake for the year was £180.3m (2020: £124.4m). As we indicated last year, a number of key export orders were secured in the year, on most of which work has started. Renewals of important orders from the UK MOD were secured by SEA and MASS. These are for services and support we have successfully delivered for many years and winning these is an endorsement of our service focus to our major customers. One of these orders provides visibility of revenue out to 2031.

The Group has entered the new financial year with a substantial long-term order book. The 30 April 2021 order book of £242.4m underpins nearly £100m (2020: £84m) of current financial year revenue, representing 64% of expected consensus revenue for the year. Following order wins since the start of the financial year of over £50m, including recent announcements, that cover now stands at 70%.

As we indicated in our trading statement of 26 May 2021, EID's order intake in the year just finished was poor and as a result its expected performance for 2021/22 will be much weaker than its strong 2020/21 performance, revenue being down by around a third. The remainder of the Group continues to make progress and we expect revenue to grow in 2021/22 but the change in revenue and margin mix, especially the decline at EID, will see the Group's trading performance grow more slowly in 2021/22.

Overall, we continue to expect that our trading performance for 2021/22 will be slightly ahead of that achieved for the year ended 30 April 2021 and to have zero net debt at the year end.

Prospects for 2022/23 depend on order progress in the current year. We are optimistic that the Group will return to a higher rate of growth in 2023/24, based on current orders for long term delivery and on our pipeline of opportunities.

Nick Prest CBE
Chairman

Operations Review

Operating review

"2021 has been a year of modest but positive progress for Cohort, with the impact of COVID added into the usual mix of factors affecting business. It has been a pleasing year for order intake, and cash performance was also good. In terms of revenue and profit, strong performance at EID and Marlborough Communications (MCL), together with a maiden contribution from ELAC Sonar (ELAC), have been partly offset by reduced profits at Chess and SEA. Overall, performance has been in line with our expectations for the year".

2021 highlights
The Group's adjusted operating profit of £18.6m (2020: £18.2m) on revenue of £143.3m (2020: £131.1m) represented a net return of 13.0% (2020: 13.9%).

MASS remained the strongest contributor to the Group's adjusted operating profit, despite a slightly reduced level of revenue and profit.

ELAC made an initial contribution to revenue and profit following completion of the acquisition in December 2020.

EID had a much stronger year, as did MCL.

Chess saw a reduction on profit despite strong revenue growth.

SEA's performance was lower than in 2020 in terms of revenue and profit.

Operating review
2021 has been, overall, another year of progress for Cohort, with the Group reaching a record level of revenue and adjusted operating profit but with mixed results from the underlying businesses. Revenue grew by 9.3% and adjusted operating profit by 2.2%. Both revenue and adjusted operating profit benefited from a maiden contribution from ELAC, which joined the Group in December 2020.

EID improved its performance again as a result of increased export sales, including some deliveries that had been delayed from the previous year. MCL returned strongly after a disappointing year in 2020 with some good wins and successful deliveries. These improvements were offset by weaker performances at Chess and SEA. Chess achieved good revenue growth, but margins were affected by the need for competitive pricing and a small number of problem projects. SEA was hit by delays to expected order intake, resulting in lower revenue and profit despite the cost base reduction implemented during the year.

The COVID pandemic and resultant lockdowns continued to have an impact on many of our markets, with international travel restrictions still in place in many regions. The resulting barriers to interaction with customers have not had a short-term impact on our ability to win new business. The Group achieved an order intake of over £180m, resulting in a closing order book of £242m and order cover of just under £100m for 2022. Nevertheless, we have continued to see deliveries of products and services impacted by customer site closures and restrictions. With vehicle traffic volumes falling drastically over the pandemic period and plenty of competing priorities, local authority spending on SEA's traffic enforcement systems has reduced and is only just now showing signs of recovery. Overall, for 2021 we estimate that the impact of COVID has been a reduction in revenue of around £6m across the Group but that savings in overhead, especially on travel and business development, including exhibitions, has offset most of the margin slippage with a net impact on adjusted operating profit of £0.2m.

The Group's adjusted operating profit grew by 2.2% to £18.6m (2020: £18.2m) on revenue of £143.3m (2020: £131.1m), a net operating return of 13.0% (2020: 13.9%). The Group's statutory operating profit of £7.8m (2020: £10.7m) reflects the significant effect of the amortisation of other intangible assets, a £10.1m non-cash charge in 2021 (2020: £7.4m charge). In this review, therefore, the focus is on the adjusted operating profit of each business, which we consider to be a more appropriate measure of performance year on year. The adjusted operating profit is reconciled to the operating profit in the Consolidated Income Statement and by business in note 1.

Adjusted operating profit by subsidiary

	Adjusted operating profit			*Adjusted operating margin*	
	2021 £m	*2020 £m*	*Change £m*	***2021 %***	*2020 %*
Chess	***3.0***	*3.9*	*(0.9)*	***10.5***	*15.6*
EID	***4.8***	*3.1*	*1.7*	***23.1***	*17.2*
ELAC	***1.2***	*—*	*1.2*	***14.1***	*—*
MASS	***8.7***	*8.9*	*(0.2)*	***22.1***	*21.7*
MCL	***2.1***	*1.7*	*0.4*	***11.5***	*11.0*
SEA	***2.4***	*3.5*	*(1.1)*	***8.4***	*11.1*
Central costs	***(3.6)***	*(2.9)*	*(0.7)*	***—***	*—*
	18.6	*18.2*	*0.4*	***13.0***	*13.9*

EID's performance improved markedly compared to 2019/20 with a significant increase in export revenue, partly the result of a substantial delivery being delayed from the end of the previous year. Its operating margin was enhanced by improved production efficiency.

ELAC made a welcome initial contribution to revenue and profit from its five months in the Group in 2020/21. Its revenue was derived from a combination of specialist sonar products and a surface ship sonar suite.

MCL delivered increased revenue and profit after a disappointing 2020. Strong demand for hearing protection systems from the British Army made a major contribution to performance.

Following a record year in 2020, as expected MASS delivered a slightly weaker trading performance in 2021 with a reduction in revenue (mostly in its Digital Services and Electronic Warfare Operational Support divisions) and the corresponding gross margin.

MASS's service deliveries faced a considerable headwind from COVID-19, and we were pleased that it nevertheless managed to deliver a satisfactory result.

After a good result in 2020 Chess delivered increased revenue, following strong order intake. Disappointingly, profit and consequently operating margin were significantly reduced, a result of tighter margins on some larger contracts and cost overruns on a small number of problem projects.

SEA's result was disappointingly behind our expectations and last year's performance. Order intake during the year was very strong, but contract awards were in many cases later than expected and it was not possible to realise the planned revenue from them. The Transport business also suffered as COVID-19 diverted local authority expenditure and priorities elsewhere.

Our people

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

Over the year we have made several changes to our subsidiary senior management. Steve Hill stepped down as Managing Director of SEA in July 2020. Martin Kelly, SEA's Head of Complex Systems took over on a temporary basis, with Richard Flitton appointed as permanent Managing Director in January 2021. My thanks go to Steve for his contribution to SEA and to Martin for his willingness to step up at short notice. At EID, António Marcos Lopes retired after over 37 years of service and was replaced as Managing Director by Frederico Lemos. I thank António for his contribution to EID's development, and I am delighted to welcome both Richard and Frederico to the Cohort Group. Just after the financial year end, Graham Beall who founded Chess and has led the business since 1993 stepped back from the role of Managing Director to lead the business's US market development. His deputy, David Tuddenham has taken over as Managing Director from 1 June 2021 following a competitive selection process.

As the COVID pandemic has waxed and waned across Europe, our infection control measures have remained effective and we have not witnessed any confirmed transmission of COVID-19 in the workplace. That has not prevented the disease affecting many of our colleagues, either directly or through family connections. We experienced one tragic loss of life of an employee at EID, and many more have lost close family members to the disease. It has been a sad time for many of our workforce, but their resilience and commitment has been remarkable.

Our policy towards the UK's furlough scheme has developed as the pandemic and the Government response has evolved. We made some use of the scheme initially where lockdown restrictions had a direct impact on employees' ability to carry out their roles, as the alternative would have been to make the individuals concerned redundant. Avoiding redundancy and unemployment in these circumstances was exactly what the scheme was intended to do, and the net saving to Cohort compared to the redundancy option was small or even negative. However, we elected not to make use of the furlough scheme simply to match resources to demand, even when demand has been affected by COVID, an option we could have taken advantage of. We took the view that such resource management, and the associated costs, are for us and not the UK Government. We subsequently ceased use of the scheme completely in October 2020. Receipts from the scheme for the Group over 2019/20 and 2020/21 were £0.3m in total.

As governments and health services begin to bring the pandemic under control, we expect gradually to increase the numbers of people working regularly on-site at our facilities in the UK, Portugal and Germany. The experience of remote working has had some very positive aspects, and our businesses all intend to make use of the flexibility and efficiency it can offer in future. Nevertheless, as we have begun to resume face-to-face meetings with colleagues, suppliers, partners and customers, the importance and value of these interactions has become clearer than ever. Currently our workforce is split roughly 50:50 between those who are primarily home-based and those who are site-based. If the current lockdown measures continue to be eased, we expect that balance to be around 25:75 between home and site-based by October of this year.

Operating strategy

Organic growth

Despite the difficulties in customer communications thrown up by the COVID pandemic, we have had a good year for new orders, and we end it with a significantly increased order book. That is a positive indicator for future organic growth. However, although we did see some organic revenue growth in 2021, the modest level of net profit growth was driven by the acquisition of ELAC.

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

- MASS uses its extremely high reputation, its rare or unique technical capabilities and its experience at building long-lasting customer relationships to win long-term service contracts, gradually adding new building-blocks to its long-term revenue stream.

- EID combines a low cost-base by international standards with access to Portugal's extremely strong technical education system to create high-performance low-cost communications products that can win in a highly competitive marketplace.

- Chess makes use of its innovative engineers, customer-focused culture and ability to source sensors from the best international providers to win against more vertically integrated larger competitors.

- SEA has used its close long-term relationship with the Royal Navy to build confidence with that important customer, which in turn creates a strong platform for export orders. It is also investing in new technologies where there is an opportunity to build a strong competitive position, for instance in lightweight towed-array sonars.

- MCL has a unique business model, combining a small but innovative engineering team with a wide range of international partnerships to provide highly specialised equipment and services to the UK armed forces and security services.

- ELAC, the newest member of the Group, has built on almost a century of hydro-acoustic knowledge to create a new architecture for sonar systems on a scale that only a few international providers can match. Their systems combine world-class performance with an ability for customers to tailor analysis techniques and data libraries to their own specific needs.

Our businesses have continued to be active in finding new customers, and 2021 has seen some notable successes for Chess, MCL and SEA in particular. Discussions with potential customers have opened up some major longer-term opportunities for all of our businesses.

Being part of the Cohort Group brings some material advantages to small and medium sized defence technology businesses. The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are well able to execute technically but which might otherwise be perceived as risky. Recent examples include the award of the €49m order to ELAC for sonar systems for the Italian Navy's new class of submarine, the £25m support contract recently awarded to SEA for the Royal Navy and the £16m of orders awarded to Chess, announced in October 2020.

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

These strategies have generated long-term customer relationships and good opportunities that give us confidence that we can continue to win substantial new business in the year ahead. Overall, the organic profit performance of the business in the year (i.e. excluding the effect of ELAC's initial contribution) was slightly behind that achieved in 2020 with improved results at MCL and EID being offset by weaker performance at Chess and SEA.

Acquisitions

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

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

For 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.

On 3 December 2020, we announced the completion of our agreement to acquire 100% of Wärtsilä ELAC Nautik GmbH (now renamed ELAC Sonar GmbH) for a consideration of €16.2m on a debt free, cash free basis. ELAC, a leader in sonar systems technology for naval surface ships and submarines, has joined the Group as Cohort's sixth standalone business. The agreement was first announced in December 2019, completion taking longer than expected as a result of COVID restrictions and the need for German Federal Government approval.

The acquisition of ELAC fits well with our acquisition strategy. Importantly, it increases the Group's exposure to scalable product and systems and export customers, particularly in the naval market. ELAC shares highly complementary expertise, capabilities, and technologies with SEA, providing a significant cross-selling opportunity. This has already begun, with SEA offering its towed-array sonar into customers being supplied with ELAC's complementary sonar products. The acquisition will increase the Group's reach and potential in new international markets and adds Germany as a new home market.

We acquired 81.84% of Chess in December 2018 for an initial consideration of just over £20.0m. The acquisition includes an earn-out clause and an option for acquiring the minority interest (18.16%), both based on Chess's performance for the three years ending 30 April 2021. The performance period for determining the value of the earn-out and option ended on 30 April 2021, and we now expect to pay £2.8m (2020: £4.0m) in total on or before 31 October 2021.

Maintain confidence

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

Although the degree of autonomy our subsidiary businesses enjoy is high, and we believe that this is an effective operational strategy, we take a practical view of the best way forward when circumstances change. When the operational situation is such that a merger, restructuring or even sale is necessitated, we will act and have acted in the best interests of the wider Group and its shareholders.

Andrew Thomis
Chief Executive

SUBSIDIARY Review

Chess

Chess Technologies (Chess) operates through two distinct businesses, Chess Dynamics and Vision4ce.

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

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

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

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

Vision4ce, a wholly-owned subsidiary of Chess is a leading electronics and real-time software house based in Wokingham. It designs, develops and supplies high-performance digital video trackers and the associated software for Chess Dynamics and other customers.

Founded in 1993, Chess is led by its Managing Director David Tuddenham. Chess is 82% owned by Cohort and joined the Cohort group in 2018.

	2021 **£m**	2020 £m
Revenue	**28.6**	25.2
Adjusted operating profit	**3.0**	3.9
Operating cash flow	**(1.0)**	(2.8)

Chess grew its revenue again in 2021, up by 13%. However, a combination of the need for competitive pricing and some poorly performing projects reduced its margin and the result was a fall in adjusted operating profit by 23%.

Chess's revenue is dominated by export customers. This year they have included an important European Army for target identification and the Belgian and Dutch navies for an optical fire control system for their new class of Mine Countermeasures Vessels.

Chess has continued to demonstrate what a good strategic fit it is for the Group. It is a leading supplier within its market and has a strong ethos of innovation and responsiveness.

Chess was only marginally impacted by the COVID-19 pandemic and lockdown with a few in-country activities being postponed. It continued to carry out production and support from its main site in Horsham and its naval centre in Plymouth with little disruption, whilst observing all the necessary safety requirements for its employees, customers and suppliers. It currently has 70% of its people working mostly on site and expects this number to be at 95% by October this year.

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

Some of these growing pains have resulted in the weaker than expected performance in 2021. It has seen some project margin deterioration where technical specification has proved a challenge for Chess resulting in cost increases. We believe that these issues have now been bottomed out.

Chess's order book at April 2021 of just over £42m provides cover for nearly £20m of 2021/22 revenue and our expectation is that Chess should return to growth in the coming year.

SUBSIDIARY REVIEW

EID

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

EID changed its operational structure in May 2021, creating single engineering and business development teams to enable a more co-ordinated focus on product development and to addressing its markets. Its other key units are the internal production and logistics units. Its markets remain primarily navy and army customers, both in Portugal and overseas.

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

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

	2021 **£m**	2020 £m
Revenue	**20.9**	18.0
Adjusted operating profit	**4.8**	3.1
Operating cash flow	**5.4**	3.6

EID grew on a good performance last year, with a very strong net return.

The increase in revenue of over 16% improved the gross margin, which also benefitted from some operational efficiencies, while the overhead for the business remained flat. As a result, the net margin of EID rose from 17.2% to 23.1%. This is a very strong return and above historical levels for the business.

This improvement derived from a near doubling of intercom system deliveries to an overseas customer, the production of which was more efficient than EID had achieved previously. This customer alone was nearly 50% of EID's revenue for the year. EID's revenue from its domestic customer, the Portuguese Armed forces declined after a strong year last year. This was partly expected but was also down due to a delayed order from the Portuguese Army. Sales to naval customers were virtually flat and remained relatively low (16% of total revenue) for the business. This was in part due to a delayed naval upgrade programme from the Portuguese Navy which is now not expected until 2022.

EID managed the COVID impact well during the year, delivering most of what was scheduled to be delivered. Minor margin loss was offset by reduced travel.

EID had another strong cash performance for the year, collecting receipts on deliveries at the end of the year which was better than our expectations.

As we stated in May, the delay to some key orders at EID, especially from naval customers has resulted in the coming year having a lower level of revenue on order (44%; 2020/21: 90%) and our expectations for 2021/22 being scaled back from where we saw things this time last year. EID's revenue for the coming year is expected to be around two thirds of this year and the resultant operational gearing means the adjusted operating profit is likely to be much lower. The mix of work at EID is expected to remain dominated by deliveries of intercom and radio products, especially to overseas customers over the next few years and this brings a level of unpredictability with it. We are expecting longer-term naval orders to progress this year, although the timing of the contract awards is also unpredictable.

SUBSIDIARY REVIEW

ELAC

ELAC serves global customers in the naval marketplace. Working with navies, system integrators and shipyards, ELAC supplies mission critical hydro-acoustic naval sensors. These range from complete submarine and surface ship sonar suites to submarine rescue sonars to digital underwater communications and measurement systems. The company specialises in developing innovative hydro-acoustics, working together with customers to meet their specific needs, offering flexibility through open architecture.

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

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

	2021 (five months)	2020
	£m	£m
Revenue	**8.3**	-
Adjusted operating profit	**1.2**	-
Operating cash flow	**0.4**	-

ELAC's initial contribution, over five months of Cohort ownership, was £1.2m of adjusted operating profit on £8.3m of revenue.

ELAC joined the Group in early December 2020 after approval by the German Federal Government, a process that took longer than expected in part due to COVID. ELAC's initial contribution was in line with our expectations and the business saw only minor COVID impacts.

In early July, ELAC secured a contract for over £42m to provide sonar systems for two new U212 Near Future Submarines being supplied by Fincantieri for the Italian Navy. The contract also includes delivery of a special test and crew training system and associated technical services. This is expected to create a capability for the Italian Navy that is unmatched on a submarine of this class.

Work has begun already, and the contract stretches out to 2030 with the customer having the option for a further two submarines to be supplied with the same system. This is great endorsement of ELAC's capabilities and provides ELAC with 90% coverage of its 2021/22 revenue expectations. This project, which is the largest technical delivery contract the Group has ever won will be overseen by a Programme Advisory Committee set up by Cohort and chaired by Sir Robert Walmsley, whose members have extensive knowledge and experience of operating, developing, and delivering submarine systems.

At the time of acquiring ELAC, the business had an opportunity to supply another customer with submarine sonar systems. This opportunity remains but has not been secured. An agreed mechanism was put in place with the seller to alleviate some of the operational costs the business would have to bear if this opportunity was delayed or not secured. The cost recovery is payable over two years, with a maximum value of £2.1m if the opportunity is not secured by 1 December 2022. The current year trading performance of ELAC includes £0.5m in respect of this.

SUBSIDIARY REVIEW

MASS

MASS is a data technology company with over 35 years' heritage serving the defence and security markets in the UK and around the world. It provides electronic warfare operational support, digital services and other support to military operations.

The company delivers tailored, integrated solutions that are increasingly critical to customers' operational advantage. MASS's expertise in data management, system engineering and project management enables delivery of through-life capability in the form of high-technology solutions, training and trusted managed services. These are underpinned by MASS's strong research and development capability.

MASS's core skill is enabling its customers to convert their own raw data into actionable information for operational and strategic application.

MASS operates through four divisions.

The EWOS division includes the THURBON™ Electronic Warfare (EW) database, SHEPHERD (the provision of a system embodying THURBON™ to the UK MOD) and MASS's EW managed service offerings in the UK and elsewhere.

The Digital Services division offers solutions and training to wider government, including security customers. This division also delivers secure network design, delivery and support and information assurance services to commercial, defence and educational customers.

The Strategic Systems division provides certain managed service and niche technical offerings to the UK MOD.

The Training Support division provides training simulation and support to the UK's Joint Warfare Centre as well as similar high-level command training to other UK and overseas customers.

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

	2021 £m	2020 £m
Revenue	**39.5**	41.1
Adjusted operating profit	**8.7**	8.9
Operating cash flow	**4.6**	11.6

MASS as expected, after a record 2019/20, had a slightly weaker year but remains the group's strongest profit contributor. Sales and adjusted operating profit were down 4% and 2% respectively.

Despite some impact from COVID, MASS had a good year and its final result was ahead of our expectations. COVID impacted its ability to deliver EW training, especially to overseas customers, and also limited the level of exercise work carried out by the Joint Forces Command (JFC). MASS assisted the JFC in its support to the Government's pandemic planning.

The EWOS business, which is mostly export, saw a slight reduction in training and overseas support activity, much of it slipping into 2022 and in some cases later. Digital Forensics activity was also down, as was secure IT provision for schools, although this is lower margin activity. In the other parts of the business, especially its technical support to key parts of the UK defence domain, MASS continued to deliver a high level of service despite considerable practical difficulties arising from lockdown restrictions at times. MASS currently has around one third of its staff based primarily at its own or customer sites and expects this proportion to double by October.

MASS's net margin increased to 22.1% (2020: 21.7%). This was due to improved mix, especially in Digital Forensics, and flat overheads.

MASS's operating cash flow this year was positive but, as expected, did not replicate last year when it saw accelerated receipts from the UK MOD as the COVID pandemic first struck.

MASS continues to demonstrate its strength in its core markets of EWOS and niche technical support to key government capabilities. Its order book of £77m gives good visibility beyond 2023.

SUBSIDIARY REVIEW

MCL

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

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

The company's specialist C4 portfolio includes hearing protection, communication headsets and radios, while its ISTAR capabilities include signals intelligence, electronic warfare and UAV and UGV technologies. The company supplies customers including the UK MOD, other UK Government departments and defence prime contractors. With a small, expert workforce of just 36 employees, MCL is adept at identifying the latest technologies and capabilities to suit the unique demands of each customer it works with.

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

	2021	2020
	£m	£m
Revenue	**18.0**	**15.1**
Adjusted operating profit	**2.1**	**1.7**
Operating cash flow	**4.3**	**(2.3)**

After a disappointing 2020, MCL bounced back in 2021 with revenue and adjusted operating profit up by 19% and 23% respectively. It also delivered a very strong cash performance and had a good year for order intake.

MCL saw some impact from COVID-19 with some milestones for system calibration slipping into 2021/22 but its overall performance was very good and exceeded our expectations. The small team at MCL is flexible and at present around two thirds are mostly on site with the remainder working from home.

When we acquired MCL, back in July 2014, one of the primary objectives was to support it in building an order book and business with greater longevity and visibility. This year saw the order book increase from £8.6m (April 2020) to £12.4m (April 2021) although the visibility of MCL's revenue still remains, on average, in the three to six-month range. As we said last year, MCL sees some substantial opportunities in long-term UK naval support programmes, some of which have slipped due to COVID but now are being moved forward by the UK MOD. Success in these would enable MCL to improve its revenue visibility significantly. More immediately, MCL starts 2021/22 with improved visibility and some good prospects for the coming year.

MCL completed delivery of a small number of autonomous vehicles for initial trials with the British Army and its success in this programme enabled it to secure a follow-on order for delivery in 2022. It was also involved in supplying new camera systems for the UK's military dogs, exemplifying MCL's flexibility and importance to the UK military, especially its Special Forces.

As already highlighted, the recent UK defence review and spending plans have given MCL some forward momentum, especially with opportunities to support the new Ranger regiment.

SUBSIDIARY REVIEW

SEA

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

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

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

SEA manages its business through two divisions: Complex Systems, based at Beckington, and Integrated Electronic Systems, based at Barnstaple.

The technology and innovation activities of the organisation are underpinned by strong project management and dedicated production and support teams.

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

	2021 **£m**	2020 £m
Revenue	**28.0**	31.7
Adjusted operating profit	**2.4**	3.5
Operating cash flow	**9.8**	3.6

SEA had a disappointing year with revenue falling by 12% and adjusted operating profit by 31%. The drop was mostly driven by delays to export orders and weaker research and transport activity, the latter in part due to COVID.

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

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

Submarine systems activity at SEA grew slightly in 2021. Some of this was related to the UK Royal Navy's Dreadnought programme, now starting to get underway, but most of the growth was from an export customer.

SEA's research activity has been patchy. Its naval research activity continues to be an important part of its overall offering but a land research programme which has provided a substantial proportion of this revenue stream in recent years completed in early 2020/21 and has not been extended.

Export revenue at SEA was up slightly following some significant wins in the final quarter of the financial year. These however were too late to enable SEA to achieve its expected performance for the whole year.

SEA's transport business saw a 16% fall in revenue with lower export and UK sales of its RoadFlow product range. COVID was an important factor in this, particularly in the first half of 2020/21, with reduced vehicle traffic and local authority attention being focused on the pandemic. We expect this market to recover in 2022 as we see a catch up on system deployments in the UK and look for new applications, including the enforcement of Clean Air Zones.

Of all of our businesses, SEA saw the greatest impact from COVID with lower sales in transport and delayed export activity.

Over the past few years, the decline in submarine systems work has resulted in a higher proportion of revenue being derived from less predictable orders. For instance, SEA's transport contracts are typically on short timeframes from win to delivery, usually a few weeks to months. As we signalled last year, SEA, especially in the final quarter of 2020/21 had a very strong order intake, securing orders of over £63m and ending the year with an order book of nearly £70m, underpinning over £20m of SEA's revenue to be delivered in 2021/22. This provides us with some confidence that SEA will see growth in 2021/22 and return to a better level of performance over the coming few years.

SEA's order book has also increased in length with the in-service sonar support order for the UK Royal Navy (£25m) stretching out to 2031.

SEA encountered some technical difficulties with its narrow-diameter towed sonar array (Krait) which held up some deliveries and prevented further trials with potential customers, with the latter also impacted by COVID restrictions. These difficulties were resolved towards the end of the financial year, and we are looking forward to getting underway with customer trials.

A restructuring exercise was completed in July 2020 realising an annual saving of £1.3m at a cost of £0.7m. These changes were made to shape SEA's cost base to its expected level of activity in 2020/21 and beyond, while ensuring it was ready to deliver when longer-term orders were secured. The inflow of orders in 2020/21, especially for export customers, was later than we had anticipated and as a result the cost reduction, although necessary, did not have the desired impact in 2020/21. Going forward, with the order book now in place we expect an improving return from SEA.

As we indicated last year, SEA's Subsea activity was not core to our business strategy and its future position in the business was under review. In August 2020, SEA completed the sale of its Subsea business to its management.

FINANCIAL REVIEW

“Defence revenue from other customers exceeded that from the UK MOD for the first time, reflecting both the increased sales at EID and Chess, where a much greater proportion of sales are to export markets, and the initial contribution of ELAC.”

Revenue analysis

The segmental breakdown of sales in 2020/21 continued the trend we have seen in recent years with rising C4ISTAR revenue, driven by increased intercom deliveries from EID and higher MCL sales. The growth in combat systems was the initial contribution from ELAC and growth at both SEA and Chess. Our research work, which is mostly at SEA, after some years of growth saw a reduction this year, following completion of a three-year project for the UK MOD, which was not extended. Other research activity and technical support was also lower, partly due to some inertia in the UK MOD prior to the publication of the Defence review. We expect our activity in research and technical support to decline in absolute terms in the coming years as we focus on research and development in support of our product and service offerings.

The Group saw a small increase in revenue from the UK MOD in absolute terms, although as a proportion of the total it continued to decline as our export activity increased. The absolute increase was primarily a result of higher sales of hearing protection and other equipment at MCL.

Sales to the Portuguese MOD decreased, a result of delayed orders for both land and naval systems, which we now expect to secure in the 2022 calendar year.

Security sales were lower with less sales of counter drone systems to commercial airports, COVID a contributing factor.

Export defence sales were much higher, now representing almost as much of the Group’s revenue as the UK MOD. This was higher due to deliveries into Europe by Chess, Middle East from EID, higher sales of external communication systems at SEA and the introduction of ELAC.

The Group’s defence and security business is, and is expected to remain, the largest part of our business, supplying 94% of revenue this year (2020: 90%). The Group’s non-defence revenue was down nearly 30% compared to last year, with SEA’s transport business seeing reduced revenue due to lower UK and export sales, mostly a result of COVID. Underlying UK RoadFlow sales fell for the first time in five years. SEA’s offshore energy business was sold in August 2020.

Revenue by sector and business

	Chess		EID		ELAC		MASS		MCL		SEA		Group			
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	%	2020 £m	%
Defence and security	**28.6**	25.2	**20.9**	18.0	**8.3**	—	**37.6**	38.7	**18.0**	15.1	**20.6**	21.1	**134.0**	**94**	118.1	90
Transport	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**6.4**	7.6	**6.4**	**4**	7.6	6
Offshore energy	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**1.0**	2.9	**1.0**	**1**	2.9	2
Other commercial	**—**	—	**—**	—	**—**	—	**1.9**	2.4	**—**	—	**—**	0.1	**1.9**	**1**	2.5	2
	28.6	25.2	**20.9**	18.0	**8.3**	—	**39.5**	41.1	**18.0**	15.1	**28.0**	31.7	**143.3**	**100**	131.1	100

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

	Chess		EID		ELAC		MASS		MCL		SEA		Group			
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	%	2020 £m	%
Direct to UK MOD	**—**	—	**—**	—	**—**	—	**19.3**	19.8	**16.6**	12.9	**8.0**	8.5	**43.9**	**31**	41.2	32
Indirect to UK MOD where the Group acts as a sub-contractor or partner	**2.1**	2.2	**0.1**	0.1	**—**	—	**4.8**	4.3	**0.4**	1.1	**8.9**	11.0	**16.3**	**11**	18.7	14
Total to UK MOD	**2.1**	2.2	**0.1**	0.1	**—**	—	**24.1**	24.1	**17.0**	14.0	**16.9**	19.5	**60.2**	**42**	59.9	46
Portuguese MOD	**—**	—	**5.9**	8.3	**—**	—	**—**	—	**—**	—	**—**	—	**5.9**	**4**	8.3	6
German MOD	**—**	—	**—**	—	**1.0**	—	**—**	—	**—**	—	**—**	—	**1.0**	**1**	—	—
Security	**2.4**	4.8	**—**	—	**—**	—	**4.5**	4.2	**1.0**	1.1	**—**	—	**7.9**	**6**	10.1	8
Export defence	**24.1**	18.2	**14.9**	9.6	**7.3**	—	**9.0**	10.4	**—**	—	**3.7**	1.6	**59.0**	**41**	39.8	30
	26.5	23.0	**20.8**	17.9	**8.3**	—	**13.5**	14.6	**1.0**	1.1	**3.7**	1.6	**73.8**	**52**	58.2	44
	28.6	25.2	**20.9**	18.0	**8.3**	—	**37.6**	38.7	**18.0**	15.1	**20.6**	21.1	**134.0**	**94**	118.1	90

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

Defence and security revenues are categorised into market segments as follows:

	Year ended 30 April 2021		Year ended 30 April 2020	
	£m	**%**	£m	%
By market segment				
Combat systems	**30.2**	**22**	18.0	14
C4ISTAR	**70.8**	**49**	63.1	48
Cyber security and secure networks	**14.5**	**10**	15.0	11
Training and simulation	**9.5**	**7**	9.4	7
Research, advice and support	**7.4**	**5**	12.0	9
Other	**1.6**	**1**	0.6	1
Total defence and security revenue	**134.0**	**94**	118.1	90

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

	Year ended 30 April 2021		Year ended 30 April 2020	
	£m	**%**	£m	%
Product	**90.7**	**63**	74.8	57
Services	**52.6**	**37**	56.3	43
Total revenue	**143.3**	**100**	131.1	100

Operational outlook

Order intake and order book

	Order intake		Order book	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Chess	**57.7**	17.8	**42.3**	13.4
EID	**4.3**	29.3	**20.0**	36.5
ELAC	**7.2**	—	**21.2**	—
MASS	**25.6**	33.5	**77.2**	91.2
MCL	**21.8**	9.1	**12.4**	8.6
SEA	**63.7**	34.7	**69.3**	33.6
	180.3	124.4	**242.4**	183.3

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

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

The 2020/21 order intake was 126% (2020: 95%) of the Group's revenue for the year ended 30 April 2021. This was, as expected, higher than last year, with substantial export orders being secured at Chess and SEA.

The revenue on order (order cover) for the coming year was 64% (2020: 62%) as at 30 April 2021, based on external revenue forecasts. This had risen to 70% in July.

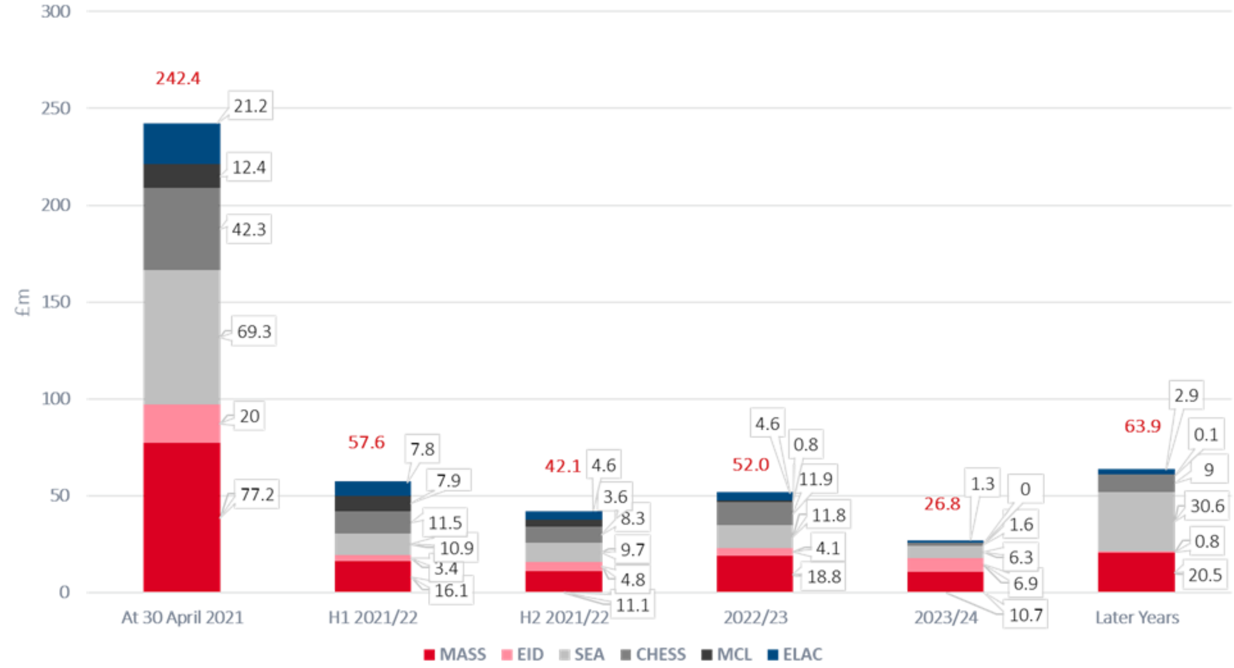
The table below shows the expected delivery of future revenue from the current order book. The Group's order intake and order book are the contracted values with customers and do not include any value attributable to frameworks or other arrangements where no enforceable contract exists. The order intake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

Chess's order intake of £57.7m included significant orders for European land and naval forces. Chess's closing order book of £42.3m included £19.8m for delivery in 2021/22. Chess is also well positioned for further naval and land programmes which we hope will convert to orders in the coming year. Chess performed less well than expected in 2020/21 due to weaker margin on some projects where delays, customer deployment changes and technical challenges all resulted in a weaker margin than expected. We expect a stronger performance for the coming year as it continues to lay down a longer-term order book.

EID's order intake for this year was very weak at £4.3m (2020: £29.3m), but its order book of £20.0m gives reasonable underpinning for the year ahead. As we stated last year, the need for EID to secure orders, especially in its naval markets remains important for its medium to long-term order book and growth. The poor order intake in 2020/21, mostly due to delays to Portuguese Defence programmes, has resulted in the expected EID performance for the coming year being now much weaker than we thought this time last year, with revenue likely to be one third down on 2020/21 in 2021/22.

At the time of its acquisition, ELAC had an order book of over £23m, with some delivery out to 2025. In the five months since joining the Group, ELAC's order intake was £7.2m of which the majority was export, including Japan. ELAC's closing order book of £21.2m underpins £12.3m of revenue for delivery in 2021/22 to which the recently secured Italian sonar order adds around £5m of revenue for the coming year, giving us confidence that ELAC should grow on a like for like basis in 2021/22.

Delivery of the Group's order book into revenue



MASS's order intake of £25.6m included an £11m renewal of its support to the UK's Joint Forces Command out to March 2022, a service MASS has been providing for over 15 years. The contract, awarded under the UK MOD's Single Source Regime, includes an option to extend the service to March 2025. MASS's closing order book of over £77m includes over £27m of revenue to be delivered in 2021/22. We expect MASS to return to growth in the coming year.

At MCL, order intake of £21.8m was much higher than last year and included over £7m of hearing protection related orders and an extension to its work on autonomous vehicles for the British Army. MCL's closing order book of £12.4m includes £11.5m to be delivered in 2021/22. Our long-term aim remains to strengthen MCL's order book and prospects to give it more visibility of future workflows. With some key prospects in UK naval programmes, MCL should see modest growth in the coming year.

SEA's order intake of nearly £64m was very strong and well above last years' £35m. Orders secured included a ten-year support contract to the UK Royal Navy's minor sonars at nearly £25m, as well as export orders for Torpedo Launcher Systems and External Communications Systems of around £17m. SEA's Transport division had a weaker year with order intake of only £7m (2020: £8m), in part due to COVID impacts on traffic volumes and local authority spend and focus. In the coming year we expect SEA to secure further export orders and on the back of its stronger order book, return to growth and a net margin back above 10%.

A significant proportion of Cohort's business will continue to be derived from the UK MOD, either directly or indirectly. The UK Government presented its latest Strategic Defence and Security Review in early 2021. That Review gave high priority to a number of current and future capabilities where the Group's offerings are strong, including submarines, special forces, cyber and secure communications and from which we derived revenue of £40.8m this year (2020: £37.5m). Following the Review, the UK Government followed this up with a unique four-year spending commitment for UK defence which included an additional £16 billion of spending up to March 2025, an increase of over 10% over the previous defence spending plans for the same period. We have already seen some positive momentum from this at MCL, which tends to be the first of our businesses to see the impact of UK MOD spend adjustments.

One major dependency for 2021/22 performance, ELAC's submarine sonar system for Italy, has now been secured. With the exception of EID, the Group's other businesses are not dependent upon any significant single order, but all require a varying level of infill to achieve their performance expectations. The level of infill required varies from 45% at MCL (typically the lowest level of cover of our businesses) to just over 30% at MASS with an average across the Group of 36%. The order cover has increased to 70% following order wins of over £50m from May through to mid-July, including the Italian submarine sonar.

Funding resource and policy

At the time of approval of this statement (27 July 2021), the Group has lived with the impact of COVID and resultant lockdown measures for well over a year. This has given rise to additional risk and uncertainty. The Cohort Board has considered these risks and taken appropriate steps and actions to manage them. At 30 April 2021, the Group's cash and readily available credit was £42.6m. A very high proportion of our ultimate customers are governments or government agencies, with a clear need to invest in defence and security. The international and domestic security environment still calls for greater resources to be devoted to defence and counterterrorism in the UK and many other countries. As already mentioned, over 64% of our revenue for 2021/22 was on contract at 30 April 2021 providing further assurance and this has since increased. The Board considers the Group to be a going concern.

The Group retains a robust financial position and continues to be cash generative enabling it to continue to invest in internal R&D and other value-adding projects on a carefully considered basis as well as maintaining its progressive dividend policy. The Group's cash position and banking facility also provide it with the resources to conduct its acquisition strategy.

NatWest is the Group's primary bank, especially for clearing purposes and day-to-day transactions.

The Group currently benefits from a four-year revolving credit facility (expiring November 2022) with an option to extend for one year (to November 2023). The facility is provided by NatWest and Lloyds. The maximum value of the facility at 30 April 2021 was £40m.

The facility itself provides the Group with a flexible arrangement to draw down for acquisitions and overdraft. As at 30 April 2021, £29.7m of the facility was drawn, leaving £10.3m available to be drawn down. The Group's banking covenants were all passed for the year ended 30 April 2021. Looking forward, we expect this to continue out to 31 July 2022 and beyond.

The facility is available to the UK members of the Group and is fully secured over the Group's assets, including those of Chess and ELAC but excluding EID's.

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

The Group takes a prudent approach to treasury policy with its overriding objective being protection of capital. In implementing this policy, deposits are usually held with institutions with credit ratings of at least Baa3. Deposits are generally held on short (less than three months) duration to maturity on commencement. This matches the Group's cash resources with its internal monthly 13-week cash forecasts, retaining flexibility whilst trying to ensure an acceptable return on its cash. Most of the Group's UK cash (that is not on short-term deposit) is managed through a set-off arrangement, enabling the most efficient use of the Group's cash from day to day, under the supervision of the Group's finance function.

EID's bank facilities are managed locally in Portugal. The cash is spread across a number of institutions to minimise capital risk.

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

EID has a local overdraft facility of €2.5m with Santander. This was undrawn at 30 April 2021.

ELAC manages its own banking arrangements locally in Germany. ELAC uses Commerzbank for its day to day clearing and export requirements, including foreign exchange contracts, guarantees and letters of credit.

ELAC currently has no overdraft facility with Commerzbank or any other bank.

ELAC's assets (including its cash and deposits) are part of the Group's security undertakings with Lloyds and NatWest. Future Group facility discussions will look to include a German bank in the Group facility enabling ELAC to have a wider local facility, including, if necessary, an overdraft facility.

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

The Group's net funds at 30 April 2021 were £2.5m, better than expected due to timing of receipts. Looking forward, we expect the Group's net debt at 30 April 2022 to be close to zero, as the timing advantage is expected to unwind. The Group is expected to move back into net funds by 30 April 2023, if there is no further corporate activity.

In addition to its cash resources, the Group has in issue 41.0m ordinary shares of 10 pence each. Of these shares 0.2m (2020: 0.2m) are owned by the Cohort plc Employee Benefit Trust (EBT), which waives its rights to dividends. In addition, the Group has issued options over ordinary shares through Key Employee Share Option and SAYE schemes to the level of 1.7m at 30 April 2021 (2020: 1.5m).

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

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

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

In terms of reporting asset values, we have in place a natural hedge of borrowing in euros to acquire a euro asset (ELAC) but over time, as the asset grows and the loan diminishes, this hedge will wane.

We take a prudent approach to transactional foreign exchange risk requiring all significant sales and purchases to be hedged at the point in time when we consider the transaction to be certain, usually on contract award. We mark these forward contracts to market at each reporting date, recognising any gain or loss in the income statement.

The Group has maintained its progressive dividend policy, increasing its dividend this year by 10% to a total dividend paid and payable of 11.10 pence per share (2020: 10.10 pence).

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

Year ended 30 April	Dividend Pence	Growth over previous year %	Earnings cover (based upon adjusted earnings per share)	Cash cover (based upon net cash inflow from operations)
2021	**11.1**	**10**	**3.0**	**3.6**
2020	10.1	11	3.7	2.8
2019	9.1	11	3.8	2.3
2018	8.2	15	3.5	4.0
2017	7.1	18	3.9	0.2
2016	6.0	20	4.5	2.8

The growth over recent years has moved the dividend from a relatively low base to a more normal level for an established cash-generative business. Looking forward the Group plans to maintain a policy of growing its dividend each year and we expect the rate of growth to align with the earnings growth of the Group.

The Group's cash generation in 2021 was stronger than the expected flat performance for the year. In summary, the Group's cash performance was as follows:

	2021 £m	2020 £m
Adjusted operating profit	**18.6**	18.2
Depreciation and other non-cash operating movements	**2.4**	1.8
Working capital movement	**(0.1)**	(7.0)
	20.9	13.0
Acquisition of ELAC	**(1.3)**	—
Costs paid in respect of acquiring ELAC	**(0.6)**	(0.5)
Costs paid in respect of MASS relocation	**—**	(0.3)
Restructuring and subsea disposal at SEA	**(0.7)**	—
Tax, dividends, capital expenditure, interest, loans and other investments	**(11.1)**	(10.5)
Increase in funds	**7.2**	1.7

The slightly higher cash outflow in tax, and dividends, etc. was mostly due to higher tax payments, partly offset by lower capital expenditure and net investment in own shares. Looking forward, we retain the flexibility to use newly issued shares as well as EBT shares to satisfy employee share options.

The Group's customer base of governments, major prime contractors and international agencies makes its debtor risk low. The year-end debtor days in sales were 38 days (2020: 37 days). This calculation is based upon dividing the revenue by month, working backwards from April, into the trade debtors balance (excluding revenue recognised not invoiced) at the year end. This is a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year. The small change in debtor days reflected the UK MOD's accelerated payments at the end of 2019/20 being slowed to normal practices in 2020/21, as expected.

Tax

The Group's tax charge for the year ended 30 April 2021 of £1,554,000 (2020: charge of £295,000) was at a rate of 22.0% (2020: rate of 3.0%) of profit before tax. This includes a current year corporation tax charge of £4,254,000 (2020: £2,325,000), a prior year corporation tax credit of £310,000 (2020: credit of £770,000) and a deferred tax credit of £2,390,000 (2020: £1,260,000).

The Group's overall tax rate was above the standard corporation tax rate of 19.00% (2020: 19.00%). The increase is due to the higher contribution of taxable profits from Portugal (at 23.0%) and also an initial contribution from Germany (at 31.0%). Additionally, R&D credits recognised last year by EID in Portugal were, due to timing, not recognised this year. The Group has also taken a prudent approach to the potential outcomes of a tax audit in Portugal and a R&D credit review in the UK.

The Group has reported research and development expenditure credits (RDEC) for the UK in accordance with IAS 20 and shown the credit of £1,029,000 (2020: £784,000) in cost of sales and adjusted the tax charge accordingly. The RDEC has been reversed in reporting the adjusted operating profit for the Group to ensure comparability of operating performance year on year.

Looking forward, the Group's effective current tax rate (excluding the impact of RDEC reporting) for 2021/22 is estimated at 18.0% compared with 17.4% of the pre-RDEC adjusted operating profit less interest for 2020/21. This rate going forward reflects a combination of an expected decrease in Portuguese derived profits and higher German profits. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2019/20 and 2020/21.

Exceptional items

The exceptional items this year are just over £1.3m in total. This includes a restructuring charge at SEA of just over £0.6m completed in the summer of 2020. The disposal of SEA's subsea business to the management of that division in August 2020 realised a loss of £0.5m, including a prudent stance on a vendor loan.

Adjusted earnings per share

The adjusted earnings per share (EPS) of 33.63 pence (2020: 37.10 pence) is reported in addition to the basic earnings per share and excludes the effect of exceptional items, amortisation of intangible assets and exchange movement on marking forward exchange contracts to market, all net of tax.

The adjusted earnings per share exclude the non-controlling interest of EID (20%) and Chess (18.16%).

The reconciliation is as follows:

	Adjusted operating profit £m	Adjusted earnings per share Pence
Year ended 30 April 2020	18.2	37.10
Chess (81.84% owned)	(0.9)	(1.56)
100% owned businesses throughout the year ended 30 April 2021	(1.6)	(4.06)
EID (80% owned)	1.7	3.38
ELAC (five months in 2021)	1.2	3.00
Change in tax rate 17.4% (2020: 6.6%)	—	(4.14)
Dilution from higher weighted average number of shares (due to option exercises)	—	(0.09)
Year ended 30 April 2021	**18.6**	**33.63**
Increase/(decrease) from 2020 to 2021	2%	(9)%

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

Accounting policies
Following the adoption of IFRS 16 ‘Leases’ last year, there were no significant accounting policy changes in 2020/21.

Andrew Thomis and Simon Walther

CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2021

	Notes	2021 £'000	2020 £'000
Revenue	2	**143,308**	131,059
Cost of sales		**(89,951)**	(80,016)
Gross profit		**53,357**	51,043
Administrative expenses		**(45,549)**	(40,312)
Operating profit	2	**7,808**	10,731
Comprising:			
Adjusted operating profit	2	**18,609**	18,223
Amortisation of other intangible assets (included in administrative expenses)		**(10,103)**	(7,354)
Research and development expenditure credits (RDEC) (included in cost of sales)		**1,029**	784
Charge on marking forward exchange contracts to market value at the yearend (included in cost of sales)		**(410)**	(132)
Exceptional items (included in administrative expenses)			
Cost of acquisition of ELAC	8	**(106)**	(950)
Cost of relocation of MASS's Lincoln facility		—	(590)
Adjustment to earn-out on acquisition of Chess	7	**(38)**	750
Cost of restructuring at SEA		**(651)**	—
Loss on disposal of SEA's subsea business		**(522)**	—
		7,808	10,731
Finance income		**17**	27
Finance costs		**(768)**	(779)
Profit before tax		**7,057**	9,979
Income tax charge	3	**(1,554)**	(295)
Profit for the year		**5,503**	9,684
Attributable to:			
Equity shareholders of the parent		**5,463**	9,559
Non-controlling interests		**40**	125
		5,503	9,684

All profit for the year is derived from continuing operations.

	Notes	Pence	Pence
Earnings per share	4		
Basic		**13.38**	**23.47**
Diluted		**13.24**	**23.24**
Adjusted earnings per share	4		
Basic		**33.63**	**37.10**
Diluted		**33.29**	**36.73**
Dividends per share paid and proposed in respect of the year	5		
Interim		**3.50**	**3.20**
Final		**7.60**	**6.90**
		11.10	**10.10**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 April 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2021

	Notes	Group 2021 £'000	Group 2020 £'000
Assets			
Non-current assets			
Goodwill		**43,663**	42,091
Other intangible assets		**15,093**	13,234
Right of use asset		**7,076**	6,900
Property, plant and equipment		**12,536**	12,121
Investment in subsidiaries		**—**	—
Deferred tax asset		**600**	598
		78,968	74,944
Current assets			
Inventories		**12,892**	11,478
Trade and other receivables		**66,692**	47,423
Derivative financial instruments		**38**	—
Cash and cash equivalents		**32,294**	20,567
		111,916	79,468
Total assets		**190,884**	154,412
Liabilities			
Current liabilities			
Trade and other payables		**(50,326)**	(30,985)
Derivative financial instruments		**(679)**	(231)
Lease liability		**(1,571)**	(1,257)
Bank borrowings		**(50)**	(85)
Provisions		**(2,786)**	(1,546)
Other payables	7	**(2,800)**	—
		(58,212)	(34,104)
Non-current liabilities			
Deferred tax liability		**(2,735)**	(2,820)
Lease liability		**(5,984)**	(6,240)
Bank borrowings		**(29,780)**	(25,189)
Provisions		**(1,140)**	(270)
Retirement benefit obligations		**(7,982)**	—
Other payables	7	**—**	(4,000)
		(47,621)	(38,519)
Total liabilities		**(105,833)**	(72,623)
Net assets		**85,051**	81,789
Equity			
Share capital		**4,104**	4,096
Share premium account		**29,956**	29,657
Own shares		**(1,068)**	(1,564)
Share option reserve		**923**	846
Other reserves		**(2,362)**	(3,600)
Retained earnings		**47,760**	46,108
Total equity attributable to the equity shareholders of the parent		**79,313**	75,543
Non-controlling interests		**5,738**	6,246
Total equity		**85,051**	81,789

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 April 2021

	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 2019	4,096	29,657	(348)	603	(4,350)	41,034	70,692	6,279	76,971
Impact of IFRS 16 'Leases' as at 1 May 2019	—	—	—	—	—	(148)	(148)	—	(148)
Restated as at 1 May 2019	4,096	29,657	(348)	603	(4,350)	40,886	70,544	6,279	76,823
Profit for the year	—	—	—	—	—	9,559	9,559	125	9,684
Other comprehensive income for the year	—	—	—	—	—	27	27	5	32
Total comprehensive income for the year	—	—	—	—	—	9,586	9,586	130	9,716
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(3,853)	(3,853)	—	(3,853)
Vesting of Restricted Shares	—	—	—	—	—	210	210	—	210
Own shares purchased	—	—	(3,677)	—	—	—	(3,677)	—	(3,677)
Own shares sold	—	—	1,472	—	—	—	1,472	—	1,472
Net loss on selling own shares	—	—	989	—	—	(989)	—	—	—
Share-based payments	—	—	—	318	—	—	318	—	318
Deferred tax adjustment in respect of share-based payments	—	—	—	193	—	—	193	—	193
Transfer of share option reserve on vesting of options	—	—	—	(268)	—	268	—	—	—
Change in fair value of Chess's net assets acquired (note [29])	—	—	—	—	—	—	—	(163)	(163)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	750	—	750	—	750
At 30 April 2020	4,096	29,657	(1,564)	846	(3,600)	46,108	75,543	6,246	81,789
Profit for the year	—	—	—	—	—	5,463	5,463	40	5,503
Other comprehensive income for the year	—	—	—	—	—	153	153	206	359
Total comprehensive income for the year	—	—	—	—	—	5,616	5,616	246	5,862
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Issue of new shares	8	299	—	—	—	—	307	—	307
Equity dividends	—	—	—	—	—	(4,247)	(4,247)	—	(4,247)
Dividend from subsidiary with non-controlling interest	—	—	—	—	—	754	754	(754)	—
Vesting of Restricted Shares	—	—	—	—	—	290	290	—	290
Own shares purchased	—	—	(1,418)	—	—	—	(1,418)	—	(1,418)
Own shares sold	—	—	821	—	—	—	821	—	821
Net loss on selling own shares	—	—	1,093	—	—	(1,093)	—	—	—
Share-based payments	—	—	—	406	—	—	406	—	406
Deferred tax adjustment in respect of share-based payments	—	—	—	3	—	—	3	—	3
Transfer of share option reserve on vesting of options	—	—	—	(332)	—	332	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,238	—	1,238	—	1,238
At 30 April 2021	**4,104**	**29,956**	**(1,068)**	**923**	**(2,362)**	**47,760**	**79,313**	**5,738**	**85,051**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 April 2021

	Notes	Group 2021 £'000	2020 £'000
Net cash from operating activities	6	**16,216**	11,597
Cash flow from investing activities			
Interest received		**17**	27
Purchases of property, plant and equipment		**(1,247)**	(2,662)
Acquisition of ELAC Sonar (net of cash acquired)	8	**(1,311)**	—
Net cash (used in)/generated from investing activities		**(2,541)**	(2,635)
Cash flow from financing activities			
Issue of new shares		**307**	—
Dividends paid		**(4,247)**	(3,853)
Purchase of own shares		**(1,418)**	(3,677)
Sale of own shares		**821**	1,472
Drawdown of borrowings		**12,110**	98
Repayment of borrowings		**(7,180)**	(78)
Repayment of lease liabilities		**(1,948)**	(1,114)
Net cash used in financing activities		**(1,555)**	(7,152)
Net increase in cash and cash equivalents		**12,120**	1,810
Represented by:			
Cash and cash equivalents and short-term borrowings brought forward		**20,567**	18,763
Cash flow		**12,120**	1,810
Exchange		**(393)**	(6)
Cash and cash equivalents and short-term borrowings carried forward		**32,294**	20,567

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

NOTES TO THE PRELIMINARY RESULTS ANNOUNCEMENT

1. **BASIS OF PREPARATION**

The financial information contained within this preliminary report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006. The financial information contained in this announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information has been extracted from the financial statements for the year ended 30 April 2021, which have been approved by the Board of Directors and on which the auditors have reported without qualification. The financial statements will be delivered to the Registrar of Companies after the Annual General Meeting.

Throughout the period, the Group owned 80% of EID and 81.84% of Chess and in both cases had effective control. Therefore, 100% of EID's and Chess's results and balances have been consolidated with the non-controlling interest identified.

The comparative figures for the financial year ended 30 April 2020 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was:

i. unqualified,
ii. did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and
iii. did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group meets its day-to-day working capital requirements through a facility which is due for renewal in November 2022. Both the current domestic economic conditions (including the COVID pandemic) and continuing UK Government budget pressures, including defence, create uncertainty, particularly over the level of demand for the Group's products.

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

The Directors have a reasonable expectation that the Group 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.

The preliminary announcement was approved by the Board and authorised for issue on 27 July 2021.

Copies of the Annual Report and accounts for the year ended 30 April 2021 will be posted to shareholders on 26 August 2021 and will be available on the Company's website (www.cohortplc.com) from that date.

2. **<u>SEGMENTAL ANALYSIS OF REVENUE AND OPERATING PROFIT</u>**

	Year ended 30 April 2021 £000	Year ended 30 April 2020 £000
Revenue		
Chess	**28,641**	25,155
EID	**20,952**	18,020
ELAC	**8,290**	-
MASS	**39,487**	41,115
MCL	**17,980**	15,064
SEA	**27,958**	31,705
	143,308	131,059
Adjusted Operating Profit		
Chess	**3,018**	3,923
EID	**4,834**	3,108
ELAC	**1,173**	-
MASS	**8,742**	8,914
MCL	**2,071**	1,660
SEA	**2,353**	3,532
Central costs	**(3,582)**	(2,914)
	18,609	18,223
Amortisation of other intangible assets	**(10,103)**	**(7,354)**
Research and development expenditure credit (RDEC)	**1,029**	**784**
Charge on marking forward exchange contracts to market value at the year end	**(410)**	**(132)**
Exceptional items:		
Cost of acquisition of ELAC	**(106)**	**(950)**
Cost of relocation of MASS's Lincoln facility	**-**	**(590)**
Adjustment to earn-out on acquisition of Chess	**(38)**	**750**
Disposal of SEA's Subsea business	**(522)**	—
Cost of restructuring at SEA	**(651)**	—
Operating Profit	**7,808**	**10,731**

The above segmental analysis is the primary segmental analysis of the Group.

All revenue and adjusted operating profit are in respect of continuing operations.

The operating profit as reported under IFRS is reconciled to the adjusted operating profit as reported above by the exclusion of amortisation of other intangible assets, RDEC, change on marking forward exchange contracts to market value at the year end and exceptional items.

The adjusted operating profit is presented in addition to the operating profit to provide the trading performance of the Group, as derived from its constituent elements on a consistent basis from year to year.

The ELAC reported results are for the five months ended 30 April 2021.

3. **TAX CHARGE**

	Year ended 30 April 2021 £000	Year ended 30 April 2020 £000
UK corporation tax: in respect of this year	**2,833**	2,227
UK corporation tax: in respect of prior years	**(550)**	(785)
German corporation tax: in respect of this year	**304**	—
Portugal corporation tax: in respect of this year	**1,117**	130
Portugal corporation tax: in respect of prior years	**240**	15
Other foreign corporation tax: in respect of this year	—	—
Other foreign corporation tax: in respect of prior years	—	(31)
	3,944	1,556
Deferred tax: in respect of this year	**(2,498)**	(1,297)
Deferred tax: in respect of prior years	**108**	36
	(2,390)	(1,261)
	1,554	295

The current year corporation tax charge (2020: charge) includes £142,000 credit (2020: £188,000 credit) in respect of exceptional items and the current year deferred tax credit includes a credit of £2,374,000 (2020: credit of £1,425,000) in respect of the amortisation of other intangible assets and a current year credit of £78,000 (2020: £25,000 credit) in respect of marking forward exchange contracts to market value at the year end.

4. **EARNINGS PER SHARE**

The earnings per share are calculated by dividing the earnings for the year by the weighted average number of ordinary shares in issue as follows:

	Year ended 30 April 2021 £000	Year ended 30 April 2020 £000
Earnings		
Basic and diluted earnings	**5,463**	9,559
Amortisation of other intangible assets (net of tax of £2,374,000; 2020: £1,425,000)	**6,763**	4,840
Charge on non-trading foreign exchange movements (net of tax credit of £78,000 (2020: credit of £25,000)	**332**	107
Cost of acquisition of ELAC (net of tax credit of £6,000; 2002: tax credit of £76,000)	**100**	874
Cost of relocation of MASS's Lincoln facility (net of tax of £112,00)	**-**	478
Adjustment to earn-out on acquisition of Chess (nil tax)	**38**	(750)
Loss on disposal of SEA's Subsea business (net of tax credit of £12,000)	**510**	—
Cost of restructuring at SEA (net of tax credit of £124,000)	**527**	—
Adjusted basic and diluted earnings	**13,733**	15,108

The adjustment for the amortisation of intangible assets in respect of EID and Chess for the year ended 30 April 2021 and 2020 reflects the interests of the equity holders of the parent only and exclude the proportion allocated to the non-controlling interest in each year.

	Year ended 30 April 2021 Number	Year ended 30 April 2020 Number
Weighted average number of shares		
For the purposes of basic earnings per share	**40,841,923**	40,728,149
Share options	**413,249**	409,484
For the purposes of diluted earnings per share	**41,255,172**	41,137,633

	Year ended 30 April 2021 Pence	Year ended 30 April 2020 Pence
Earnings per share		
Basic	**13.38**	23.47
Diluted	**13.24**	23.24

Adjusted earnings per share

Basic	**33.63**	37.10
Diluted	**33.29**	36.73

5. **DIVIDENDS**

The proposed final dividend for the year ended 30 April 2021 is 7.60 pence (2020: 6.90 pence) per ordinary share. This dividend will be payable on 27 September 2021 to shareholders on the register at 20 August 2021 subject to approval by shareholders at the AGM on 20 September 2021.

The total paid and proposed dividend for the year ended 30 April 2021 is 11.10 pence per ordinary share; a cost of £4,538,000 (2020: 10.10 pence per ordinary share; cost of £4,149,000).

The charge for the year ended 30 April 2021 of £4,247,000 is the final dividend for the year ended 30 April 2020 paid (£2,815,000) and the interim dividend for the year ended 30 April 2021 paid (£1,432,000).

6. **NET CASH GENERATED FROM OPERATING ACTIVITIES**

	Year ended 30 April 2021 £000	Year ended 30 April 2020 £000
Profit for the year	**5,503**	9,684
Adjustments for:		
Tax charge	**1,554**	295
Depreciation of property, plant and equipment	**1,957**	1,472
Depreciation of right of use assets	**1,510**	1,168
Amortisation of goodwill and other intangible assets	**10,103**	7,354
Net finance expense	**751**	752
Share-based payment	**406**	318
Derivative financial instruments and other non-trading exchange movements	**410**	132
Decrease in provisions	**(1,269)**	(511)
Operating cash inflows before movements in working capital	**20,925**	20,664
Decrease in inventories	**576**	1,974
Increase in receivables	**(13,138)**	(4,597)
Increase/(decrease) in payables	**12,565**	(5,059)
	3	(7,682)
Cash generated by operations	**20,928**	12,982
Tax paid	**(3,944)**	(606)
Interest paid	**(768)**	(779)
Net cash generated from operating activities	**16,216**	11,597

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

7. **ACQUISITION OF CHESS TECHNOLOGIES LIMITED (CHESS)**

As announced on 12 December 2018, Cohort plc acquired 81.84% of Chess for an initial cash consideration of just over £20.0m. The Group has recognised 100% of Chess' results and net assets from that date as it has effective control.

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

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

Under the sale and purchase agreement, up to a further £12.7m is payable to the shareholders of Chess as an earn out based upon its trading performance over the three years ended 30 April 2021. Based upon the actual performance to 30 April 2021, this earn out is estimated at just over £0.4m as at 30 April 2021 (2020: £0.4m).

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

This option is exercisable by 31 October 2021 and is capped at £9.1m. The amount payable is dependent upon the performance of the Chess business for the three years ended 30 April 2021 and adjusted for working capital and net debt/cash in the business on exercise of the option.

The non-controlling interest is entitled to participate in any dividends payable by Chess in the period to 30 April 2021.

In accordance with IFRS 3, the Group has ascribed a value to the option to acquire the non-controlling interest of Chess. This value is £2.4m (2020: £3.6m) and the option is shown as a current liability and, as the non-controlling interest has a right to dividends, in the other reserves as "option for acquiring non-controlling interest in Chess".

8. **ACQUISTION OF WÄRTSILÄ ELAC NAUTIK GmbH (ELAC)**

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

The net cash outflow was £1.3m, the business including cash of £12.9m on completion. The goodwill on the acquisition, after fair value exercise was £1.6m.

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

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

9. **CHANGES IN ACCOUNTING POLICIES**

There were no significant changes in accounting policies for the year ended 30 April 2021 following the implementation of IFRS 16 'Leases' in 2019/20.