COHORT PLC

THE INDEPENDENT TECHNOLOGY GROUP

Applying advanced technology to protect and secure

Annual Report and Accounts 2021

Our purpose

Supporting entrepreneurial businesses to grow and innovate in defence, technology products & services

We support the businesses within our Group to grow. With a focus on entrepreneurialism, we foster agility and promote innovation. Our strong balance sheet provides a stable financial foundation. We create an environment of trust where our businesses share knowledge to widen market access and through partnership open doors globally.

cohortplc.com

Strategic report

Corporate governance

Financial statements

Highlights

How we have performed

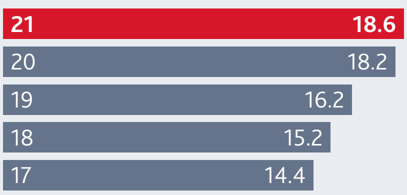
Operational highlights

- Initial contribution from ELAC driving overall growth in Group's performance
- Good performance from MASS, although slightly weaker than last year's record high
- Much stronger year from EID and better performance from MCL
- Weaker performance from Chess and SEA
- Acquisition of Wärtsilä ELAC Nautik GmbH (ELAC) completed
- Adjusted operating profit of £18.6m (2020: £18.2m) on revenue of £143.3m (2020: £131.1m)
- Dividend increased by 10%
- Net funds better than expected at £2.5m (2020: net debt £4.7m)

Financial highlights

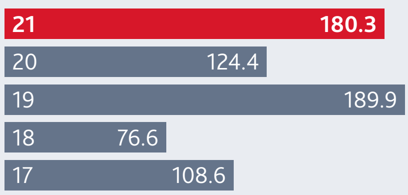
ADJUSTED OPERATING PROFIT (£m)

£18.6m



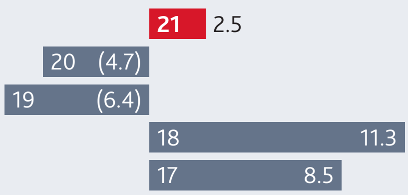
ORDER INTAKE (£m)

£180.3m



NET FUNDS/(DEBT) (£m)

£2.5m



Who we are

Innovative, agile, responsive

Cohort 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, security and related markets. Each of the subsidiary businesses within the Group offers a specialist portfolio of technologies and services, many unique, supplied to prime contractors and end users.

Our businesses

TOTAL REVENUE

£143.3m

(2020: £131.1m)

MCL

MCL designs, sources and supports advanced electronic and surveillance technology.

REVENUE:

£18.0m

(2020: £15.1m)

FULL REVIEW ON PAGE 27

SEA

SEA delivers and supports technology-based products for the defence and transport markets alongside performing specialist research and training services.

REVENUE:

£28.0m

(2020: £31.7m)

FULL REVIEW ON PAGE 29

CHESS

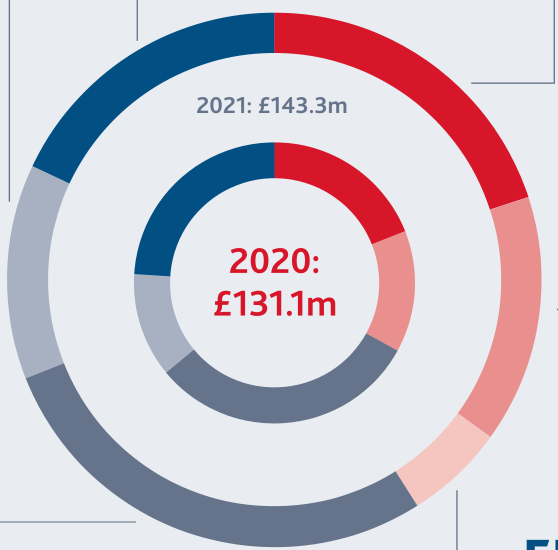
Chess is a leading supplier of electro-optical and electro-mechanical systems to the defence and security markets.

REVENUE:

£28.6m

(2020: £25.2m)

FULL REVIEW ON PAGE 19



EID

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

REVENUE:

£20.9m

(2020: £18.0m)

FULL REVIEW ON PAGE 21

MASS

MASS is a specialist data technology company serving the defence and security markets.

REVENUE:

£39.5m

(2020: £41.1m)

FULL REVIEW ON PAGE 25

ELAC SONAR

ELAC Sonar supplies advanced sonar systems and underwater communications to global naval customers.

REVENUE:

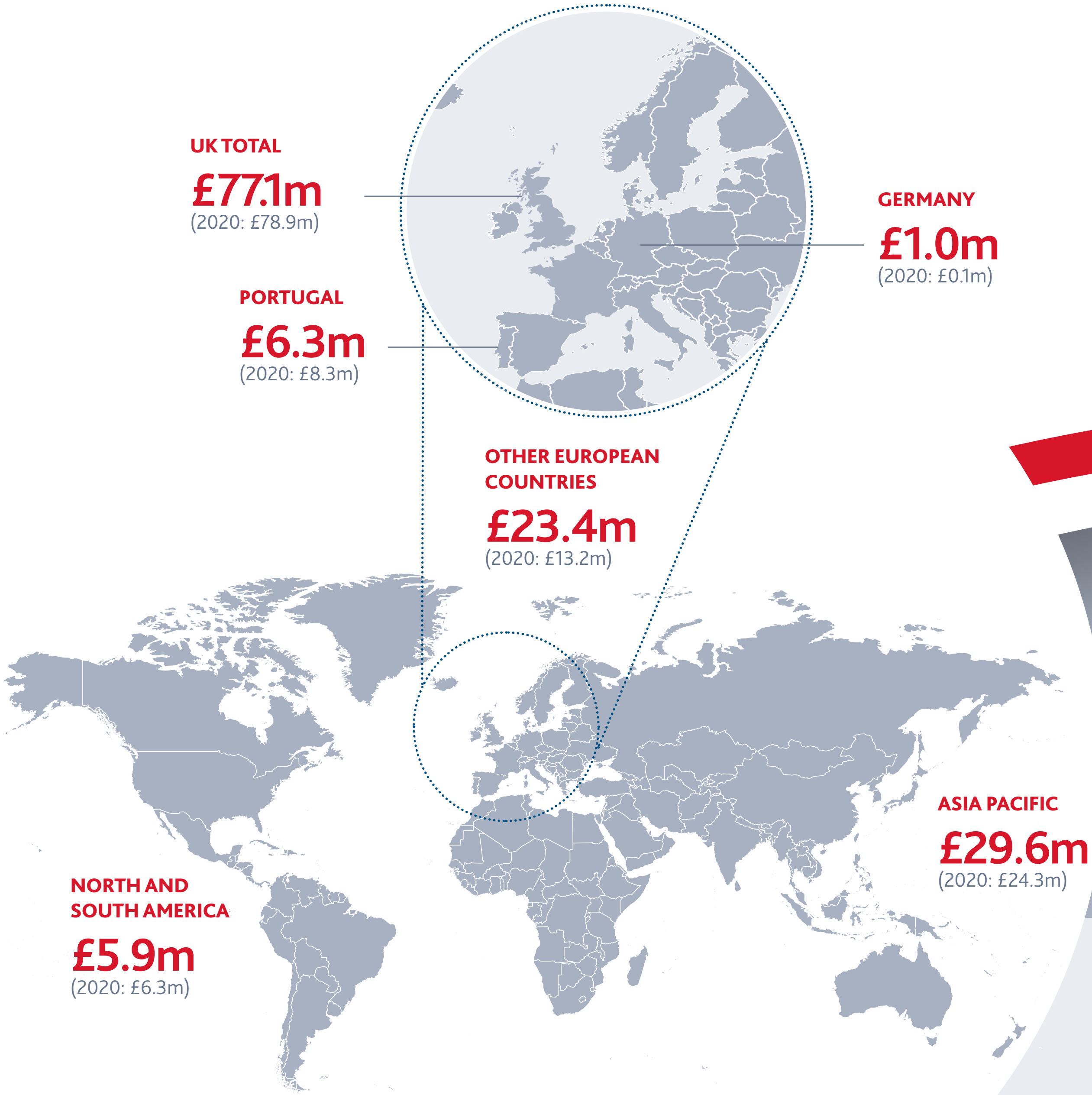
£8.3m (five months)

(2020: £nil)

FULL REVIEW ON PAGE 23

Geographic analysis

Geographic breakdown of revenue



FULL DETAIL IN THE FINANCIAL STATEMENTS ON PAGE 93

Our markets

Applying advanced technology to protect and secure, we nurture agile partnerships across our markets

Defence and security

- We supply electronics, software, electromechanical solutions and knowledge-based services to defence customers, across all domains, with a focus on maritime and land. Also to government and law enforcement agencies, and critical national infrastructure authorities.
- Direct customers include Ministries of Defence, platform providers, system integrators and infrastructure operators in national and international markets.

Intelligent Transport Systems

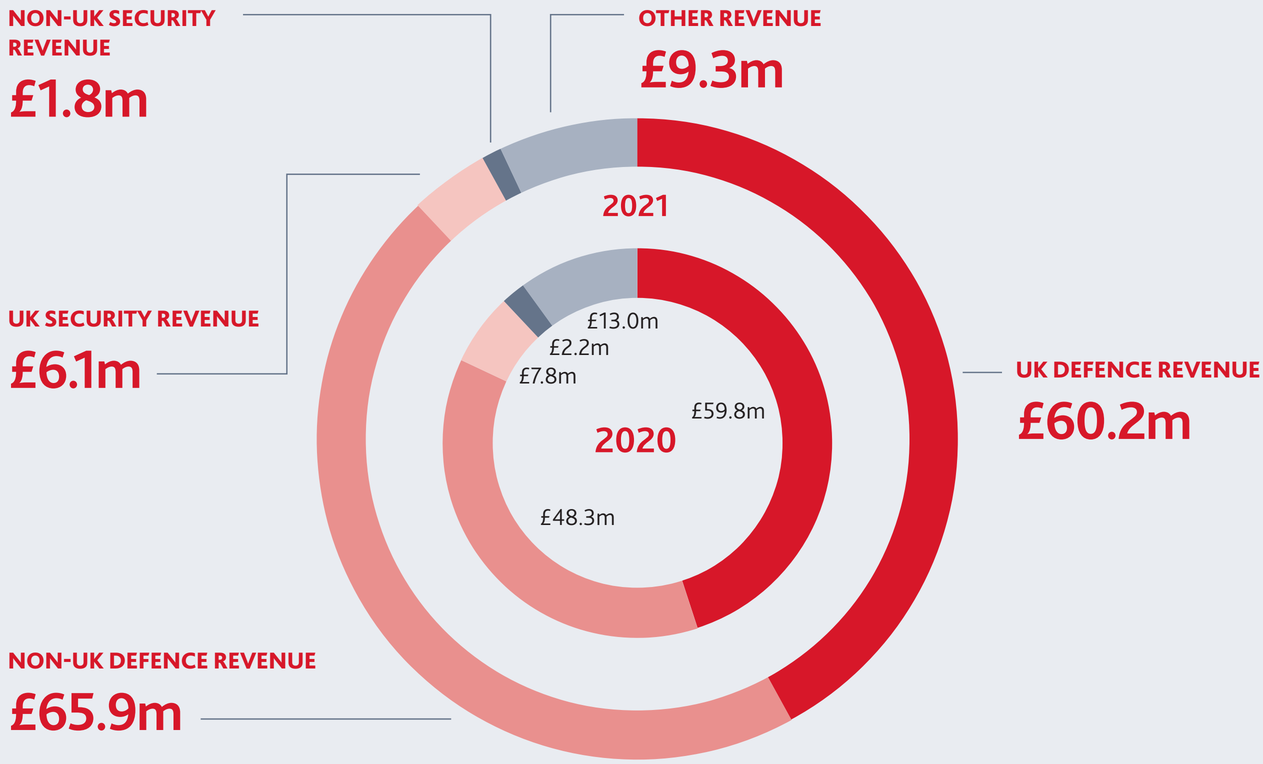
- We provide high-integrity software and systems development for this growing and complex application area.

Revenue by market area

Non-UK defence revenue exceeds UK MOD revenue for the first time.

Defence and security total:

£134.0m (2020: £118.1m)



Our markets continued

Combat Systems

We provide solutions to protect valuable combat assets against threats, and execute missions on land, above and below water.

- Anti-submarine Warfare
- Platform and Force Protection

REVENUE:
£30.2m
(2020: £18.0m)

C4ISTAR

We provide solutions to enable secure information exchange and situational awareness.

- Communication & Information Systems
- Intelligence, Surveillance and Reconnaissance
- Electronic Warfare
- Sonar Systems

REVENUE:
£70.8m
(2020: £63.1m)

Digital Services

We provide services to ensure critical and sensitive information infrastructure is protected and secure and to reduce threats to the community.

- Cyber Security
- Digital Forensics

REVENUE:
£14.5m
(2020: £15.0m)

Training & Simulation

We deliver knowledge, tools, and instruction for people to learn new skills in real, virtual, and safe environments.

- Training and Exercise Support
- Skills Based Training
- Synthetic Environment Training

REVENUE:
£9.5m
(2020: £9.4m)

Research, Advice & Support

We help the armed forces to research, define, acquire, and support the next generation of capability.

- Research Management
- Independent Technical Support and Advice
- Capability Development

REVENUE:
£9.0m
(2020: £12.6m)

Intelligent Transport Systems

Our systems and products support transport organisations, operators and local authorities in the UK and North America markets, providing enforcement systems for:

- Parking and Bus Lanes
- Complex Moving Traffic Offences
- Criminal Traffic Offences

REVENUE:
£6.4m
(2020: £7.6m)

Subsea

The Group disposed of this operation (within SEA) in August 2020. Revenue 2021: £1.0m (2020: £2.9m).

Why invest in Cohort

We are committed to delivering value to shareholders and ensuring they benefit from our success.

Strong business model

- Experienced leadership teams with core capabilities in defence and security.
- Subsidiaries operate with a significant degree of autonomy, enabling agility.
- Group operates a light-touch but rigorous financial and strategic control regime.

Consistent dividend track record

- Dividend increased by 10% and 11% respectively in each of the last two years.
- Dividend increased every year since IPO in 2006.
- Strong balance sheet in place with robust funding.

Continued organic and acquisitive growth

- Multiple opportunities to accelerate growth by making selective, targeted acquisitions in the UK and overseas.
- Pipeline of businesses regularly reviewed, considering both stand-alone and bolt-in acquisitions.
- Strong record of growing acquired businesses.

Financial strength

- Strong balance sheet gives customers confidence to award contracts.
- Group underpinned by long term contracts and strong pipeline.
- All acquisitions funded by cash/debt since 2008.

Access to attractive growth markets

- Use our agility and innovation to identify niches with attractive prospects and sustainable competitive advantage.
- Ensure subsidiaries have close working relationships to benefit from each other's technical capabilities, customer relationships and market knowledge.

Visibility of future earnings provided by substantial order pipeline

- Order book at 30 April 2021: £242.4m (30 April 2020: £183.3m).
- 64% of 2021/22 externally forecast revenue on contract at 30 April 2021 (62% equivalent for 2020/21).
- Order book extends out to 2031.

READ MORE ABOUT OUR INVESTMENT CASE GO TO COHORTPLC.COM/INVESTORS

Good order cover for the coming year

Nick Prest CBE
Chairman

"Cohort achieved record adjusted operating profit."

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 partly 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-19 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 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-19 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-19, 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 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 overall 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-19. 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 ended 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 payable 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.

Chairman’s statement continued

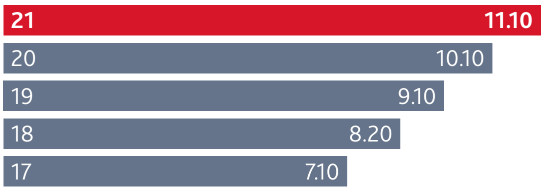
Shareholder returns continued

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.

DIVIDEND (PENCE PER ORDINARY SHARE)

11.10p

+10%



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-19 has continued to be a challenge throughout the year. Our employees have shown remarkable agility and resilience and have remained very 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, and where permitted, 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 2021. We do expect to see a mix of home and office-based working to continue for some time into the future.

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 continuing 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 announced on 27 July 2021, 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. We have not so far 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 (£4.6m 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%.

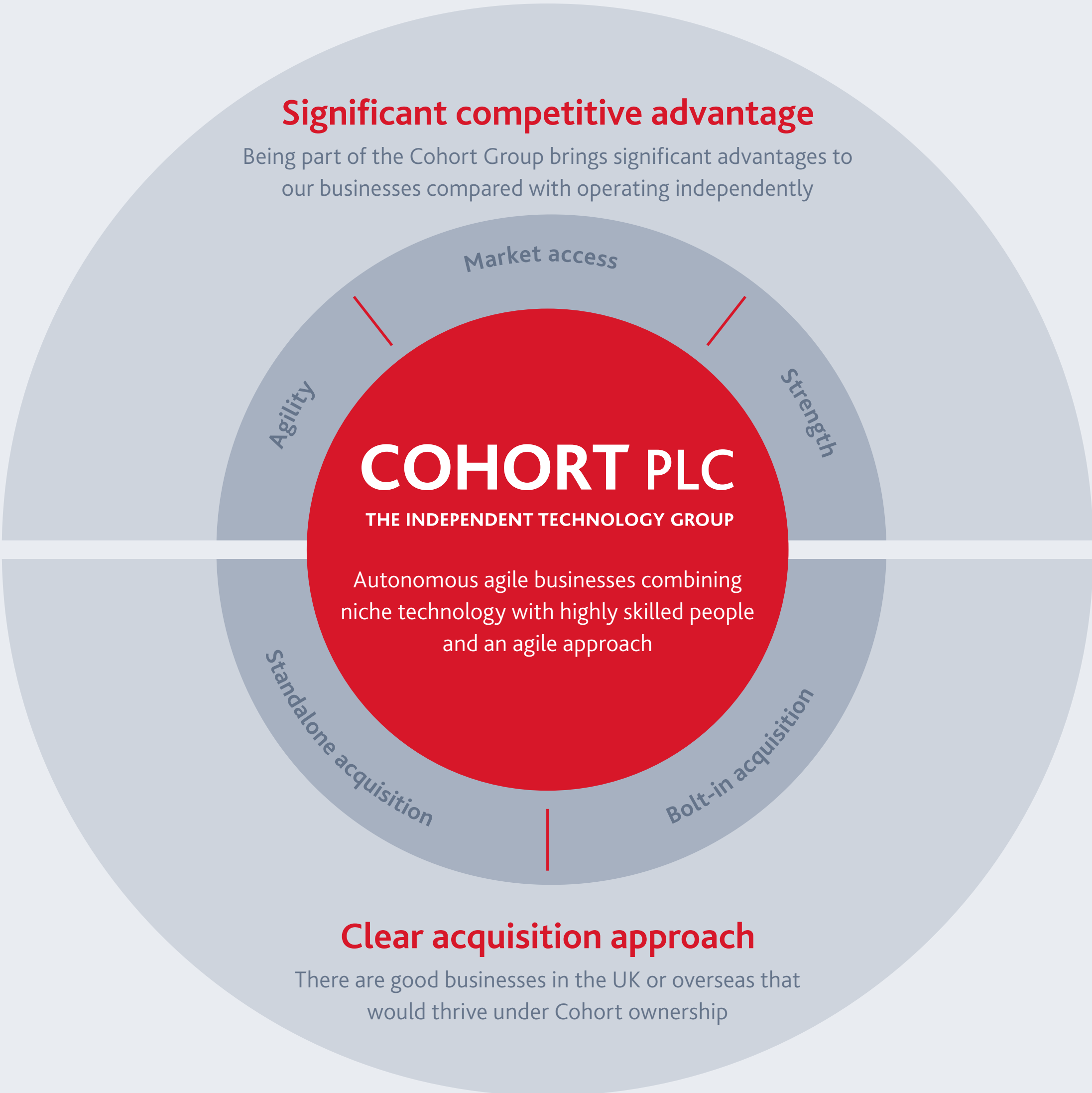
As we indicated in our statement of 26 May 2021, EID’s order intake in the year just finished was poor and as a result its expected performance for 2021/22 will be much weaker than its strong 2020/21 performance, with revenue being down by around a third. The remainder of the Group continues to make 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

Our business model



Our mission is clear:

To build and operate a group of companies applying advanced technology in defence, security and related markets and combining the innovation and responsiveness of smaller, independent businesses with the stability, shared knowledge, wider market access and lower funding costs of a listed group to provide enduring benefits to customers, employees and shareholders.

Business model continued

How we create value

We create solutions to keep people safe. Acting with agility to find a better way, make smart decisions and meet customers' needs.

Where independent subsidiaries are free to grow and deepen relationships with the support of a steady hand. Bringing the expertise of the Group to the ingenuity of our businesses. To deliver purposeful innovation that protects us all.

Our shareholders

We are committed to delivering value to our shareholders and ensuring that they benefit from our success. We are focused on delivering high standards of corporate governance and providing clear, consistent communication.

Our customers

Our global customers depend on us to be their trusted partner of choice to deliver reliably. We use innovation to stay at the forefront of defence and security technology solutions for our customers. Our culture of openness and support makes us easy to do business with.

Our suppliers and partners

Our suppliers and partners are critical to the success of our business. We work closely with them to build long term relationships. We ensure that they are paid in line with our commitments for goods and services received.

Our people

Our capabilities and customer relationships all ultimately derive from our people. Guided by our values, all employees across the Cohort Group can fulfil their potential, develop their careers, make a difference through the roles that they undertake, and feel rewarded for what they do.

Our communities

We recognise the importance of engaging with our local communities. We do this through education, work experience, fundraising and sponsorship initiatives, and engage with many military and veterans charities. Across the Group we employ armed forces reservists and are proud to be a signatory of the UK Armed Forces Corporate Covenant.

READ MORE ABOUT OUR VALUES GO TO COHORTPLC.COM/ABOUT-US/OUR-PEOPLE

A clear strategy for growth

Three key objectives form our clear strategy for growth.

Organic growth

Consistently grow profits and cash generation organically through our subsidiaries.

Delivered through:

- A focus on developing long-term customer partnerships.
- Encouraging innovation and responsiveness.
- Identifying and pursuing growth opportunities in new and existing markets.
- Developing high-quality leadership teams and a high-performance culture.

What we did in 2020/21

- Record closing order book and improved visibility at Chess and SEA. Some orders now have delivery dates into the early 2030s.
- Selected an appointed new leadership at SEA and EID.

Our priorities for 2021/22

- Continue to improve long-term order book, especially at EID and ELAC, and improve long-term pipeline at MCL.
- Improved cash performance at Chess.

Acquisition

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

Delivered through:

- Proactive engagement with businesses that can add value to the Group.
- Maintaining a strong acquisition team.
- Demonstrating a structure and culture that are attractive to potential sellers.

What we did in 2020/21

- Completed acquisition of ELAC.
- Reviewed numerous acquisition opportunities.

Our priorities for 2021/22

- Complete acquisition of minority of Chess.
- Continue to seek value-adding acquisitions with strong market positions in relevant sectors.

Maintaining confidence

Ensure good corporate governance, sound management of subsidiaries and effective communications to shareholders.

Delivered through:

- A light-touch management of subsidiaries backed by a framework of financial control, strategy review, performance management and leadership development.
- An effective operational strategy providing support and guidance when circumstances change.
- Providing clear and consistent investor communications through all channels.

What we did in 2020/21

- Established a Nominations Committee.
- Completed Chess project control process.

Our priorities for 2021/22

- Appoint a new independent Non-executive Director to the Board.
- Implement a project advisory committee to oversee ELAC's Italy sonar project.
- Improve operational control at Chess.

Innovation and technology

Our customers rely on us to deliver innovative solutions and purposeful technology that is driven by their needs. Innovation is at the core of our values. We dedicate the equivalent of 50% of our profits to innovation and employ the best technology and domain experts to stay at the forefront of defence and security technology solutions.

We also carry out customer funded R&D activities and participate in UK MOD and government research frameworks, developing products in house, through inter-company collaboration and working in partnership with suppliers to enhance capability.

ELAC Sonar SPHERE®

SPHERE® by ELAC Sonar is the next generation in sonar technology, featuring open, modular system architecture that delivers unrivalled application, flexibility, and detection capability for modern submarines.

This holistic sonar solution, developed by ELAC Sonar's hydroacoustic experts, focuses on offering simplicity, scalability, and interoperability. It enables the integration of previously discrete single-application sonar systems into one versatile, modular system architecture. This single system can process data from thousands of sensors in real time, boosting overall sensing performance.

With set configurations or designed to specific requirements, SPHERE offers customers a unique, high-quality solution, with reduced life-cycle costs and the ability for rapid technology updates.

WWW.ELAC-SONAR.DE/SPHERE-BY-ELAC

SEA ROADflow technology recognised for enhancing road safety and significantly reducing traffic offences

Together with long-standing partner Derby City Council, SEA was recognised with a Parking Technology Award for a project to improve school road safety in Derby. The solution based on SEA's ROADflow Attended solution this has helped to change driver behaviour and realised significant operational, environmental, and health and wellbeing benefits, together with improvements in road safety.

SEA's Red Light Safety Enforcement cameras have been credited with an 86% reduction in driving offences, improving safety at level crossings across Sussex. The cameras, have been activated more than 10,000 times since they were installed in 2015. During this time British Transport Police saw a reduction in driving offences from 450 in 2015 to just 68 in 2020, highlighting just how effective this highly visible deterrent has been at preventing level crossing Highway Code offences.

Innovation and technology continued

SEA using AI to map marine environments for the MOD

Working with SEA, scientists at the University of Bath's Institute for Mathematical Innovation (IMI) have developed an Artificial Intelligence (AI) algorithm which could improve underwater mapping by making sense of incomplete data and working out how many measurements are needed to give an accurate survey.

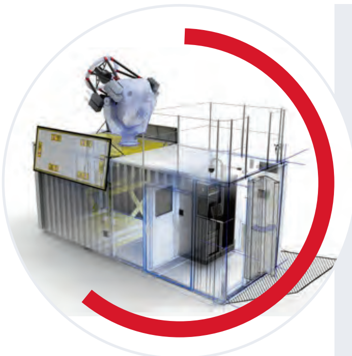
The research was part of a project contracted by the Defence and Security Accelerator (DASA), a part of the Ministry of Defence, to improve monitoring of the UK's vast marine territories using high-tech sonar. SEA led the project and provided simulated sonar data to train and test the AI algorithms developed by the IMI.

The technology could also be potentially used for ocean tomography across entire ocean basins, like the Arctic, to study the effects of climate change on the oceans and better enable the sustainability of human activities in fragile environments and ecosystems.

NATO Innovation Challenge 2020

The 2020 NATO Innovation Challenge, 'In life-or-death situations, how do you improve human trust in autonomous systems?' was taken up by the MASS Innovation Team. Its solution looked at how it could treat the autonomous system like any other new team member: building trust and competency through supervision, simulation and (machine) teaching.

The MASS team was delighted to be selected as one of ten finalists out of 80 proposals submitted from industry, defence and academia across the 29 NATO nations. MASS aims to build on this success to work with NATO on solution development in the future.



Chess enters the space market

Chess Dynamics is working with QinetiQ on the design and build of a relocatable Optical Ground Station (OGS) supporting Dstl's space-based Titania Free Space Optical Communications research project. The OGS will be used to acquire and track the Titania satellite and close an optical communications link.

The OGS terminal will house an optical exchange telescope provided by QinetiQ, and utilising Chess's precision tracking equipment. The high-accuracy, zero backlash yoke positioners and advanced tracking algorithms will deliver precise closed loop tracking of the satellite transit. The positioner is a high-performance servo-controlled platform that Chess developed for a range of payloads and has been proven in service under a wide range of operating scenarios for many UK and international customers.

Key performance indicators

Measuring our progress

Change in revenue

Indicates the change in total Group revenue compared with prior years.

Why is it important?

Revenue growth gives a quantified indication of the rate at which the Group's business activity is expanding over time.

RESULTS

9%

Comment on results

Of this growth, ELAC added £8.3m; excluding this the underlying Group revenue of £135.0m was 3% higher than in 2020, mainly due to increases at EID and MCL offsetting falls at SEA.

Change in adjusted operating profit

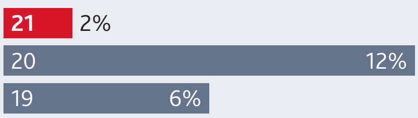
Change in Group operating profit before exceptional items, amortisation of other intangible assets, research and development expenditure credits and non-trading exchange differences, including marking forward exchange contracts to market.

Why is it important?

The adjusted operating profit trend provides an indication of whether additional revenue is being gained without profit margins being compromised and whether any acquisitions are value enhancing.

RESULTS

2%



Comment on results

Of this growth, the impact of ELAC added £1.2m; excluding this the underlying Group adjusted operating profit of £17.4m was 4% lower than the 2020 equivalent figure with falls at Chess and SEA the main contributors.

Order book visibility

Orders for the next financial year expected to be delivered as revenue, presented as a percentage of consensus market revenue forecasts for the year.

Why is it important?

Order book visibility, based on expected revenue during the year to come, provides a measure of confidence in the likelihood of achievement of future forecasts.

RESULTS

64%

Comment on results

This is higher than the last three years and has already increased to 70% in mid-July 2021.

Key performance indicators continued

Change in adjusted earnings per share

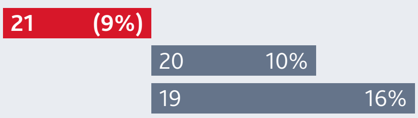
Annual change in earnings per share, before exceptional items, amortisation of other intangible assets and non-trading exchange differences including marking forward exchange contracts to market, all net of tax.

Why is it important?

Change in adjusted earnings per share is an absolute measure of the Board's management of the Group's return to shareholders (net of tax and interest).

RESULTS

(9%)



Comment on results

The 9% decrease compares to a 2% increase in the adjusted operating profit with the growth being mostly driven by earnings from our part owned subsidiary (EID). The main reason for the fall was an expected increase in the tax charge (rate increasing from 6.6% in 2020 to 17.4% in 2021). The tax rate increase was due to the inclusion of Germany (31%) and the timing of R&D credits in Portugal.

Operating cash conversion

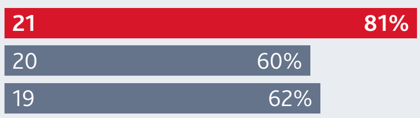
Net cash generated from operations (net of interest and net capital expenditure) before tax as compared to the profit before tax and interest, excluding amortisation of other intangible assets over a rolling four-year period.

Why is it important?

Operating cash conversion measures the ability of the Group to convert profit into cash.

RESULTS

81%



Comment on results

The stronger conversion in the last year reflects good cash performance at SEA, MCL and EID. Our expectation is that the conversion rate should decrease in 2021/22 due to the favourable timing in 2020/21. The conversion rate in 2020/21 alone was 112%.

International revenue

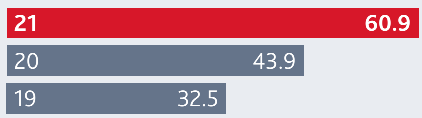
Total sales to markets outside the UK, Germany and Portugal.

Why is it important?

International markets are important to the organic growth of the business and reduce our dependence on domestic markets.

RESULTS

£60.9m



Comment on results

The increase in 2021 export revenue is driven by export sales at EID, Chess, and the inclusion of ELAC. Of particular note was an increase in sales to the Middle East and Europe.

Modest but positive progress

Andrew Thomis
Chief Executive

"2021 has been a year of modest but positive progress for Cohort, with the impact of COVID-19 added into the 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, 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-19 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-19 has been a reduction in revenue of around £6m across the Group but that savings in overheads, 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.

Operating review continued

Operating review continued
Adjusted operating profit by subsidiary

	Adjusted operating profit			Adjusted operating margin	
	2021 £m	2020 £m	Change %	**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-19 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 have 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-19 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 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.

Operating review continued

Operating strategy continued

Organic growth continued

- 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. Its 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 standalone members of the Group or as "bolt-in" acquisitions to our existing subsidiaries.

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

For standalone 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-19 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 to 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 ended 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

David Tuddenham
Managing Director of Chess Technologies

Overview

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 Managing Director David Tuddenham. Chess is 82% owned by Cohort, and joined the Cohort Group in 2018

CHESS-DYNAMICS.COM

REVENUE

£28.6m

2020: £25.2m

ADJUSTED OPERATING PROFIT

£3.0m

2020: £3.9m

OPERATING CASH FLOW

£(1.0)m

2020: £(2.8)m

Subsidiary review continued

CHESS

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, its 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.

"Chess had a strong year for orders, securing nearly £58m, which gives it a good platform for the coming year."

Subsidiary review continued

Frederico Lemos
Managing Director of EID

Overview

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 coordinated 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 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.

EID.PT

REVENUE

£20.9m

2020: £18.0m

ADJUSTED OPERATING PROFIT

£4.8m

2020: £3.1m

OPERATING CASH FLOW

£5.4m

2020: £3.6m

Subsidiary review continued

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 benefited 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-19 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.

"We expect a less strong EID performance in 2021/22 following delays to order intake in 2020/21."

Subsidiary review continued

ELAC SONAR

Overview

ELAC serves global customers in the naval marketplace. Working with navies, system integrators and shipyards, ELAC supplies mission critical hydro-acoustic naval sensors. These include complete submarine and surface ship sonar suites, submarine rescue sonars and 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.

Bernd Szukay and Ole Schneider
Joint Managing Directors of ELAC Sonar (ELAC)

ELAC-SONAR.DE

REVENUE

£8.3m (five months)

ADJUSTED OPERATING PROFIT

£1.2m (five months)

OPERATING CASH FLOW

£0.4m (five months)

Subsidiary review continued

ELAC SONAR

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-19. ELAC's initial contribution was in line with our expectations and the business saw only minor COVID-19 impacts.

In early July 2021, 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 the acquisition ELAC had agreed in principle to supply another customer with submarine sonar systems, but this has not yet resulted in a finalised contract. A mechanism was agreed 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.

"ELAC has just secured an important contract to provide sonar systems to the Italian Navy's next-generation submarine."

Subsidiary review continued

Chris Stanley
Managing Director of MASS

Overview

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.

MASS.CO.UK

REVENUE

£39.5m

2020: £41.1m

ADJUSTED OPERATING PROFIT

£8.7m

2020: £8.9m

OPERATING CASH FLOW

£4.6m

2020: £11.6m

Subsidiary review continued

MASS

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-19, MASS had a good year and its final result was ahead of our expectations. COVID-19 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 Services 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 Services, 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-19 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.

"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 continued

MCL

Shane Knight
Managing Director of MCL

Overview

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 C4IS 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.

MARLBOROUGHCOMMS.COM

REVENUE

£18.0m

2020: £15.1m

ADJUSTED OPERATING PROFIT

£2.1m

2020: £1.7m

OPERATING CASH FLOW

£4.3m

2020: £(2.3)m

Subsidiary review continued

MCL

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-19 but are now 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.

"MCL starts 2021/22 with improved visibility and some good prospects for the coming year. The recent UK defence review and spending plans have given MCL positive momentum."

Subsidiary review continued

SEA

Richard Flitton
Managing Director of SEA

Overview

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.

SEA.CO.UK

REVENUE

£28.0m

2020: £31.7m

ADJUSTED OPERATING PROFIT

£2.4m

2020: £3.5m

OPERATING CASH FLOW

£9.8m

2020: £3.6m

Subsidiary review continued

SEA

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-19.

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-19 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-19 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-array sonar (Krait) which held up some deliveries and prevented further trials with potential customers, with the latter also impacted by COVID-19 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.

Net funds better than expected

Simon Walther
Finance Director

"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 revenue was driven by the initial contribution from ELAC and organic 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-19 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, the Middle East by 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 as a result of COVID-19. Underlying UK ROADflow sales fell for the first time in five years. SEA's offshore energy business was sold in August 2020.

Financial review continued

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 £m	%	Year ended 30 April 2020 £m	%
By market segment				
Combat systems	30.2	22	18.0	14
C4ISTAR	70.8	49	63.1	48
Digital Services	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 £m	%	Year ended 30 April 2020 £m	%
Product	90.7	63	74.8	57
Services	52.6	37	56.3	43
Total revenue	143.3	100	131.1	100

Financial review continued

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.

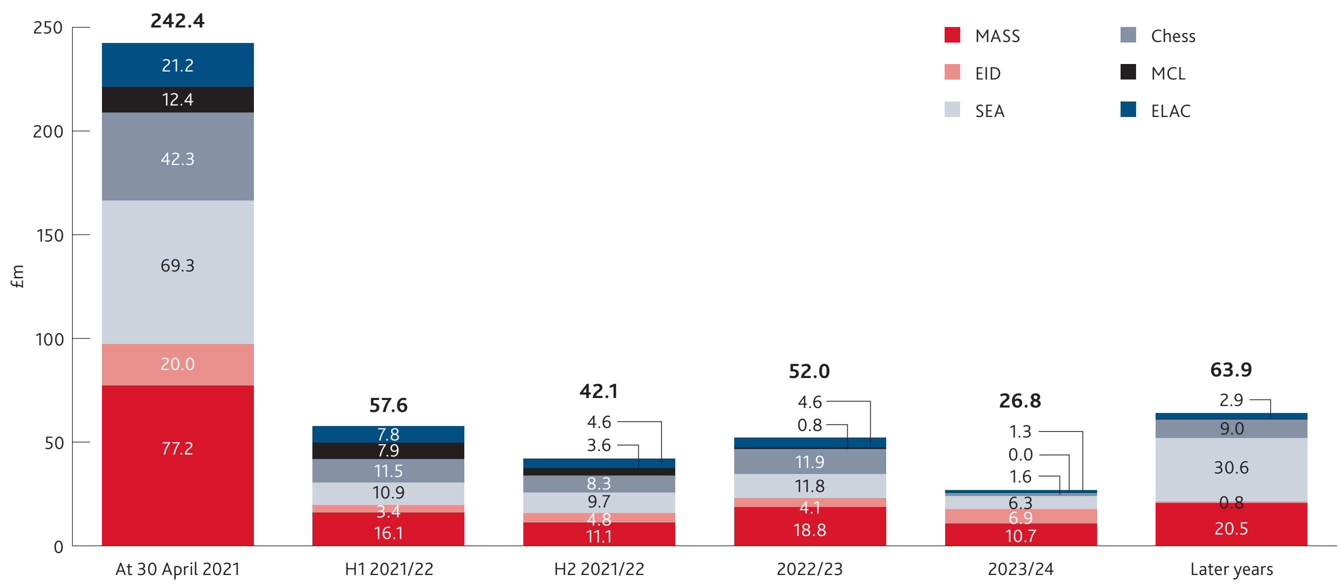
The table below shows the expected delivery of future revenue from the current order book. The Group's order intake and order book are the contracted values with customers and do not include any value attributable to frameworks or other arrangements where no enforceable contract exists. The order intake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



Financial review continued

Operational outlook continued

Delivery of the Group's order book into revenue continued

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 year's £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-19 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. The 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 £16bn 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 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.

Financial review continued

Funding resource and policy continued

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:

	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 debtors days reflected the UK MOD's accelerated payments at the end of 2019/20 being slowed to normal practices in 2020/21, as expected.

Financial review continued

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: charge of £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: credit of £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.

Simon Walther
Finance Director

Risk management

Risk management

The key risks and the management thereof are set out on pages 38 to 42. In addition to these risks, other risks facing the Group are explained elsewhere in the Annual Report and these should be read together to give a complete picture of our risks and their management and control.

Specifically, the COVID-19 pandemic and resulting economic market risks (which still include Brexit) are discussed in the Chairman's statement and Operational review and the cyber risk of the Group is discussed within the Corporate governance report, alongside our ethical and behavioural risks.

Finally, our risk in respect of our key resource, our employees, is contained within this Risk management section but also expanded upon in the Business model and Stakeholder engagement sections of this report.

The Board's approach to risk management is summarised by the following framework:

The Group faces a number of risks, the significant ones of which are set out on the next pages. The Group reviews, analyses and addresses the risks it faces through the Audit Committee, Board, Group Executive and subsidiary management meetings, and subsidiary project and functional reviews.

Depending upon the nature of the risk, review and action may be on an annual basis. In most cases the review is more frequent. Project risks are generally reviewed monthly through the individual project reviews, subsidiary management meetings and reports to the Cohort Board.

Risk management framework

- **Cohort plc Board**
- ↑ **Audit Committee**
- ↑ **Executive Management**
- **Top-down review** ↓
- **Risk review**
- ↑ **Group-wide business risk register**
- ↑ **Bottom-up review**
- **Group businesses**

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Business risk		
Capacity to grow the Group		
As an AIM-listed group, Cohort's strategy is to grow, both organically and by acquisition. This gives rise to the risk of the Group not having the capacity to grow in line with our strategic objectives. Specific elements of this risk include our ability to win new business and design new and competitive products and solutions, whilst ensuring that we meet our obligations to our customers and identify and execute suitable value-adding acquisitions.	The elements of this broad business risk are addressed below, especially the risks in respect of customers, operations, acquisitions and treasury. At a higher level, our federated model of relatively small, independent businesses enables us to respond more quickly to changing market and business conditions. Through this independence, each business is able to retain a good degree of innovation and responsiveness. This model also allows our businesses to keep close to customer requirements and technical changes to enable them to identify the need for new products and solutions and how best to achieve this, whether through our own development or utilising third-party technologies. To ensure that the business growth opportunities are value adding, whether new business, products, services or acquisitions, appropriate controls are in place in our subsidiaries' businesses and at Group level to lessen the risks of such undertakings.	Unchanged
Market risk		
Customers		
The Group's single most important customer remains the UK MOD. £43.9m of revenue came directly from this source in 2021 (2020: £41.2m), 31% (2020: 32%) of Group revenue. In addition, £16.3m (2020: £18.7m) of Group revenue, 11% (2020: 14%), was sourced ultimately from the UK MOD but received via other contractors. The impact of the COVID-19 pandemic on the UK, German and Portuguese Governments' financial robustness is likely to be significant. The impact on our overseas markets of COVID-19 is also uncertain and in the short to medium term our markets may come under budgetary pressure. Any event which affects the Group's reputation with the UK MOD could also put this revenue at risk.	The slight decrease in the proportion of the Group's revenue to its ultimate primary customer in 2021 compared with 2020 reflects the acquisition of ELAC, which had no sales with the UK MOD in the current year. The slight increase in direct sales was mostly at MCL. The indirect revenue to the UK MOD decreased due to lower sales at SEA, mostly in research and technical support. Looking ahead, we expect UK MOD sales as a proportion of total revenue to continue to decline as the Group's exports grow. The Portuguese MOD, which is also a home market for the Group, was lower at £5.9m (4%) in 2021 (2020: £8.3m; 6%). The fall in revenue from the Portuguese domestic customer was a result of slippage of orders, particularly a land programme, which we now expect to be secured in 2021/22. Germany is a new home market for the Group following the acquisition of ELAC, but sales are low at £1.0m (1%) in 2020/21 and expected to remain low going forward. Non-defence sales (which include security) decreased to £17.2m (12%) from £23.1m (18%). The decrease was due to a drop in transport revenue where the impact of COVID-19 was more noticeable, particularly delays to deployment of traffic camera systems as a result of a marked drop in traffic levels. Subsea was also much lower following its disposal in August 2020. In our defence and security export markets, £60.7m of revenue (42%) was delivered this year compared with £42.2m (32%) in 2020. This growth was expected with EID delivering to a Middle East customer and an initial contribution from ELAC. Chess export revenue was also higher with deliveries to European customers. MASS export revenue was slightly down due to delayed overseas EWOS activity as a result of COVID-19. £40.8m (2020: £37.5m), 28% (2020: 29%) of Group revenue, representing 68% (2020: 63%) of revenue derived from the UK MOD, was in relation to the Astute and other submarine programmes, nuclear deterrent programmes and operational support to the Royal Navy, Royal Air Force and Joint Forces, all of which have been confirmed as high priority areas following the Government's latest Strategic Defence and Security Review.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks		
Employees		
The Group's main resource is our employees. We are not a capital intensive business and as such our value and our customers' value derives from the ability of the Group to recruit, retain and train employees with the right skills and flexibility. In some of our key areas, resources are limited, and it is a risk if we cannot maintain sufficient numbers and appropriate skills.	As highlighted in Stakeholder Engagement (pages 43 to 49), we endeavour to provide an environment in which skilled employees are attracted to our business through the nature and variety of work and the level of responsibility we can provide. We maintain close links with our military and security customers, which provide a primary source of domain experts for our businesses. We, in return, are keen to support people initiatives for and within those organisations, including the UK MOD's Armed Forces Covenant. We maintain close links with academic institutions in our neighbourhoods and further afield where appropriate skills exist. We have apprenticeship and graduate recruitment schemes which ensure the Group is able to develop its own people to ensure skills are maintained into the future, especially in light of shrinking military establishments. The flexibility of our workforce has continued to be demonstrated throughout the various COVID-19 lockdowns, in the UK, Germany and Portugal. Initially 70% of our employees were working from home; this is now around 50% and, provided the current plans for coming out of COVID-19 lockdowns continue, we expect to have 75% of our people back in their work facility or on customer establishments by October 2021.	Unchanged
Suppliers		
As is typical in the defence sector, the Group is reliant on certain key suppliers for specific elements of its technical and product offerings. This reliance is long term, with product duration in this sector often being tens of years.	This risk is managed through close liaison with suppliers, good project management and having contingency plans to contract with alternative suppliers or bring the work in house. The long-term life of many defence products requires a regular review of product life and capability, and the Group supports the customer in this respect through funded ongoing product support and re-life tasks. We have continued to see some suppliers struggling to meet delivery schedules as a result of COVID-19. This has been particularly noticeable where the level of a supplier's output to the defence sector is low, and the supplier is more dependent upon on the commercial aerospace and automotive markets. We have seen delivery times increase, particularly for semi-conductors and certain other components. We have, where appropriate, ordered products and components ahead of schedule to ensure we meet customer expectations. This will result in a higher working capital commitment.	Increased
Operations (Chess, EID, ELAC, MASS and SEA)		
The subsidiary trading and business risks are similar in the cases of Chess, EID, ELAC, MASS and SEA. i. Bid risk – the businesses bid on contracts where the scope of work may not be well or fully defined by the customer. ii. Fixed-price contracts – these are often of a long-term nature (greater than 12 months) and typically include delivery of hardware and software, some of which may be developed as part of the contract. iii. Due to the nature of their niche technical skills requirement, Chess, EID, ELAC, MASS and SEA all have a fixed level of core software and hardware engineering and technical expertise.	This is typical in defence and is managed through bid/no bid reviews at the appropriate level using experienced personnel, including the Cohort Executive and Board. These projects are managed by dedicated project management teams, monthly reviews by the subsidiary board and regular interaction with the customer and key suppliers. Revenue and costs are recognised taking account of risk and the estimated cost at completion (including any contingency). This cost base is carefully monitored at budget time and by rolling quarterly forecasts to identify any potential risk of low utilisation and thus under-recovery of cost, or over-utilisation leading to the inability to meet customer commitments. The risk is mitigated, in the short term, by the use of sub-contractor staff. In the long term, a programme of skills assessment and training is in place to ensure continued flexibility of the Group's engineering and technical resources. Chess was acquired in December 2018. Chess brought with it more production, including machining, than seen elsewhere in the Group. As highlighted last year, we noted some operational, project and commercial weakness at Chess. We have made progress in addressing these issues having appointed an Operations, Project and Technical Director to support the existing management team at Chess. Further work needs to be done to improve Chess's delivery performance and tighten its commercial processes. The Group's Head of Commercial, who joined in March 2021, is closely supporting Chess in this improvement. The acquisition of ELAC in December 2020 has added further manufacturing and testing capability to the Group. ELAC, having been owned by various public listed companies over the last 20 years, has very good control processes in place. However, its recent win of the large Italian submarine sonar contract is a significant development and delivery step for the business and the Group has put in place a Project Advisory Committee (PAC) to act as a review panel for the project and to be able to advise ELAC and the Cohort Board. This PAC comprises individuals with extensive experience in the submarine and sonar domains and is chaired by Sir Robert Walmsley.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
Operations (MCL)		
MCL's revenue visibility is short at typically three to six months. This carries risk to employee utilisation and predictability of revenue and profit.	MCL's employee levels are low, 2021: 36 (2020: 33), and its people are flexible and possess multiple skills, enabling them to take on design, integration and support tasks across the full range of MCL's product offering. MCL has a long-term strategy to improve its visibility by securing longer-term contracts, utilising the Group's size and financial stability. Its order cover for 2021/22 is higher than last year's at 55% (2020: 37%). MCL's significant exposure to the UK MOD (over 90% of its revenue) has provided some stability in the recent COVID-19 pandemic. The recent positive news with a marked increase in the UK MOD budget and agreed four-year spending plan have given MCL some positive momentum especially since MCL primarily addresses special forces and other niche users where budgetary pressure is generally lower.	Decreased
Managed service contracts		
The Group (through its subsidiaries, MASS, MCL and SEA) operates a number of off-site managed service contracts. These contracts are long term in nature (typically five years at commencement) and have dedicated project managers. The contracts are fixed price in terms of revenue with opportunities for additional tasks enhancing volume and return.	The Group carefully manages the partnership with its customer and supplier base in all these cases to ensure the customer receives value for money, with skilled Group staff providing a dedicated, flexible and responsive approach. The primary risk to these managed service contracts is termination or loss through competition. We mitigate this risk through the partnering approach adopted by the Group and our close engagement with customers to ensure their needs are met. As expected, we renewed a key long-term support contract with the UK MOD under the Single Source Regime after a competitive process stalled. SEA secured a ten-year support contract (out to 2031) for minor sonars for the UK's Royal Navy, a support service SEA has provided for many years.	Decreased
Export contracts		
The Group's subsidiaries seek to win and deliver solutions and services outside its geographical home markets, the UK, Germany, and Portugal. The risks that arise for the Group relate to the need to comply with local and domestic legislation, and to ensure we receive payment in circumstances where political and credit risk may be much higher than in our domestic markets. There is also a risk that export licences may not be granted or may be cancelled. The timing of some export contracts can be more difficult to predict.	The Group's long-term strategy is to grow its export business, both in terms of volume and markets. This provides mitigation against reliance on any single customer, in particular the UK MOD. Total export activity in 2021 represented 42% (2020: 33%) of the Group's revenue. Revenue derived from the UK, Germany and Portuguese defence ministries represent 42% (2020: 46%), <1% (2020: nil), 4% (2020: 6%) of the Group total respectively. Our commercial employees are highly experienced at dealing with the various regulatory processes associated with the export of defence goods and services, including export licence applications and information security requirements. In particular we have a strong Group-wide Anti-Bribery Policy to ensure compliance with the UK's 2010 Bribery Act. The Group has experienced a very low level of bad debts, including from export contracts. We take a case-by-case approach to payment risk, making use of various treasury and commercial arrangements where necessary to ensure payment. We regularly monitor any potential political risk to any of our export markets, and we do not commit resources to markets where export licences might be difficult to obtain. As in our domestic markets, COVID-19 may impact our export markets with individual customer defence budgets coming under pressure. We may also see more positive drivers as a result of changes in regional security stances and disputes. The unpredictability of some export contracts, especially in terms of timing, has been seen this year at EID with orders slipping out of year, in part due to COVID-19. EID has also seen orders from its domestic customer slip out of year.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
Partners		
The Group, especially in the defence sector, often secures business through teaming and partnering with other suppliers and this is often a requirement of securing work with the UK MOD in order to ensure the end customer receives the best solution. This creates a risk that the Group's revenue or profit will be affected by poor performance of a partner business.	The Group takes an active part in these arrangements and, through regular (usually monthly) project review meetings and other communication, ensures that the team (including our partners) delivers as a whole to the customer and to the needs of the individual team members.	Unchanged
Strategic risk		
Acquisitions		
The buying (and selling) of businesses is a risk in respect of value, distraction, integration and ongoing obligations and undertakings.	The Group's acquisition risk is mitigated as far as practicable by the acquisition process being led at the Cohort Board level, making use of a skilled and experienced internal team augmented by external expertise and resources as and when required. Our approach to acquisitions is set out more fully in our Business model on page 9. During the year ended 30 April 2021, the Group completed the acquisition of 100% of Wärtsilä ELAC Nautik GmbH (ELAC). The completion of this acquisition was delayed by the longer than expected German Federal Government approval process. The final terms of the acquisition were unchanged from that negotiated and agreed in December 2019.	Unchanged
Financial risks		
Treasury		
Over the last 12 months, the credit ratings of most of our banks (see note 15) have remained steady. In November 2018, the Group completed a new bank facility with Lloyds and NatWest. NatWest remains the Group's primary bank, especially for clearing purposes and day-to-day transactions. The facility is a revolving credit facility for four years with an option to extend for one year. The facility was increased from £30m to £40m on 20 May 2020 by exercising an accordion. Of this facility, £29.7m was drawn at 30 April 2021. The facility itself provides the Group with a flexible arrangement to draw down for acquisitions and overdrafts. This facility is available to all of the Group's entities (excluding EID and ELAC) through an offset arrangement. The current facility expires in November 2022, although the Group has an option to extend it for one year. The facility is secured against all of the Group's UK and German businesses (and assets) including the Group's shares in EID. EID has facilities with local banks in Portugal, none of which have security over its assets. These facilities are for clearing bank purposes, overdraft, foreign exchange contracts, guarantees and letters of credit. ELAC has facilities with its local German bank, Commerzbank, for clearing bank purposes, foreign exchange contracts, guarantees and letters of credit but not currently an overdraft. A risk for the Group is that its pools of cash and facilities, in the UK, Germany and Portugal, are insufficient for local needs. Under the facility agreement with its banks, the Group is required to meet certain covenants every quarter. There is a risk that the Group does not meet some or all of the covenants and that the facility is amended or cancelled as a consequence.	The Group takes a very prudent approach to the management of its financial instruments, which are described in note 18. The Group's cash (see note 15) is usually held with at least Baa3-rated institutions (including Germany and Portugal) and on deposits usually not exceeding three months. This ensures a very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits. The Group regularly reviews the ratings and other relevant factors in respect of the banks with which it deposits its cash and on each and every occasion that a short-term deposit is placed. The Group prepares a monthly cash forecast to ensure that cash in the UK, Germany and Portugal is sufficient for local needs over the following three-month period. The shareholder agreement in respect of EID enables dividends to be paid from EID to the UK. The Group regularly monitors its covenant position and considers the impact of proposed transactions upon our banking covenants to ensure that they are not breached. It also has regular (no less than twice yearly) meetings with its banking providers to ensure that any potential issues or risks are identified and communicated early and that any implications for covenants can be addressed. The Group has remained in compliance with its banking covenants in 2021 and expects to continue to do so. The impact of IFRS 16 'Leases' is ignored for the purpose of our banking covenants. The Group expects to begin discussions with its current two UK banks regarding renewal of its Group facility in the second half of 2021. These discussions will probably encompass an extension of the facility in size and participating banks with a German bank likely to be added to the facility providers.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Financial risks continued		
Currency risk		
The Group has contracts with overseas customers and suppliers requiring payment or receipt in currencies other than sterling (in the UK) and euros (in Germany and Portugal). The Group's exposure to credit risk at 30 April 2021 in respect of financial derivatives (forward foreign exchange contracts) was £5.9m of payable and £17.5m of receivable (2020: £4.6m of payable and £0.1m of receivable). The financial derivatives at 30 April 2021 were held with NatWest, Lloyds and Investec Bank (30 April 2020: NatWest, Lloyds and Investec Bank). These are disclosed in detail in note 18 to the financial statements.	The Group manages its exposure to currency risk by using forward foreign currency exchange contracts. The level of forward cover is determined on an individual contract basis, taking into account the net currency exposure to receipts and purchases. Forward contracts are only put in place when the award of customer contracts has taken place or is considered highly probable. The Group does not enter into speculative forward exchange contracts. The Group's primary exposure is to the US dollar through MCL, which purchases a number of products in the US. As expected, our euro exposure increased in the year following new export contracts at Chess. The Group does not hedge the exposure to euro/sterling fluctuations that arise from its ownership of either EID or ELAC.	Unchanged
Revenue		
The Group has risk in respect of: i. milestone and acceptance failure on projects; and ii. unrecoverable trade debts. The recognition of revenue is discussed at length in the accounting policies (pages 124 and 125) and critical accounting judgements (pages 126 and 127) and as such may from time to time have a degree of risk. The 2021 net bad debt charge was virtually £nil (2020: £0.1m) on Group revenue of £143.3m (2020: £131.1m). Financial assets exposed to credit risk at 30 April:	The Group takes a prudent approach to revenue and credit risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis. The Group uses project control processes and regularly reviews project progress to ensure recognition of revenue takes account of external milestones and customer acceptance as well as the internal costs incurred. The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing ensure minimal bad debts. The Group also uses letters of credit and other methods of payment guarantee, including customer advances, especially in respect of overseas customers, to ensure any export debt risk is minimised. Significant debt receivable in foreign currency is hedged using forward exchange contracts. The credit risk of the major debtor of the Group, the UK MOD, is considered very low. The Group's risk to trade receivables is higher in some of our non-defence markets where our customers are not all government bodies. The Group also has a risk, even for government business, where we contract via a prime contractor. This risk has been low historically, especially in the defence sector, but collapses such as Carillion in the past highlight that prime contractor risk needs to be monitored.	Unchanged

	2021 £m	2020 £m
Trade receivables	**30.2**	23.3
Other receivables including contract assets	**36.4**	24.1
Cash and bank deposits	**32.3**	20.6

Engaging with our stakeholders

We maintain strong relationships across all our stakeholder groups.

Shareholders

- Direct engagement with certain shareholders following 2020 AGM.
- Establishment of a Nomination Committee.
- Live Q&As hosted for shareholders.

FURTHER DETAILS ARE SET OUT ON PAGE 44 AND IN THE CORPORATE GOVERNANCE REPORT ON PAGE 56

Suppliers and partners

- The Board received updates on relationships with key suppliers and strategic partners through the monthly reporting mechanism and the year-end compliance reports.
- Our Group engagement principles show our suppliers how we will work with them.

People

- The Board maintained close contact with the Managing Directors throughout lockdown to understand the impact on employees.
- The Board received monthly health and safety reports which included updates on safety incidents involving employees and incidents of COVID-19 throughout the Group.
- Board members attended the Cohort Business Excellence Awards remotely to commend individuals for their achievements.
- Board members contributed to Q&A sessions held for the Learning Development Programme Alumni event and Business Development Conference.

FURTHER DETAILS ARE SET OUT IN THE “PEOPLE” ON PAGE 45 AND 46

Communities

- Engagement by our subsidiaries in the communities within which they operate is reported to the Board throughout the year where appropriate.

Customers

- The Board received regular updates on key customers through the monthly reporting mechanism, virtual attendance at Board meetings by the Managing Directors and input from the Managing Directors into the strategy planning.
- Our Group engagement principles show our customers how we will work with them.
- Board members attended the online customer webinar hosted by Chess and SEA.

Stakeholder engagement continued

Shareholders

The Board gives the utmost importance to engaging with shareholders.

Annual General Meeting

Our AGM is one of the key methods of communicating with the Company's shareholders. The AGM is an opportunity for the Chair, the Senior Independent Director, the Committee Chairs and the rest of the Cohort plc Board to meet with shareholders, hear their views and answer their questions about the Group and its business. Last year, a physical AGM was not possible due to COVID-19 and the Company held a closed meeting in accordance with the provisions of the Corporate Insolvency and Governance Act 2020. However, the Board was keen to maintain engagement with shareholders. To facilitate this the Board invited shareholders to submit questions in advance of the AGM and conducted a live Q&A session immediately after the AGM. All voting was conducted by way of a poll and all shareholders were encouraged to submit voting instructions by proxy in advance of the AGM to ensure that all shareholders were able to participate in the decision-making of the Company and have their votes recorded. Details of proxy votes received were also made available on the Company's website (cohortplc.com) following the meeting.

This year the Company is expecting to be able to host a physical AGM at 15:00 on 20 September 2021 at Phyllis Court Club, Marlow Road, Henley-on-Thames, Oxfordshire RG9 2HT and the Notice of AGM for Cohort plc is being sent to shareholders together with this Annual Report.

The Board also hosted live Q&A sessions for shareholders following the year end announcement in July and after the Interim results in December.

Responding to shareholders

The Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the Board, and that all Directors are made aware of issues and concerns raised by shareholders. When appropriate, the Committee Chairs will engage with shareholders where an issue has been raised relevant to the work of their committee.

Details of the engagement between the Chairman and the Chair of the Remuneration Committee and some of our significant shareholders are set out in our Corporate governance report.

Other shareholder engagement

Further engagement with our shareholders takes place through meetings with institutional shareholders, the Annual Report and Accounts, the Interim Report, social media, webcasts and email for RNS alerts. The Chairman, together with the Company Secretary, responds to any written enquiries received from investors.

The Executive Directors host presentations to market analysts on the Group's performance twice per year and, on occasions, along with other members of the Board, will host capital market days where shareholders and other interested parties, including analysts and banks, are invited to attend.

Stakeholder engagement continued

People

Our capabilities and customer relationships all ultimately derive from our people. Across the Cohort Group, our people can make a difference, fulfil their potential, develop their careers, and be rewarded for what they do.

We recognise that our success hinges on the attitudes and behaviours of our people. We create a climate and culture that encourages them to deliver outstanding performance for our customers, operating with uncompromising ethics. We encourage our people to role model our brand values that capture and articulate the spirit of the Group.

NUMBER OF PERMANENT EMPLOYEES*:

1,005

21	**1,005**
20	906
19	907

* **At 30 April 2021.**

Board visits to subsidiaries

The Board places great importance on visiting subsidiary sites throughout the year to engage directly with local management and employees. This enables the Directors to understand the priorities for local management so that they can have regard to their interests in decision-making. This year, the Non-executive Directors were unable to visit the subsidiaries' sites in person due to the COVID-19 restrictions. As an effective alternative, the Board engaged virtually with the Managing Directors to ensure a conduit to employees was maintained throughout the lockdown restrictions. The Non-executive Directors are planning an increased programme of visits to subsidiaries' sites in the year ahead.

Group communications

The Group organises employee communications locally through its subsidiary undertakings. The channels used for organised communications include the Group intranet, regular update presentations, direct all-employee emails and distribution of news releases. The Group intranet features regular updates from the Chief Executive and updates at key times of the reporting calendar. This ensures that employees have a good awareness of the financial and economic factors affecting the Group's performance. Where possible communications are translated into the local language. The Chief Executive communicated regularly to employees during the pandemic through all-employee emails.

In December 2020 ELAC Sonar joined the Cohort Group, and as a Board visit was not possible the welcome communications were delivered by the Chief Executive online.

Internal communications

Each subsidiary has its own internal communications programme, including local intranets, in-house magazines or staff bulletins, and notices are published containing information about matters of interest within the Group. The regular town hall meetings and informal employee briefings, where employees' questions can be answered by local leadership, were adapted during the pandemic and moved online. During the lockdown restrictions where the majority of employees were working from home, subsidiary management teams increased communications to their employees and one-to-one communication increased in frequency. At SEA a communications portal was made available to furloughed workers to help them stay in touch from April to October 2020.

Employee feedback

Our larger subsidiaries conduct regular employee engagement surveys, and the key outcomes are put into an action plan for the local management team to implement. The results of these surveys are reported to the Cohort plc Board.

Reward and recognition

Each year we host the Cohort Business Excellence Awards, where we acknowledge the key achievements and dedication of those teams and individuals who have shown true delivery of our values, made a real difference to the success of our business, or been commended for their excellence in service to our customers. The awards event was held as a virtual celebration due to the pandemic and was attended by representatives from the Board.

The recipients of this year's top award were a team from Chess Dynamics who put exceptional effort into the testing and verification programme for a customer's vehicle surveillance system. They put in a high level of dedication, effort, and teamwork, and overcame extreme logistical issues and succeeded in winning this major customer contract.

The larger subsidiaries also run their own recognition schemes. This year both MASS and Chess Dynamics have introduced recognition schemes.

Recognition at MASS

At MASS, a Monthly Applause scheme was introduced in 2020. All employees can nominate a colleague who will receive a voucher. The MASS Achievement Awards were also introduced to provide recognition on a broader scale. The awards link into the Group and Company values. The awards ceremony took place in December 2020.

Stakeholder engagement continued

People continued

Training and development
The success of our business depends on our ability to deliver innovative solutions to our customers. This drives us to attract the best talent and to nurture this ability within our employees, providing them with a stimulating workplace and career development and supporting the creation of long-term value for our business.

Many training schemes operate at subsidiary level, including the use of online solutions such as LinkedIn Learning. At Group level, our Leadership Development Programmes are designed to equip our current and future leaders with the skills to effectively deliver the strategic priorities of the business and respond to the competitive and changing environment we operate within. In 2020/21 we ran a Leadership Development Alumni Programme online to ensure the networks formed from the original training are maintained and encourage collaboration across the Group. The Board was able to engage with the individuals who are being developed to grow the Group in the future through an online Q&A session.

The Group also provides regular training on our Group policies including on topics such as anti-bribery and data protection.

Health and wellbeing
The subsidiaries took part in many activities during the year to promote the health and wellbeing of their people and these are reported back to the Board. In particular this year there was a focus on supporting Mental Health Awareness Week and activities engaging with MIND, the mental health charity. SEA established a Dignity at Work Policy designed to create a work environment free from bullying and harassment, where everyone is treated with dignity and respect. Our Employee Assistance Programmes are available for employees to access and were regularly promoted through our COVID-19 communications.

Chess receive Olympic motivation

Chess Dynamics welcomed former Olympian Fran Halsall to its offices to discuss motivation, techniques to support wellbeing and how to utilise the parallels of an elite mindset.

Fran's successful career in elite sport has taught her many lessons, lessons that she shared with the team at Chess to help build resilience, wellbeing, engagement and performance.

All-employee share schemes
An important part of employee engagement in the UK are the all-employee share schemes. All UK permanent employees were again encouraged to invest in the Cohort plc Save as You Earn (SAYE) scheme and/or the Group's Share Incentive Plan (SIP). In addition, senior management and key employees in all subsidiaries are awarded share options under the Cohort plc 2016 share option scheme. Further details are set out in note 20 of the accounts.

WOMEN IN DEFENCE CHARTER

Women in Defence Charter

On International Women's Day 2021, Cohort made a firm commitment to gender diversity by signing the Women in Defence Charter – a pledge to provide opportunities for women to succeed at all levels and giving a public commitment to ensuring women are given every opportunity within the Cohort Group.

Group website
The Company uses the Group website (cohortplc.com) as a key source of information for all of our stakeholders; our website contains information on the business of the Group, corporate governance, all regulatory announcements, key dates in the financial calendar and other important shareholder information.

Stakeholder engagement continued

Customers, suppliers and partners

The Board received regular updates on key customers through the monthly reporting mechanism; subsidiary MDs were also asked to attend at Board meetings through video conference. All subsidiary MDs have input into the strategy planning process.

During 2020/21 our business development teams were not able to meet with their customers face to face and all industry conferences and exhibitions were cancelled or moved online. The teams worked hard to create alternative methods of reaching their contacts, including hosting online seminars and meetings by video conference. Customers were supplied with video training aids and a Virtual User Group was set up for our Transport business at SEA.

Our engagement principles show what our customers, partners and suppliers can expect from us when they work with the Cohort Group.

We hold innovation at our core

Breaking new ground reverberates through the core of our business. It is fundamental, constant and a critical resource for our customers. We dedicate the equivalent of over 50% of our profits to innovation and we employ and develop the best minds in the business to stay at the forefront of defence and security technology solutions.

We nurture agile partnerships

Direct access to specialist expertise, underpinned by deep operational experience. With short decision-making chains, managed risk and a culture of openness and support, we're easy to do business with.

We commit to mission critical effectiveness

We are committed to developing purposeful technology that is driven by our customers and their agenda. Inspired and motivated by solving real problems, we move quickly and act effectively.

Virtual Learning Environment

MASS launched a new online learning platform to hosts its popular Cyber and Electronic Warfare (EW) training courses, offering an engaging learning experience in an accessible and COVID secure way.

The Virtual Learning Environment (VLE) offers a full mix of teaching methods, including virtual classrooms, group work and individual self-paced learning. Students benefit from the usual five-star experience of a MASS training course but with the advantages an online platform brings.

Ship Survivability webinar

To make up for the lack of face-to-face industry events, Chess and SEA joined together in November 2020 to host a joint customer webinar entitled "Ship Survivability'" attended by an international online audience. Here our industry experts discussed how naval surface ships, especially carrier strike groups, are being increasingly targeted by hostile threats. The discussion looked at a ship's ability to identify and counter threats whilst still being able to project power as intended, and fed into an active Q&A session.

Stakeholder engagement continued

Communities

We recognise the enormous contribution that our Armed Forces make to protect our nation and the work that we do helps them carry out their vital tasks more effectively. Across the Group, we employ many military veterans and current reservists, and we are proud to be a signatory to the Armed Forces Covenant, holding two Silver Awards under the Defence Employer Recognition Scheme.

CHARITY DONATIONS IN 2021 BY THE GROUP:

£28,000

(2020: (£44,000)

Chess Sponsors Plymouth football club

Chess has sponsored the Plymstock United Under 16s football club since 2019. The team is local to the Naval Systems team based in Plymouth. Under its sponsorship the team has won the Devon County Cup for two years in a row.

At a Group level we maintain close links with academic institutions, and we are Enterprise Partners of the Institute of Engineering and Technology.

STEM

We actively promote STEM (Science, Technology, Engineering and Maths) locally by supporting schools and colleges, providing opportunities for work experience and promoting our businesses at careers fairs, in order to motivate and inspire the next generation of young scientists and engineers. Students are sponsored at various levels across the Group, including at Kiel University.

Work placements at MASS

Despite the restrictions created by the COVID-19 situation, at MASS they were still able to hold work placements for local schools. The children were given equipment as an employee would be and were able to remotely participate in all activities as if they were in the office; joining team calls, stand-ups and briefings, working via screen sharing on shadowing technology changes, and having access to a learning platform to reinforce their school learning with industry learning. They were also given five technology research tasks which could be done on their own, calling the MASS team for information when needed.

Charities

Our subsidiaries are active participants in their local communities and engage in local initiatives and provide charitable support. In a challenging year our teams managed to provide valuable support for both local and national charities. Initiatives included a charity bike ride for SSAFA and raising money for Macmillan cancer charity and local hospices.

Peter Hodgkinson and Jonnie Barnes-Yallowley from SEA undertook a cycling challenge to raise money for SSAFA

Section 172 statement

Section 172 (1) of the Companies Act 2006 requires the Directors to act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so to have regard (amongst other matters) to:

Section 172 matters	How the Board has had regard to these matters:	Page reference
▶ the likely consequences of any decisions in the long term	▶ Board strategy discussions and oversight	56
	▶ Effective risk management	37-42
	▶ Proactive acquisition programme, completing the acquisition of ELAC Sonar in 2020	18
	▶ Our business model and strategic plan	9-11
▶ the interests of the Company's employees	▶ Protecting our employees throughout the COVID-19 pandemic, enabling home working and providing a COVID-19 secure workplace when appropriate	8
	▶ Regular health and safety reporting to the Board	
	▶ Investment in our employees through training and other initiatives	45-46
▶ the need to foster the Company's business relationships with suppliers, customers and others	▶ Partnering with our customers to develop innovative solutions including creating a virtual learning environment to deliver training during the pandemic	47
	▶ High level engagement with key defence customers	
	▶ Our Group engagement principles and ethical business conduct	
	▶ Building the relationship with the UK MOD through involvement in group activities such as the Department of Equipment and Support	
	▶ Hosting webinars for customers	
	▶ Prompt payment of suppliers	103
▶ the impact of the Company's operations on the community and environment	▶ Community initiatives were undertaken throughout the year	48
	▶ SEA has ISO14001 certification and four other subsidiaries are in the process of evaluating or working towards this	51
	▶ Promoting STEM opportunities	48
	▶ Supporting charities	48
▶ the desirability of the Company maintaining a reputation for high standards of business conduct	▶ Updated ethical policies and training	59
	▶ New procedures for approval and onboarding of agents	
	▶ Whistleblowing hotline	
▶ the need to act fairly as between shareholders of the Company	▶ Shareholder engagement practices	44

In discharging their duties under Section 172, the Directors also take into account any other matters which they consider relevant to the decision being made together with the Company's purpose, values and strategic objectives. Further details on how the Board operates and reflects stakeholder views in its decision making are set out in the Corporate governance report on pages 55 to 59.

Environmental report

The Group keeps the environmental impact of our activities under review in order to improve resource efficiency and reduce waste. As a part of the Group's commitment to minimising the impact of its business operations on the environment, we work with our suppliers, customers, and communities to improve standards of environmental protection.

Performance – energy and greenhouse gas (GHG) reporting

Cohort reports our environmental performance in accordance with the UK Government's Streamlined Energy and Carbon Reporting Guidance (SECR) as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The GHG emissions have been assessed independently by Carbon Footprint Ltd following the ISO 14064-1:2018 standard using the 2020 emission conversion factors published by the Department for Environment, Food and Rural Affairs and the Department for Business, Energy & Industrial Strategy. The financial control approach has been used for the assessment with the location-based approach used for assessing Scope 2 emissions from electricity usage. The Cohort Group has seven entities in our financial statements, five of which have been included in the assessment. Our European subsidiaries (EID and ELAC Sonar) have not been included.

The 2019/20 financial year was the first year that the Group reported under SECR on the emission sources of UK entities that fall within its consolidated financial statements, and this forms the baseline for our GHG emissions.

The table below summarises our GHG emissions for the reporting year 1 May 2020 to 30 April 2021.

Scope	Activity	2019/20 Tonnes CO_2e	**2020/21 Tonnes CO_2e**
Scope 1	Site gas	167.32[1]	**143.50**
	Van travel and distribution	67.19	**69.47**
	Company car travel	70.63	**50.29**
	Site gas oil	38.74	**6.89**
	Refrigeration & A/C	0.84	**0.00**
Scope 1 Subtotal		344.71	**270.15**
Scope 2		536.47	**429.87**
Scope 2 Subtotal		536.47	**429.87**
Scope 3	Flights	1,725.18	**90.86**
	Employee-owned car travel (grey fleet)	138.24	**70.54**
	Electricity transmission & distribution	45.55	**36.97**
	Hire cars	39.60	**14.56**
	Rail travel	23.08	**1.02**
	Taxi travel	4.88	**0.94**
	Bus travel	<0.01	**0.00**
Scope 3 Subtotal		1,976.52	**214.88**
Total tonnes of CO_2e		2,857.71	**914.90**
Tonnes of CO_2e per employee (all scopes)		4.45	**1.52**
Tonnes of CO_2e per £m turnover (all scopes)		23.58	**6.40**
Total energy consumption (kWh)[2]		3,791,999	**3,467,995**

1. Gas emissions have been adjusted to reflect improvement in data accuracy.
2. Total energy consumption includes electricity, gas and Company owned vehicles (Scope 1 and 2).

Over the assessment period, Scope 3 emissions have reduced dramatically. This is mainly due to a reduction in flights as COVID-19 restrictions limited air travel. Whilst Cohort expects some international travel to resume when restrictions are lifted, we will also continue to use virtual meetings where appropriate.

Environmental report continued

Environmental incidents

There have been no internal or external environmental incidents throughout this reporting period at any of our locations. Relevant staff receive training updates to enable them to effectively manage such events if they occur.

ISO14001

SEA already has ISO14001 accreditation and four of our remaining five subsidiaries are in the process of evaluating or working towards this accreditation.

Environmental initiatives

The subsidiaries of the Cohort Group have implemented a range of energy reduction measures; for example, SEA has replaced several 20-year-old boilers across its Bristol and Beckington sites, which will significantly improve heating efficiency, and projects have commenced on many sites to replace all lighting with energy efficient LED lighting.

Several of our subsidiaries have joined an electric car scheme enabling employees to purchase or lease an electric vehicle through salary sacrifice. Cycle to work schemes have also been instigated.

MCL is in the process of implementing a new Environmental Management System to ensure it is regularly reviewing its carbon emissions and continuously aiming to reduce this.

Waste and recycling

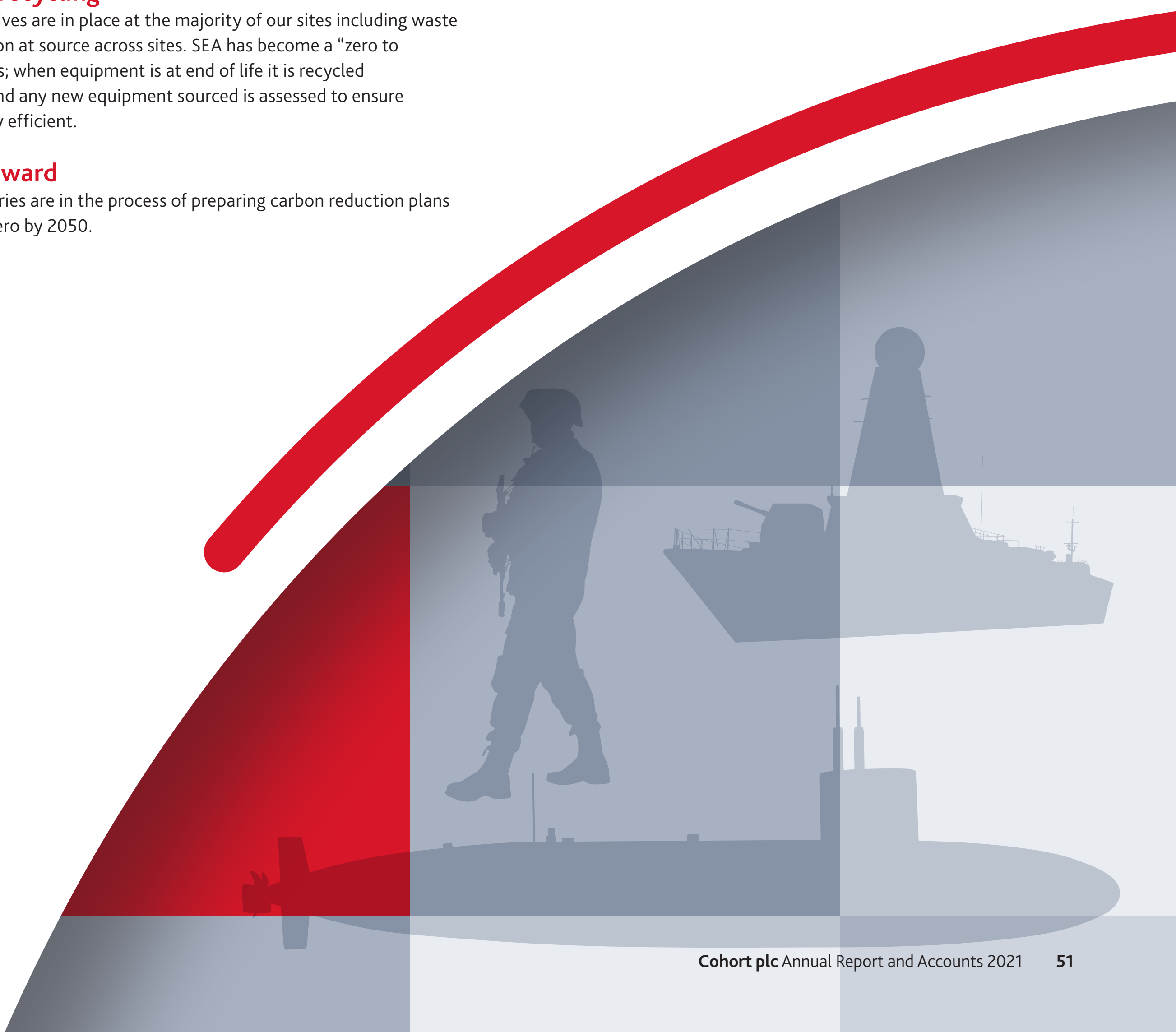
Recycling initiatives are in place at the majority of our sites including waste stream separation at source across sites. SEA has become a “zero to landfill” business; when equipment is at end of life it is recycled appropriately, and any new equipment sourced is assessed to ensure it is more energy efficient.

Looking forward

Our UK subsidiaries are in the process of preparing carbon reduction plans to achieve net zero by 2050.

SEA’s nature garden

A nature garden has been established at SEA’s Beckington site which allows local schools to access a green area for nature education and also provides a green space for staff to enjoy in their lunch breaks. The garden was created in a field adjacent to the site and was converted by staff and their families to include a large pond, bug house and seating area for school groups to use.



Corporate governance

Board of Directors

Nick Prest CBE
Chairman

Nick became Chairman of Cohort on flotation in March 2006.

After graduating from Oxford in 1974 Nick joined the UK MOD. In 1982 Nick moved to Alvis, the defence contractor, undertaking a variety of roles before becoming Chief Executive in 1989 and Chairman and Chief Executive in 1996. Nick left Alvis following its acquisition by BAE Systems in 2004, by which time the company had become a leading international business in military land systems. Nick was also Chairman of Aveva Group plc from 2006 until 2012 and Chairman of Shephard Media until 2020.

Andrew Thomis
Chief Executive

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

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

Simon Walther
Finance Director

Simon joined Cohort as Finance Director in May 2006.

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

Stanley Carter
Non-executive Director

Stanley has been with Cohort since its formation, initially as its Chief Executive before becoming Co-Chairman in 2009. In 2015, Stanley stepped down from Co-Chairman to become a Non-executive Director.

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

Edward Lowe
Independent Non-executive Director

Edward was appointed to the Board on 1 July 2019 and became Chair of the Remuneration Committee on 23 July 2019.

Edward joined Racal Electronics in 1980 and, over a 20-year period, undertook a variety of commercial, sales and managerial roles. In 2000, he was appointed Vice President within Thales UK with responsibility for the commercial, sales and strategy functions. In 2005 he was appointed Managing Director of the Thales UK naval activities and led the international business line for naval platforms and services. In 2010 he was appointed Chief Operating Officer for Thales UK with operational responsibility for all Thales UK activities.

Jeff Perrin
Independent Non-executive Director and Senior Independent Director

Jeff joined Cohort in July 2015. He is Chair of the Audit Committee and was appointed Senior Independent Director on 23 July 2019.

A Chartered Certified Accountant, Jeff has held a number of senior financial positions including roles within Unilever, Oriflame and the defence businesses of GEC and Radstone Technology Plc. In the latter company, he was also Chief Executive for four years until his departure a year after its acquisition by the General Electric Company in 2006. He was Chairman of the private equity-backed defence company Chess Technologies Limited from 2008 until the acquisition of a majority share by Cohort on 12 December 2018.

Raquel McGrath
Company Secretary and General Counsel

Raquel took over as Company Secretary and General Counsel from 1 October 2020.

Raquel graduated from the University of Bristol in 1991 with a Bachelor of Laws LLB (Hons) followed by Law Society Finals at the College of Law, Chester, in 1993. She started her career as a Solicitor and Articled Clerk with Slaughter and May in London before moving to Melbourne to work with Allens Arthur Robertson as a Senior Associate. After returning to the UK, she took on the role of Head of Legal and Company Secretary at an AIM listed logistics business. Most recently Raquel was General Counsel and Company Secretary at Oxford Policy Management. Raquel joined Cohort plc as Interim Group Legal Counsel and Deputy Company Secretary in November 2019 before taking over the role of Company Secretary from Simon Walther in October 2020, in addition to being appointed General Counsel for the Cohort Group.

- Member of the Board of Directors
- Member of the Remuneration Committee
- Member of the Audit Committee
- Member of the Nomination Committee

Executive Management Team

David Tuddenham
Managing Director of Chess Technologies

David was appointed to the role of Managing Director Chess Technologies (incorporating Chess Dynamics Ltd and Vision4ce Ltd) in June 2021.

David studied at Loughborough University gaining a BEng in Manufacturing Engineering and Management. In his early career he worked for large international companies including Honeywell, Teledyne, TRW and IDEX, initially in site leadership roles, ultimately taking on senior management positions. During this time, he gained experience of delivering low volume, high technology solutions within regulated industries including aerospace and oil & gas.

In 2011 David left Teledyne to join Chess Dynamics as Operations Director, helping to deliver operational excellence in support of the rapid and sustained growth of the business. David was promoted to Deputy Managing Director in 2014, becoming Managing Director of Chess Dynamics in 2016.

Chris Stanley
Managing Director of MASS

Chris was appointed as Managing Director of MASS in April 2017.

After graduating from the University of Leicester with a BSc in Astrophysics and obtaining a master's degree in Microwave Solid State Physics from the University of Portsmouth, Chris started his career designing radar systems and antennas for Racal Defence before spending six years developing radar and IR countermeasures for the RAF at the Electronic Warfare Operational Support Establishment. Chris then spent four years as the Mathematical Modelling Group Manager at GEC Avionics, designing and developing advanced radar systems. During this time, he also gained an MBA from Henley Management College.

Chris managed and directed the Technical Services business unit within the VT Group before moving to MASS in December 2007 as Director of the EWOS division and most recently filling the position of Managing Director.

Shane Knight
Managing Director of MCL

Shane was appointed as Managing Director of MCL in January 2019.

Shane served in the Army until his final appointment as a Captain in the Royal Signals. Throughout his Army career he worked in a range of posts within the electronic warfare arena. He joined MCL in 2003 as Business Development Manager (Communications) and became Sales and Marketing Director in 2011 before his appointment to Managing Director in 2019. Shane has over 15 years' business experience in the international defence sector.

Bernd Szukay
Joint Managing Director of ELAC Sonar

Bernd was appointed as Joint Managing Director of ELAC Sonar in 2020.

Bernd served in the German Navy leaving as a Lieutenant Commander. During this time, he was mainly involved in naval procurement and testing, and graduated in communications engineering and business administration. Bernd has since gained over 20 years' experience in the commercial sector, both in IT/telecommunications and defence. He has held roles in product management, strategy and key account management with Siemens, T-Systems, and Raytheon Anschütz.

In 2012, Bernd joined L-3 Communications ELAC Nautik, as Director for Sales and Marketing. In recent years, he has been working with Ole Schneider to drive the realignment of the product portfolio, strategy, and go-to-market approach.

Ole Schneider
Joint Managing Director of ELAC Sonar

Ole was appointed as Joint Managing Director of ELAC Sonar in 2020.

After graduating with a BA in business administration from the University of Applied Sciences Kiel, Ole joined L-3 Communications ELAC Nautik in 2007 as Project Controller. He was appointed as Finance Director in 2013, and in 2015 he managed the transition of ownership from L-3 to Wärtsilä. Since 2018 he has worked alongside Bernd Szukay at a top management level.

Frederico Lemos
Managing Director of EID

Frederico was appointed as Executive President of EID in December 2020.

Frederico has more than 20 years' experience in defence, both in the public and private sectors. Before joining EID, he was based in the UAE as Embraer's Vice President for Defence for the Middle East and Asia regions. Prior to that he occupied different positions in defence business development with Embraer and OGMA (Embraer group), as well as Project and Programme Manager at the Portuguese Air Force HQ, where he served as a career officer.

Frederico graduated as an Aerospace Engineer at the Portuguese Air Force Academy and Lisbon University IST in 2003, and holds post graduate qualifications in Business, Innovation and Leadership from Catolica Lisbon and ISEG business schools.

Richard Flitton
Managing Director of SEA

Richard was appointed as Managing Director of SEA in January 2021.

Richard graduated from the University of Brighton with a BEng (Hons) in Mechanical & Control Systems Engineering. He also holds an MBA from the University of Warwick.

Richard's early career was as an engineer working on high-performance visualisation and simulation products in both commercial and defence markets at Hughes Rediffusion. He moved on to take senior technical and leadership roles at Evans and Sutherland (E&S) in both the UK and US. He was ultimately appointed to a board level position at E&S, heading a division delivering real-time computer graphics systems for customers in the aerospace, defence, simulation, training, entertainment and scientific sectors.

Subsequently Richard moved to EADS Astrium where he led a business unit delivering military satellite ground systems. In 2008 he joined TRL, now a subsidiary of L3 Harris, delivering high-grade cyber security solutions, integrated C2 and sensors and effectors in the Electronic Warfare and ISR domain. After taking on several senior roles at TRL, his most recent appointment there was as Managing Director.

Corporate governance report

Nick Prest CBE
Chairman

Introduction

Cohort has placed a great importance on corporate governance since its flotation in 2006 and has, as far as practicable, modelled its corporate governance structure on a recommended corporate governance code.

Since 2018 Cohort has applied the QCA Corporate Governance Code (the QCA Code), being appropriate for a company with the size and structure of Cohort, and our Corporate governance report for the year ended 30 April 2021 is based upon the QCA Code.

The QCA Code sets out ten principles in three broad categories and I have set out below the Group's application of each principle to the extent that the Board considers these to be appropriate to Cohort. Where our practices depart from the expectations of the QCA Code, I have clearly highlighted these and given an explanation as to why, at this time, it is appropriate for the Group to depart from the QCA Code.

As Chairman of the Board, I take primary responsibility for corporate governance. An important part of my role is to build strong relationships with shareholders and other stakeholders and to ensure that the views expressed by shareholders are communicated to and considered by the Board. At the 2020 AGM, a significant number of votes were cast against Resolution 1 (to receive the Annual Report and Accounts). Following the AGM, the Board engaged with the relevant shareholders to understand the concerns that lay behind those votes. These broadly fell into two categories, firstly the perceived lack of diversity, specifically the lack of any females on the Cohort Board, and secondly dissatisfaction with some aspects of our executive remuneration scheme.

On the first issue of Board composition, the Board established a Nomination Committee with responsibility for, inter alia, reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board. The Committee held its inaugural meeting in April 2021 and recommended to the Board that the Board would benefit from the addition of an additional Director to replace Sir Robert Walmsley. A recruitment exercise was undertaken and the successful candidate was Beatrice Nicholas. Further details are set out in the Nomination Committee report on page 62.

On the second issue, Edward Lowe, as Chair of the Remuneration Committee, engaged with the shareholders who had raised concerns regarding certain aspects of the executive remuneration scheme, and took advice from an external remuneration consultant. The advice was that the Executive Remuneration scheme had been effective and proportionate in the round but that some features of it were unusual and open to misunderstanding. The Board, advised by the Remuneration Committee, accordingly decided to make changes to the scheme. Further details are set out in the Remuneration Committee report on pages 63 to 74. The Board will also put the Remuneration Policy to an advisory vote at the 2021 AGM to be held in September.

The principal means of communicating our application of the QCA Code are this Annual Report and our website (cohortplc.com).

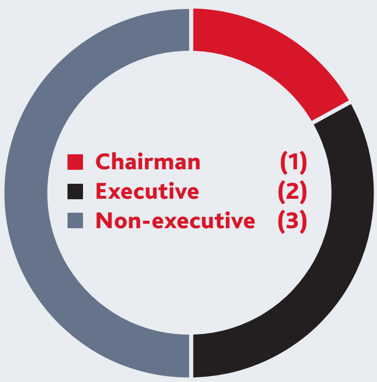
Governance structure
Corporate governance framework

The Board of Directors[1]
Nick Prest CBE (Chair)

Audit Committee	Remuneration Committee[2]	Nomination Committee[3]
Jeff Perrin (Chair)	Edward Lowe (Chair)	Nick Prest CBE (Chair)
Edward Lowe	Jeff Perrin	Jeff Perrin
	Nick Prest CBE	Edward Lowe

1. Sir Robert Walmsley retired on 31 December 2020.
2. Stanley Carter also served on the Remuneration Committee until 31 December 2020.
3. The Nomination Committee was established on 21 April 2021.

Board composition



Corporate governance report continued

Deliver growth

Principle 1. Establish a strategy and business model which promote long-term value for our shareholders

The Board, led by the Chairman, sets the Group's strategic direction and is responsible to Cohort's stakeholders for the leadership, oversight and long-term success of the Group.

The Group's Business model is set out on page 9 to 10. We believe this promotes long-term value for our shareholders as demonstrated by our five years' financial performance (see page 128) and our key performance indicators on page 14 which are shown for the last three years.

Our progressive dividend policy and share performance over the last five years are also indicators of long-term value for our shareholders with total shareholder return shown below.

In addition to our scheduled Board meetings, the Board meets for an annual strategy day at which it conducts an in-depth annual review of strategy and the business plans of Cohort and its subsidiaries. This provides the Executive Directors and the Non-executive Directors in particular, with an opportunity to discuss execution and delivery of strategy in-depth with the subsidiary Managing Directors and to challenge the Group's corporate strategy. This year the Board was able to meet in person for the strategy day with remote attendance by each of the Managing Directors. In between our formal annual strategy reviews, strategic issues and emerging risks are frequently discussed by the Board.

Remaining on AIM is of long-term value to our shareholders as it offers a combination of access to capital markets, flexibility to make acquisitions, incentives and rewards to management through share schemes, and a regulatory environment appropriate to the size of the Company.

Some of the key activities which we have undertaken to promote long-term value are set out in our Section 172 statement on page 49.

Principle 2. Seek to understand and meet our shareholders' needs and expectations

Cohort places a great deal of importance on communication with all shareholders and details of how we achieve this are set out in the "Stakeholder engagement" section on page 44. The Company also meets with its institutional shareholders and analysts and receives regular feedback from its institutional shareholders, either directly or via its Nomad, Investec. The Board was keen to ensure that shareholders were provided with the opportunity to engage with the Board throughout the COVID-19 pandemic and we hosted three live Q&A sessions following the 2019/20 financial year announcement in July 2020, the 2020 AGM, and the interim results announcement in December 2020. Shareholders were also invited to submit questions in writing in advance of the AGM.

We also carefully consider any voting guidance reports received from organisations such as the Institutional Shareholder Services.

The primary points of contact with the shareholders are me, the Chief Executive and the Finance Director. Jeff Perrin, the Senior Independent Director, is available to all shareholders should they have any concerns which communication through the normal channels of Chairman, Chief Executive and Finance Director has failed to resolve, or for which contact through the normal channels would be inappropriate.

Principle 3. Take into account wider stakeholder and social responsibilities and their implications for our long-term success

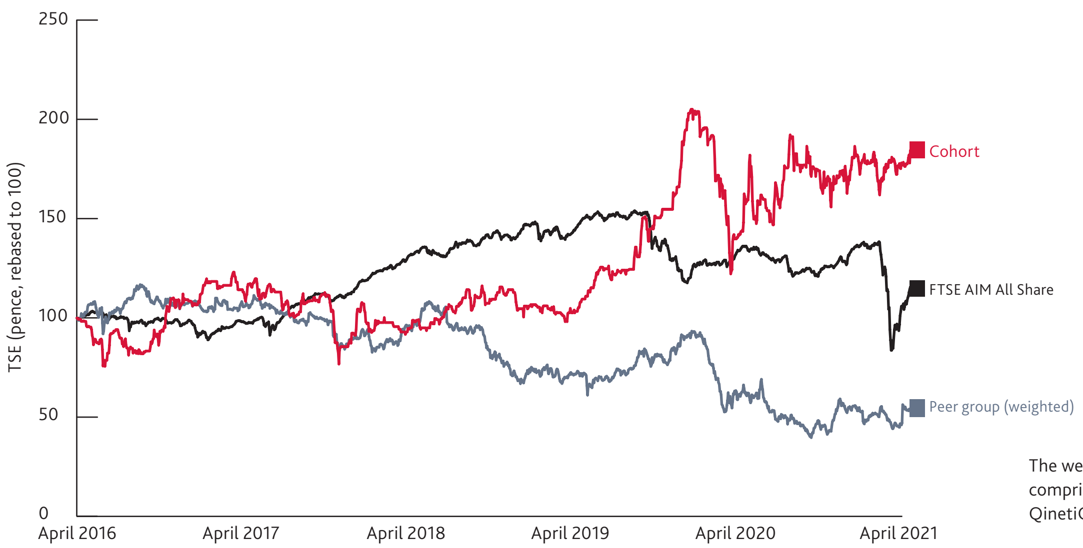
Consideration of all of the Group's stakeholders is an integral part of the Board's discussions and decision making. Stakeholders include, shareholders, our employees, customers, partners, suppliers and neighbours. Details of our stakeholder engagement activities are set out on pages 43 to 49.

In particular, we believe that our employees are the key to our success. We are not a capital-intensive business but depend upon the skills, capabilities and flexibility of our employees, and our business model depends upon us being agile and responsive (see pages 45 and 46). The Board receives a monthly report on health and safety across the Group and received regular updates from the Chief Executive regarding staff wellbeing and morale throughout the COVID-19 pandemic.

We facilitate named or anonymous feedback by employees through our whistle-blowing arrangements. These are managed by an independent third-party service provider. If any call is made to this third party, either the Chief Executive or the Senior Independent Director is notified promptly of the fact and the content of the call, so that appropriate action can be taken.

Our customers and suppliers are in many instances long-term partners and an important part of our culture is to establish and maintain relationships of trust (see page 47).

Total Shareholder Return Five Year Performance



The weighted peer group companies comprises Avon, Babcock, Chemring, QinetiQ and Ultra Electronics.

Corporate governance report continued

Deliver growth continued

Principle 4. Embed effective risk management, considering both opportunities and threats, throughout the Group

The Board and Group approach to risk is set out in the Audit Committee report on pages 60 and 61, and in the "Risk management" section on page 37.

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness in managing the risks we face. Such systems are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material misstatement or loss. Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of these systems. This is achieved primarily by considering the risks potentially affecting the Group and from discussions with the external auditor. The key risks of the Group are presented on pages 37 to 42.

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

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

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

Maintain a dynamic management framework

The Board of Cohort plc is highly experienced in the defence market. Through the operation of the Board and the Group Executive, which comprises the subsidiary Managing Directors and the Cohort plc Executive Directors and function heads, the Board is able to monitor the business and respond in a timely manner to issues and opportunities as and when they arise.

Principle 5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board

As at 30 April 2021, the Board of Directors comprised of me, two Executive Directors, Andrew Thomis and Simon Walther, and three Non-executive Directors, Stanley Carter, Jeff Perrin, and Edward Lowe. Sir Robert Walmsley served on the Board as a Non-executive Director until 31 December 2020.

The Board considers that Jeff Perrin and Edward Lowe are independent Non-executive Directors.

All Directors retire by rotation and are subject to election by shareholders at least once every three years. Any Non-executive Directors who are considered by the Board to be independent but who have served on the Board for at least nine years, will be subject to annual re-election.

Board Committees

The Board has established three Committees: Audit, Nomination and Remuneration, each having written terms of reference, which can be viewed on the Company's website (cohortplc.com).

The reports of the three Committees are reported separately on pages 60 and 61 for the Audit Committee, page 62 for the Nomination Committee and pages 63 to 74 for the Remuneration Committee.

Audit Committee

The Audit Committee is comprised of two independent Non-executive Directors in accordance with the QCA Code, being Jeff Perrin (Chair) and Edward Lowe. The Audit Committee's role is set out on page 62 of the Audit Committee report.

Nomination Committee

As noted above, the Board established a Nomination Committee in April 2021. The Nomination Committee comprises me as Chair and two independent Non-executive Directors, Jeff Perrin and Edward Lowe. The Nomination Committee's role is set out on page 62 of the Nomination Committee report.

Remuneration Committee

Following the establishment of the Nomination Committee in April 2021, what had previously been the Remuneration & Appointments Committee became the Remuneration Committee with revised terms of reference (available on the Company's website (cohortplc.com)).

In 2020, the Board received feedback from investors that the composition of the Remuneration Committee was not in line with best practice as a non-independent Non-executive Director sat on the Committee. In response to this feedback, Stanley Carter stepped down from the Committee and the Committee currently comprises Edward Lowe (Chair), Jeff Perrin and me. The Board is of the opinion that the composition of the Committee is now compliant with the UK Corporate Governance Code (the UK Code) as it comprises two independent Non-executive Directors (one serving as Chair) and a Chairman who was independent on appointment. All three members of the Committee have considerable experience of managing remuneration schemes for senior executives in public and private companies, both large and small.

The Remuneration Committee's role is set out on page 70.

Company Secretary

Raquel McGrath was appointed as the Company Secretary on 1 October 2020, and acts as secretary to the Board and its Committees. This role was previously undertaken by Simon Walther, the Finance Director of Cohort plc. The Company Secretarial department supports the Board, ensuring good information flows and advising on all corporate governance matters.

Corporate governance report continued

Maintain a dynamic management framework continued

Principle 5. Maintain the Board as a well-functioning, balanced team led by the Chair continued

Attendance at Board and Committee meetings

Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary including meetings with subsidiary Managing Directors to review strategic and financial plans and, as mentioned above, the Board also holds a strategy day in addition to the scheduled meetings. The scheduled Board and Committee meetings and attendance of the members during the year ended 30 April 2021 were as follows:

	Board (9 scheduled meetings)	Audit Committee (3 meetings)	Remuneration Committee (1 meetings[2])	Nomination Committee (1 meeting)
N Prest CBE (Chairman)	9/9	—	1/1	1/1
S Carter (Non-executive Director)[3]	9/9	—	1/1	—
Sir R Walmsley (Non-executive Director)[1]	6/6		—	—
J Perrin (Independent Non-executive Director and Senior Independent Director)	9/9	3/3	1/1	1/1
E Lowe (Independent Non-executive Director)	9/9	3/3	1/1	1/1
A Thomis (Chief Executive)	9/9	—	—	—
S Walther (Finance Director)	9/9	—	—	—

1. Sir Robert Walmsley retired from the Board on 31 December 2020.
2. The timing of the Remuneration Committee meetings was changed this year resulting in the second meeting being moved into the following reporting period.
3. Stanley Carter stepped down from the Remuneration Committee on 31 December 2020.

The Executive Directors and subsidiary Managing Directors all work full time for the Group.

All the Non-executive Directors give adequate time to fulfil thoroughly their responsibilities to Cohort and, as Chairman, I monitor this.

Principle 6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board has a broad range of skills, with particularly deep experience in the defence sector. The balance of skills and experience of the Board is summarised as follows:

	Defence sector	Financial	General management	Other public company (board level)	Public sector
N Prest	■		■	■	■
A Thomis	■		■		■
S Walther	■	■			
E Lowe	■		■		
S Carter	■		■		■
J Perrin	■	■	■	■	

The Board biographies (page 53) give an indication of the breadth of skills and experience.

Cohort is predominantly a defence company and collectively the Board has experience of engineering, financial, commercial, sales and marketing and general management functions in a range of defence companies, large and small, operating in and supplying to a large number of countries throughout the world. We consider this collective experience to be an important contributor to Cohort.

Each member of the Board takes responsibility for maintaining their skill set, which includes formal training and seminars. We also commission tailored executive coaching for our senior executives from time to time.

As noted above, some of our shareholders have in the past raised the issue of a lack of diversity, specifically a lack of any female representation, on the Cohort Board. The policy of Cohort has been to appoint Directors who have deep management experience of the defence industry at senior level. For a variety of reasons there are comparatively few women at senior executive level in the defence industry so finding candidates with this background for non-executive roles is not easy. It is therefore particularly pleasing that this year we have been able to do so. Further details are set out in the Nominations Committee report. The Company Secretary, a qualified solicitor, is responsible within the Company for advising the Board on its legal and regulatory responsibilities and on corporate governance matters. The Company Secretary and the Cohort Group Head of Human Resources also advise the Non-executive Directors independently of the Executive Directors on any matter in which the Executive Directors are personally interested, for example their own remuneration.

When necessary, external advice is sought, on legal, personnel, financial and governance matters. The primary sources are the Company's Nomad and the Company's lawyers.

Principle 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Our approach to evaluation of the Board's effectiveness is that it should be a continuous process rather than just a periodic event. It is my responsibility as Chairman to stimulate and orchestrate this process, consulting colleagues both individually and collectively. As part of the process, I must obtain the views of colleagues on my own performance. Evaluation should embrace at the individual level skills, personality and commitment and at the collective level processes and teamwork.

Corporate governance report continued

Maintain a dynamic management framework continued

Principle 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement continued

It is important that this largely informal process is supplemented periodically with a formal review and our policy in Cohort is to do this every few years. Outputs from both our informal process and the periodic formal review include plans for skills development, alterations to our processes and ideas for succession. Succession planning is an important component of Board evaluation.

Further details of our Board evaluation process and details of the last formal review can be found on our website (cohortplc.com).

Principle 8. Promote a corporate culture that is based on ethical values and behaviours

The Group has a strong ethical culture, supported by our Ethics Policy as published on our website (cohortplc.com). We see a company as a social unit with an economic output and the success of our social unit depends on the values of honesty, trust, loyalty and working together, with a healthy balance of competition and cooperation, just as in any other unit of society. We try to run our businesses this way.

The Board, through the Group Executive, undertakes regular reviews and audits in certain specific areas of risk, namely:

Anti-bribery

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

The Group's Anti-Bribery Policy is reviewed at least every two years or more often if necessary. The policy was last reviewed and updated in April 2020.

Cyber risk

The Group introduced an Information Security Policy (ISP) in January 2019, replacing its previous Security Policy Framework.

The ISP encompasses our responsibilities in respect of the General Data Protection Regulation (GDPR) and other non-personal information we handle.

The ISP covers the physical and cyber security of our information including that held on behalf of third parties. It also addresses business continuity and disaster recovery procedures.

Each business within the Group reports annually to the Board on its compliance with the ISP and this compliance is currently audited by an internal team of information assurance and cyber experts from MASS. MASS's own compliance with the ISP is audited externally.

The Group's ISP is frequently reviewed, taking account of best practice and requirements in government and industry.

Modern slavery

The Group has an Anti-Slavery Policy to address the aspects of modern slavery as set out in the Modern Slavery Act 2015 (MSA). In accordance with the requirements of the MSA, the Group and each UK member of the Group have published a statement on their respective websites setting out the steps the Group and they have taken to ensure that slavery and human trafficking are not taking place in their respective businesses and supply chains. A copy of the statement can be found on the Corporate governance page of our website (cohortplc.com). The Group's Anti-Slavery Policy was first adopted in April 2016 and was updated in September 2020.

We expect the same high standards from all of our suppliers, contractors and other business partners.

Principle 9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board has ultimate responsibility for corporate governance, which it discharges either directly, or through its Committees and through the management structure outlined below.

Group management

The Cohort Board holds nine scheduled meetings per calendar year, in addition to business and strategic reviews which are not recorded as formal Board meetings. The Board also holds regular ad-hoc discussions as required to consider particular issues. We aim as a Board to visit each of the subsidiaries at least once a year. This has not been possible during the past financial year due to COVID-19, however, the Board and individual Non-executive Directors plan to make additional visits to subsidiaries over the year ahead to keep up to date with their business issues. The Non-executive Directors and I meet at least once a year without the Executive Directors present.

The Board receives a detailed monthly Board report comprising individual reports from each of the Executive Directors and the subsidiary Managing Directors, together with any other material necessary for the Board to hold fully informed discussions to discharge its duties, including the review of Company strategy to ensure this aligns with creating shareholder value. It is the Board's responsibility to formulate, review and approve the Group's strategy, budgets, major items of expenditure and commitment, major contract bids, acquisitions and disposals. A full schedule of the matters reserved for the Board can be viewed on the Cohort website (cohortplc.com). The Group Executive Committee meets at least four times per calendar year, comprising Cohort Executive Directors, subsidiary Managing Directors, and Group Heads of Strategy, Communications, Commercial, Legal and Human Resources.

Subsidiary management

There are monthly Executive Management meetings involving the senior management of each subsidiary. Cohort Executive Directors attend subsidiary Executive Management meetings on a regular basis and sit on the Board of each subsidiary. The Non-executive Directors and I occasionally attend subsidiary Executive Management meetings. In addition to the matters reserved for the Board, there is a formal Delegation of Authority Policy which is approved by the Board and provides a framework for effective decision making at the subsidiary level together with appropriate Board oversight.

Build trust

Principle 10. Communicate how Cohort plc is governed and is performing by maintaining a dialogue with our shareholders and other relevant stakeholders

The Board communicates how the Company is governed and how it is performing by maintaining a dialogue with shareholders and other stakeholders through the mechanisms described on pages 43 to 49 and 56.

Board Committees

The reports to shareholders of the Audit, Nomination and Remuneration Committees are on pages 60 and 61, page 62 and 63 to 74 respectively.

The Board welcomes considered enquiries from shareholders and other stakeholders at any time.

Nick Prest CBE
Chairman

Audit Committee report

Jeff Perrin
Independent Non-executive Director and Senior Independent Director

Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**67**	55
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**264**	199
Total audit fees	**331**	254
Interim review fee	**34**	12
Total non-audit fees	**34**	12
Total fees paid to the auditor and its associates	**365**	266
Charged to profit for the year	**365**	266

Introduction

The Audit Committee comprised two independent Non-executive Directors for the year ended 30 April 2021. The Audit Committee is scheduled to meet at least three times a year. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply financial reporting under IFRS, the Companies Act 2006, risk and the internal control requirements of the QCA Corporate Governance Code and maintaining an appropriate relationship with the independent auditor of the Group.

The Audit Committee is responsible for ensuring that the Group's risks are understood, managed and mitigated as far as practicable.

Jeff Perrin is Chair of the Audit Committee, being a qualified Chartered Certified Accountant and having experience of the defence industry in previous and current roles. The current terms of reference of the Audit Committee were reviewed and updated in October 2019 and are next due for review in October 2021.

Consideration of the financial statements

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

Areas of judgement

Revenue and profit recognition on fixed-price contracts

The judgement applied in recognising revenue on a contract over time as performance obligations are completed is in respect of the input costs incurred and the attributable margin. The latter is particularly a judgement in respect of estimating the cost to complete on a particular contract and the remaining risk and associated contingency. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduce.

Recoverability of trade and other receivables

Judgement is applied in determining whether any of the Group's trade and other receivables require a bad debt provision to be recognised. This takes account of the nature of our customers, many of whom are ultimately governments, our historical experience and the commercial terms we have in place to protect the recoverability of our receivables.

Goodwill

The Group has recognised goodwill and other intangible assets in respect of the acquisitions of Chess, MASS, SEA (including J+S), MCL, EID and ELAC Sonar (ELAC). The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and in each case are amortised over the expected life of the earnings associated with the other intangible assets acquired. The goodwill, which is not subject to amortisation but to at least annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived. This includes, but is not limited to, reputation, customer relations, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of Chess, MASS, SEA (including J+S), MCL, EID and ELAC has been tested for impairment as at 30 April 2021; this is an area of judgement. In each case there was no impairment. The Group's 2021 post-tax WACC of 7.6% is higher than the 2020 equivalent of 7.1%, which reflects higher interest rates partly offset by lower volatility in respect of Cohort plc's shares. These post-tax WACC amounts are equivalent to a pre-tax WACC of 10.4% (2020: 9.2%).

Sensitivity was applied to the impairment tests to deliver a material impairment of goodwill as reported in note 9.

Provisions

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

Audit Committee report continued

Consideration of the financial statements continued

Areas of judgement continued

Alternative performance measures (APMs)

The Group reports a number of APMs which are not in accordance with the reporting requirements of IFRS. The Audit Committee has reviewed these during the year ended 30 April 2021 to ensure they are appropriate and that in each case:

- the reason for their use is clearly explained;
- they are reconciled to the equivalent IFRS figure; and
- they are not given prominence over the equivalent IFRS figure.

The most important APMs reported by the Group are as follows:

Adjusted operating profit

This is used by the Group to report what the Board considers is its trading profit in a consistent manner, year on year, to provide the readers of the accounts with a consistent comparative. This is derived from the operating profit as reported under IFRS by excluding amortisation of other intangible assets, all of which arises on acquisition of subsidiaries; research and development expenditure credits (RDEC), which were previously shown in the reported tax figure; exceptional items, including acquisitions costs and reorganisations; and foreign exchange movements from non-trading activities, including marking forward exchange contracts to market value.

The reconciliation of operating profit (IFRS) to adjusted operating profit is shown in the Consolidated income statement (page 85) for the Group and in note 1 on page 91 for the Group's subsidiaries. The following table shows the Group's adjusted operating profit compared with operating profit for the last five years:

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Adjusted operating profit	**18.6**	18.2	16.2	15.2	14.4
Operating profit	**7.8**	10.7	5.9	10.3	0.9

The main difference between the two figures is the amortisation of other intangible assets value which arises on the acquisition of businesses.

The trading performance of the Group is better reflected by the adjusted operating profit.

Adjusted earnings per share

Based upon the adjusted operating profit after taking account of tax applying to adjusted operating profit and interest, to enable the Group to report an earnings per share figure based upon what the Board considers is a more appropriate and comparable earnings basis.

This is reconciled to the headline (IFRS) earnings per share in note 8.

Independent auditor

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

The independent auditor presented its audit plan to the Audit Committee prior to the Audit Committee meeting held in March 2021. The plan was reviewed and approved at that meeting with specific areas of focus by the independent auditor discussed in detail for the ensuing audit.

The independent auditor (RSM UK AUDIT LLP) was appointed in November 2019.

The analysis of RSM UK AUDIT LLP (2020: RSM UK AUDIT LLP) remuneration is shown in the table on page 60.

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

Jeff Perrin
Chair of the Audit Committee

Nomination Committee report

Nick Prest CBE
Chairman

I am pleased to present the first report of the Nomination Committee which was established by the Board in April 2021.

Committee composition

I am Chair of the Committee, and the other members are the two independent Non-executive Directors, Jeff Perrin and Edward Lowe.

Only Committee members are entitled to attend meetings although other attendees may be invited for specific items.

Key responsibilities

The Committee is appointed by the Board and its terms of reference are available on the Company's website (cohortplc.com). The Committee meets as required; there was one meeting held in the reporting year.

The key responsibilities of the Committee are:

- to regularly review the structure, size and composition of the Board (including the skills, knowledge, experience and diversity of the Board) and to make recommendations to the Board with regard to any changes;
- to keep the leadership needs of the organisation under review, including succession planning, in relation to both Executives and Non-executives, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- to be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise; and
- to undertake any work requested by the Board or Chief Executive to select or approve appointments below Board level.

Activities during the year

The Committee's main activities have been:

- reviewing the composition of the Board;
- approving a detailed candidate specification for the appointment of an additional Non-executive Director;
- reviewing the Board succession planning; and
- reviewing the outcome of the Board evaluation.

Board appointment process

On the recommendation of the Committee, the Board decided to recruit a Non-executive Director to replace Sir Robert Walmsley. The Committee drew up a detailed candidate specification for this appointment designed to complement the skills and experience of the other Directors, in particular focusing on technical and operational attributes in addition to general business skills. The search was managed by an independent consultancy and after a thorough exercise which identified a range of candidates, both male and female, the Committee was pleased to be able to recommend the appointment of Beatrice Nicholas with effect from 1 September 2021. The Board approved this and the appointment was announced on 27 July 2021.

Board evaluation

The Board undertook an informal Board evaluation during the year ended 30 April 2021, including consideration of succession plans for the Board. A principal outcome was the decision by the Board to recruit another Independent Non-executive Director.

Re-appointment of Directors

The Company's Articles of Association require any Director who has not been appointed or re-appointed at either of the two previous Annual General Meetings of the Company to retire, and for one-third of the Directors to retire by rotation each year. Accordingly, Nick Prest and Andrew Thomis, being eligible, will offer themselves for re-election at the 2021 AGM. The Committee, in the absence of Nick Prest, has considered the performance and commitment to the role of each of these Directors and has recommended their re-election to the Board on the basis that each of these Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Nick Prest CBE
Chair of the Nomination Committee

Remuneration Committee report

Edward Lowe
Independent
Non-executive Director

I am pleased to present the Remuneration Committee (the Committee) report for the year ended 30 April 2021.

The view of the Committee is that the levels of remuneration are in line with industry peers and the Directors Remuneration Policy (the Policy) has, as intended, supported delivery of the strategy and focused the management team on delivering strong financial and operational performance. In what has been a challenging year it is pleasing to see that this is reflected in both the trading results for 2020/21 and the achievement of longer-term strategic objectives.

However, shareholders have raised concerns about some aspects of our Policy and the Committee itself has come to the view that some simplification and adaptation is desirable. We have therefore taken expert external advice on how to update the current Policy to improve its effectiveness and to address shareholder concerns. This has led us to propose a revised Policy to address these shareholder concerns whilst maintaining those aspects of our Policy which we believe support the strategy and the management in delivering value to shareholders. It is our intention to implement the new Policy immediately (commencing this coming financial year, 2021/22) and that the first year when long-term bonuses will be paid and shares vest under the new policy will be in financial year 2023/24. For the intervening years (financial years 2021/22 and 2022/23) the existing Policy will continue to determine executive remuneration.

It is also to be noted that the Committee has now formalised the requirements regarding the retention of shares by Executive Directors and other senior managers (as detailed in the statement of the current Policy below), and that the Board has decided that henceforth the Remuneration report will be subject to a separate vote by shareholders at the Annual General Meeting, commencing in September 2021.

This report is split into three sections:

- this annual letter summarising the work of the Committee in 2020/21;
- a statement of the current Directors' Remuneration Policy (the Policy) and a summary of the proposed revised Policy; and
- the Annual report on remuneration, which provides details of the remuneration earned by Executive Directors and the Non-executive Directors in the year ended 30 April 2021.

Outcomes for 2020/21

The Executive Directors and the Group Executive Management have continued to drive the Group's strategy and delivered a stronger performance in 2020/21 despite the challenges presented by COVID-19. The key highlights are discussed in the Operating review pages 16 to 36.

The Committee has given careful consideration as to how to respond to the uncertainties surrounding the effects of the COVID pandemic, and its decision-making regarding remuneration has been closely connected to decisions taken by the Board to safeguard the financial health of the Group and the payment of dividends to shareholders.

Performance related pay

Cohort's current Executive Remuneration Policy is set out in the Policy below. It is weighted heavily towards incentivising the long-term performance and growth of the Group.

Maximum bonus opportunity for in-year performance is set at 15% of salary and based on Group adjusted operating profit (up to 10% of salary) and Group operating cash flow (up to 5% of salary) against budget. Both measures exclude the impact of any in-year acquisitions and disposals. Targets are set on a sliding scale with 0% payable at 95% of budget and 10% payable at 110% of budget for adjusted operating profit.

Long-term performance awards are based on the historic compound annual growth rate per share of the Group over a four-year performance period preceding the award. It is paid up to a maximum of 50% of salary plus tax and employee National Insurance on Restricted Share Awards, the taxes being paid on the Executives' behalf by the Company.

There is also a share option award of a maximum number of options over shares calculated as 20% of basic salary divided by the exercise price. Long-term performance awards are accordingly delivered in a mix of cash, shares and share options.

It is to be noted that the Committee must be satisfied with the level of performance during the performance period taking account of a range of factors and has the ability to adjust awards if it considers that the calculated numbers are out of line with the underlying business performance of the Group. For example, if the Committee is not satisfied with the level of performance either in year or over the long-term performance period, it may reduce the bonus payable.

The Group's financial performance for the year resulted in in-year bonus awards for the Executive Directors at 33% of maximum and long-term performance awards at 85% of the maximum level. Full details can be found on pages 70 to 74.

The Committee considers that within the broader context of the overall performance of the Group and the individual performance of Executive Directors, the bonuses payable under the Cohort Executive Bonus Plan are appropriate.

The revised Policy continues to be heavily weighted towards incentivising the long-term performance and growth of the Group. The in-year bonus policy is unchanged from the previous Policy and will continue to be a maximum of 15% of salary.

The long-term performance will continue to be based on compound annual growth rate per share of the Group but is revised as follows:

Remuneration Committee report continued

Performance related pay continued

The performance period will be the three years following award. The award will be in two parts:

- maximum of 62.5% of salary payable for organic growth of 3% to 8%, calculated linearly over the performance range.
- maximum of 62.5% of salary payable for total growth of 3% to 13%, calculated linearly over the performance range.

The actual award made will be split, one third in cash and two thirds as performance shares. The cash element will be paid three years after the award and the performance shares will vest three years after the award but will be subject to a further two-year holding period.

Share options will no longer be awarded.

All awards are gross of tax and Executive Directors will be responsible for payment of income tax and employee National Insurance.

It is to be noted that the remuneration of the Group's subsidiary Managing Directors is structured very similarly to that of the Executive Directors and is also weighted to the long-term performance and growth of the Group. Accordingly, the remuneration arrangements for these individuals will be revised in line with the revised Policy being introduced for the Executive Directors.

Implementation of the Remuneration Policy in 2021/22

In response to the COVID-19 pandemic, the Committee considered the salaries for the Executive Directors. No basic salary increases were awarded in 2020 and the Committee considered it appropriate this year to award basic salary increases of up to 3.5%, in line with average workforce increases, to the Executive Directors with effect from 1 May 2021.

It is to be noted that the remuneration of the Group's subsidiary Managing Directors is structured very similarly to that of the Executive Directors and is also weighted to the long-term performance and growth of the Group.

The Committee has also been keen to promote the involvement of all Cohort employees in the long-term success of the Group and to this end has been pleased to see the expansion of the Share Incentive Plan (SIP) and the Save as You Earn (SAYE) schemes to a growing number of employees.

During 2021/22, the Committee will a) continue to monitor the existing remuneration arrangements across the Group and will not hesitate to exercise its discretionary powers if the business context changes adversely; and b) guide the introduction of the revised Policy ensuring that shareholders are consulted throughout this process.

Should you have any queries in relation to this report please do not hesitate to contact me through the Company Secretary.

Edward Lowe
Chair of the Remuneration Committee

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Basic salary	To provide competitive fixed remuneration. To attract and retain Executive Directors of a calibre required to deliver growth for the business. Intended to reflect that paid to senior management of comparable companies. Reflects individual experience and role.	Normally reviewed annually by the Committee considering remuneration levels for comparable companies of a similar size and complexity, industry sector or location. Individual salary adjustments take into account each Executive Director's performance against agreed challenging objectives and the Group's financial circumstances, with significant adjustments infrequent and normally reserved for material changes in role, a significant increase in the size or complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance.	No prescribed maximum salary or maximum increase in salary. Increases are awarded having given consideration to those awarded across the wider workforce.	Not applicable.
Benefits	As above.	Executive Directors are entitled to benefits such as family private health insurance, income protection during periods of long-term illness absence and life assurance. Executive Directors are eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with emerging market practice.	A maximum is not pre-determined. The maximum level of participation in all-employee share plans is subject to the limits imposed by the Inland Revenue from time to time.	Not applicable.
Retirement allowance	To reward sustained contribution by providing retirement benefits.	The Company pays a retirement allowance in lieu of pension contributions. Where this is operated via salary sacrifice the Company passes on the National Insurance saving of 10% of the sacrificed salary back to the Executive as additional retirement allowance.	For Cohort Executive Directors the retirement allowance is set at 4% of basic salary in line with the current general workforce contribution level. National Insurance saving on allowance delivered via salary sacrifice is set at 10% of the salary sacrificed.	Not applicable.

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
In-year performance bonus	Rewards the achievement of annual financial business performance targets.	Paid annually in cash. 0% to 10% of salary payable based on full year adjusted operating profit performance against budget calculated as follows: ▶ zero if performance below 95% of budget. ▶ linear increase from 0% to 5% as performance goes from 95% to 100% of budget. ▶ linear increase from 5% to 10% as performance goes from 100% to 110% of budget. Plus 0% or 5% of salary payable based on full year operating cash flow performance against budget calculated as follows: ▶ zero if performance is below budget. ▶ 5% if performance is at or exceeds budget. Recovery provisions apply in cases of restatement of financial results for the relevant financial year.	15% of salary.	Actual performance compared to budget for the financial year for adjusted operating profit and operating cash flow (both excluding the impact of any in-year acquisitions and disposals). Both adjusted operating profit and operating cash flow shall be calculated after deducting the costs of all bonus payments, including the cost of Restricted Shares. Financial measures determine 100% of the bonus calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances.
Long-term performance awards – current scheme to operate for 2021/22 and 2022/23 and ceases 30 April 2023	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable growth and the interests of shareholders. Encourages long-term shareholding and discourages excessive risk taking.	Annual award based on the historic annualised profit growth of the Group over a (up to[1]) four-year performance period prior to award comprised of: 1. Up to 50% of basic salary split: ▶ two fifths as a cash bonus; ▶ two fifths as Restricted Shares; and ▶ one fifth in either cash or Restricted Shares at the Executive's discretion. The award increases from 0% to 50% of salary on a linear basis as achievement against the performance measure increases from 0% to 10%. 2. An award of share options with market value exercise price at the discretion of the Remuneration Committee. Restricted Shares vest in four equal tranches, 25% on award and 25% on each of the following three anniversaries of award, subject to continued employment. No dividends are paid on Restricted Shares before vesting. Tax and National Insurance (employee and employer) are borne on awards of Restricted Shares by the Company on behalf of the Executive. Recovery provisions for both cash and Restricted Shares apply in cases of restatement of financial results for the relevant financial year.	Cash and Restricted Shares valued at up to 50% of basic salary. In addition, the income tax and National Insurance (employee and employer) arising from the award of Restricted Shares is settled by the Company on the Executive's behalf. An option award over a maximum number of shares calculated as 20% of basic salary divided by exercise price.	Compound annualised growth rate per share[2] in adjusted profit before interest and tax (after excluding non-controlling interests) between the year ended 30 April 2017 and the year ended 30 April 2021. For the avoidance of doubt, amortisation of other intangible items, marking forward exchange contracts to market at the period end and such exceptional items as the Committee, in its absolute discretion, decides shall be excluded from the calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances. The level of award of share options is discretionary and is based on the Remuneration Committee's overall assessment of both the individual performance of each Executive Director and the financial performance of the Group.

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Long-term performance awards – new scheme to operate from 2021/22 onwards and first awards under this scheme, if earned, will vest in the year ending 30 April 2024	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable growth and the interests of shareholders. Encourages long-term shareholding and discourages excessive risk taking. As already stated, this new scheme will be introduced from 1 May 2021 to replace the existing scheme. The new scheme will make awards for the first time for the year ending 30 April 2024.	Annual award based on the future annualised profit growth of the Group over a three-year performance post the award comprised of: 1. Up to 125% of basic salary split: ▶ one third as a cash bonus; and ▶ two thirds as performance shares. The award has two elements: 1. The award increases from 0% to 62.5% of salary on a linear basis as achievement against the performance measure increases from 3% to 8% of underlying (organic[3]) growth of the Group. 2. The award increases from 0% to 62.5% of salary on a linear basis as achievement against the performance measure increases from 3% to 13% of total growth of the Group. No award of share options. Awards will vest subject to the performance criteria set out above and following audit clearance of the Group accounts in the relevant third year. Executive Directors are required to hold any shares arising from the vesting of their award, net of any shares sold to meet personal tax and social security obligations, for a period of two years from the vesting date. An overall reward period of five years. Employers National Insurance is borne by the Company. Recovery provisions for both cash and Restricted Shares apply in cases of restatement of financial results for the relevant financial year.	Cash and Restricted Shares valued at up to 125% of basic salary. The income tax and employee National Insurance on all awards are settled by the Executive. Employers National insurance is settled by the Company on all awards.	Compound annualised growth rate per share[2] in adjusted profit before interest and tax (after excluding non-controlling interests) between the year ended 30 April 2021 and the year ending 30 April 2024. For the avoidance of doubt, amortisation of other intangible items, marking forward exchange contracts to market at the period end and such exceptional items as the Committee, in its absolute discretion, decides shall be excluded from the calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances.
Share ownership levels	To increase alignment between Executives and shareholders.	Executive Directors are encouraged to build a holding of shares in the Company during their tenure with the Company. The Committee keeps the level of the Executive Directors' shareholding under review. Sale of shares in the Company by an Executive Director is only allowed with the approval of the Chairman.	Levels have been set for 2021 onwards.	CEO at 200% of salary. FD at 150% of salary.

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Chairman and Non-executive Directors' fees	To provide compensation in line with the demands of the roles at a level that attracts high-calibre individuals and reflects their experience and knowledge.	Base fee for Chairman and Non-executive Directors. Normally reviewed annually. The Company reimburses any reasonable expenses that a Non-executive Director incurs in carrying out their duties as a Director, including travel, hospitality related and other modest benefits, if appropriate. If there is a temporary material increase in the time commitments for Non-executive Directors, the Board may pay extra fees to recognise the additional workload. The Non-executive Directors are entitled to participate in the Company private health insurance scheme at their own expense should they wish to do so.	No maximum. Fees are set taking into account internal benchmarks such as the salary increase for the general workforce and external benchmarks of fees paid by companies of a similar size and complexity.	Not applicable.
Service contracts		The Executive Directors have service agreements with the Company which can be cancelled by either party giving six months' notice at any time or 12 months' notice in the event of losing office following a change of control arising as a result of any person or persons acquiring more than 50% of the voting rights at a general meeting of the Company.	Not applicable.	Not applicable.

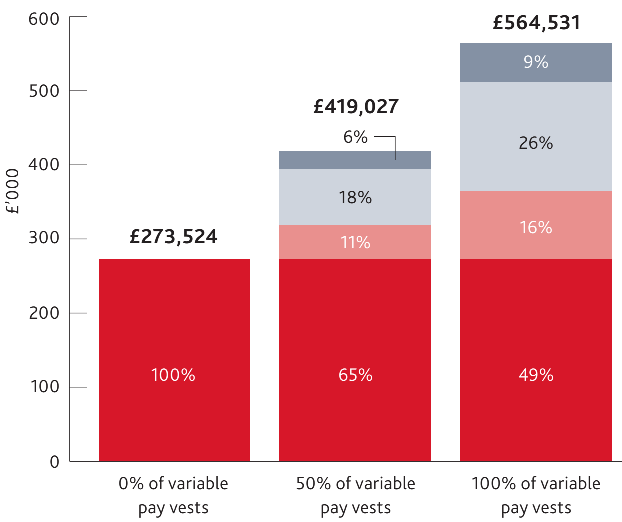
1. On appointment and until the participant has been in position for a period of four financial years, the long-term performance period will increase in line with increasing tenure up to the maximum performance period of four years.
2. Being the weighted average number of Cohort plc shares in issue.
3. Organic is the growth based on the components of the Group in the year of award over the next three years.

Remuneration Committee report continued

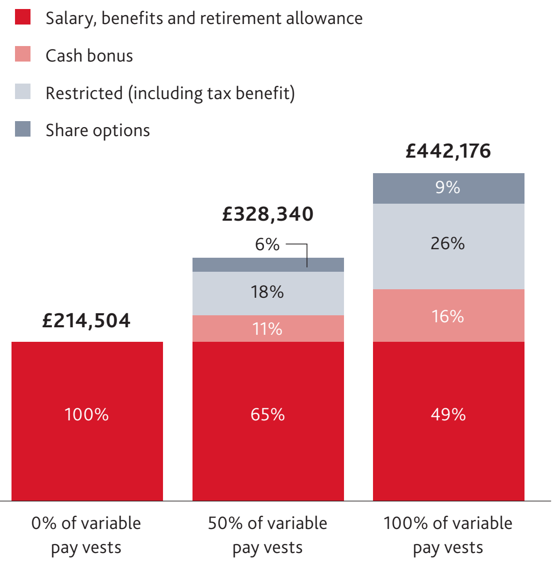
Illustration of the application of the Remuneration Policy

The charts below illustrate how the Policy would function for minimum, 50% of maximum performance and maximum performance for each Executive Director. These charts address the current Policy, which ceases 30 April 2023.

Chief Executive – Andrew Thomis



Finance Director – Simon Walther



Assumptions for charts above:

1) Salary levels are based on those applying from 1 May 2021. The retirement allowance is 4% of annual basic salary. Other benefits relate to private health insurance and executive medical.

2) Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

The actual application of the Remuneration Policy for the Executive Directors for the year ended 30 April 2021 was as follows:

	Salary £	Bonus £	Restricted Share awards £	Benefits in kind £	Retirement allowance £	Emoluments £	Pension contributions £	Total £
A Thomis	260,750	57,220	125,045	1,980	10,430	455,425	364	455,789
S Walther	204,000	44,767	97,830	1,980	8,160	356,737	364	357,101

Remuneration Committee report continued

Annual Report on Remuneration

The role of the Remuneration Committee (the Committee) is to:

- establish a formal and transparent policy on Executive remuneration and to set remuneration packages for individual Executive Directors (the Group Chief Executive and Finance Director) and the Group Executive Management (the Managing Directors of the subsidiary businesses);
- assess the performance of the individual Executive Directors and Group Executive Management against these packages and determine the related remuneration;
- undertake the role, in conjunction with the Chief Executive, of proposing remuneration packages for individuals to the Board for new appointments; and
- undertake any other tasks appropriate to the Committee requested by the Board.

Remuneration summary

The key elements of the Executive Directors' Remuneration Policy as it applied in 2020/21 and to apply in 2021/22 are summarised below:

Remuneration 2020/21		
Fixed pay	Salary	CEO: £260,750 FD: £204,000 This will rise by 3.5% and 3.4% respectively to CEO: £270,000 and FD: £211,000 from 1 May 2021.
	Retirement allowance	4% of salary.
	Benefits	Includes private health insurance, annual medicals, and life assurance.
In-year performance bonus	Maximum opportunity	15% of salary.
	Operation	Up to 10% based on performance against budget of adjusted operating profit. Up to 5% based on performance against budget of operating cash flow.
Long-term performance awards – current scheme, ceases 30 April 2023	Maximum opportunity	50% of salary, plus tax and National Insurance paid on Executive's behalf in respect of Restricted Shares awarded only. In addition, an award of a maximum number of shares of up to 20% of salary divided by exercise price in market value share options.
	Operation	a. Up to 50% of salary based on a compound annual growth rate in performance, per share, between the beginning and end years of a four-year performance period ending on 30 April 2021, split as follows: ▶ two fifths in cash; ▶ two fifths in Restricted Shares; and ▶ one fifth in either cash or Restricted Shares at the Executive's discretion. Restricted Shares vest in four equal tranches, 25% on award and a further 25% on each of the three following annual anniversaries of award. Tax is paid on award by the Company on the Executive's behalf in respect of the Restricted Shares. b. An award of up to 20% of salary divided by exercise price in share options. These are awarded under the Cohort plc 2016 Company Share Option Plan and become exercisable between three and ten years from date of grant. There are no future performance conditions other than share price growth. Malus and clawback provisions apply. All awards can be reduced to zero at the discretion of the Committee.

A new long-term performance award scheme commences 1 May 2021 with the base year for this scheme being 2020/21.

Retirement allowance

From 1 April 2019, the Company has paid (and will continue to pay) to the Executive Directors 4% of annual salary as a retirement allowance. This payment does not count towards the Executive Directors' determination of bonus. This is a result of the impact of HMRC tax regulations in respect of a cap on annual pension contributions of £10,000 (£4,000 from April 2020). This is in line with pension contribution rates to the wider workforce.

Remuneration Committee report continued

Annual Report on Remuneration continued

Directors' interests in the equity of Cohort plc (unaudited)

	At 30 April 2021 (or on retirement) Number of 10p ordinary shares	At 30 April 2020 Number of 10p ordinary shares
S Carter	**9,094,202**	9,096,154
N Prest CBE	**1,791,738**	2,076,738
J Perrin	**4,000**	4,000
A Thomis	**216,617**	197,106
Sir Robert Walmsley (retired 31 December 2020)	**30,000**	30,000
S Walther	**210,248**	193,707

The Directors in office during the year under review and their interests in the equity of the Company are shown in the table above. The changes in the Executive Directors' equity interests in the Company between 30 April 2020 and 30 April 2021 are analysed as follows:

	A Thomis	S Walther
At 30 April 2020	197,106	193,707
Shares awarded under Restricted Share Scheme	14,771	11,556
Shares acquired under Cohort plc Share Incentive Plan	407	407
Cohort plc shares purchased through Cohort plc SAYE scheme	1,480	440
Shares acquired under Cohort plc 2016 share options scheme	—	2,996
Automatic dividend reinvestment in shares (within an ISA and/or a SIPP)	2,853	1,160
Shares sold on transfer to ISA	—	(18)
At 30 April 2021	**216,617**	**210,248**

The Executives' shareholdings at 30 April 2021 represent 533% of Andrew Thomis' and 662% of Simon Walther's annual salaries respectively (at 30 April 2020 the respective levels were 435% and 546%) and are based upon the market price of Cohort plc shares at those respective dates: £6.42 at 30 April 2021 and £5.75 at 30 April 2020. These levels exceed shareholding targets set by the Remuneration Committee.

Of the above shareholdings at 30 April 2021, 25,408 (2020: 28,406) of Andrew Thomis' and 19,880 (2020: 22,228) of Simon Walther's are held on trust by the EBT as part of the Restricted Share Scheme and do not receive a dividend.

There were changes in the interests of the other Directors as follows; Stanley Carter's interests were reduced by 1,952 shares in the year by transfer to non-dependent family members. Nick Prest sold 285,000 shares on 12 January 2021 at a price of £6.15 per share. The sale was for personal financial reasons and to satisfy institutional demand for Cohort plc shares. None of the Chairman's or the Non-executive Directors' shareholdings are held as part of the Restricted Share Scheme (2020: £Nil).

Performance incentives (unaudited)

The Cohort Executive Directors' bonus scheme was agreed by the Board on 19 June 2013 following a recommendation from the Committee. This scheme has applied for the year ended 30 April 2021.

The Committee has reviewed the scheme of the Executive Directors and other members of the Group Executive Management during the financial year and considered that it remains appropriate to incentivise and reward delivery of the business strategy and superior financial and operational performance. Shareholders have raised concerns about some aspects of our Remuneration Policy. A new policy has been set out in this Remuneration Committee report and we have embarked on a shareholder consultation exercise in respect of this.

At the Committee meeting held on 27 May 2021, the following awards were made to the Executive Directors:

i. In-year and long-term cash bonuses totalling £101,987 for the year ended 30 April 2021 (2020: £116,188).

ii. Restricted Share awards were approved as follows:

	In respect of the year ended 30 April 2021		In respect of the year ended 30 April 2020	
	Actual number of shares	Estimated value of shares £	Actual number of shares	Actual value of shares £
A Thomis	**11,024**	**66,274**	14,771	98,966
S Walther	**8,624**	**51,850**	11,556	77,425
	19,648	**118,124**	26,327	176,391

Remuneration Committee report continued

Annual Report on Remuneration continued

Performance incentives (unaudited) continued

The in-year performance achieved resulted in 5% of salary being awarded as an in-year bonus for the year ended 30 April 2021 (5% for the year ended 30 April 2020). The long-term performance achieved was below the maximum over the performance period resulting in cash bonus payments of 16.94% (2020: 20.00%) of salary and Restricted Share Awards with a value of 25.42% (2020: 30.00%) of salary, together 42.36% of salary, for the year ended 30 April 2021 (50.00% for the year ended 30 April 2020).

The total estimated value received by the Executive Directors in respect of the Restricted Share awards, including income tax and employee National Insurance, was £222,875 in respect of the year ended 30 April 2021 (2020: £332,813). The Restricted Share awards in respect of the year ended 30 April 2020 were approved at the Committee meeting of 20 July 2020 and were awarded on 7 August 2020. The Restricted Share awards in respect of the year ended 30 April 2021 are expected to be awarded in August 2021. The actual number of shares awarded was calculated using the average mid-market share price for the year ended 30 April 2021 of 601.2 pence (2020: 529.6 pence). The total estimated Restricted Share award value is based on the Executive's marginal tax and National Insurance rates prevailing at time of award.

Ordinary shares under option granted during the year ended 30 April 2021 and outstanding at 30 April 2021 were as shown in Table 1 below.

The mid-market price of Cohort plc 10 pence ordinary shares at 30 April 2021 was 642.0 pence (2020: 575.0 pence); the lowest and highest market prices in the year were 680.0 pence and 520.0 pence respectively.

No bonuses are payable or share options awardable to the Non-executive Directors. Cash and share bonus schemes for the Group Executive Management have been established for the year ended 30 April 2022, with a similar framework to that of the Cohort Executive Directors, with varying levels of percentage of salary, none exceeding those set out above for the Executive Directors, subject to the discretion of the Committee.

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

Chairman and Non-executive Directors (unaudited)

Nick Prest CBE was appointed in February 2006. Stanley Carter was appointed Non-executive Director of Cohort plc on 22 September 2015 following his decision to step down as Co-Chairman on the same date. Jeff Perrin was appointed Non-executive Director on 1 July 2015. Edward Lowe was appointed Non-executive Director on 1 July 2019. These appointments can be terminated upon three months' notice being given by either party.

Directors' remuneration

Details of Directors' remuneration are set out in Table 2 on pages 73 and 74.

Table 1: Directors' share options (audited)

	At 1 May 2020 Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2021 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
Cohort plc 2016 share option scheme (approved)								
– Option price of £3.760 per share	7,978	—	—	—	**7,978**	25 Aug 2017	26 Aug 2020	7
Cohort plc 2016 share option scheme (unapproved)								
– Option price of £3.760 per share	1,809	—	—	—	**1,809**	25 Aug 2017	26 Aug 2020	7
– Option price of £3.900 per share	9,846	—	—	—	**9,846**	10 Aug 2018	11 Aug 2021	7
– Option price of £4.425 per share	7,569	—	—	—	**7,569**	28 Aug 2019	29 Aug 2022	7
– Option price of £6.200 per share	—	8,411	—	—	**8,411**	28 Aug 2020	29 Aug 2023	7
Save As You Earn (SAYE) scheme								
– Option price of £4.085 per share	1,480	—	(1,480)	—	**—**	1 Sep 2017	2 Sep 2020	
– Option price of £3.900 per share	1,993	—	—	—	**1,993**	1 Sep 2018	2 Sep 2021	
– Option price of £4.475 per share	933	—	—	—	**933**	6 Sep 2019	7 Sep 2022	
– Option price of £6.700 per share	—	902	—	—	**902**	4 Sep 2020	5 Sep 2023	
	31,608	9,313	(1,480)	—	**39,441**			

Remuneration Committee report continued

Annual Report on Remuneration continued
Directors' remuneration continued
Table 1: Directors' share options (audited) continued

	At 1 May 2020 Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	At 30 April 2021 Number	Date of grant	Date from which option can be exercised	Exercise period Years
S Walther								
Cohort plc 2016 share option scheme (approved)								
– Option price of £3.760 per share	7,660	—	(7,660)	—	**—**	25 Aug 2017	26 Aug 2020	7
– Option price of £3.900 per share	307	—	—	—	**307**	10 Aug 2018	11 Aug 2021	7
– Option price of £6.200 per share	—	4,608	—	—	**4,608**	28 Aug 2020	29 Aug 2023	7
Cohort plc 2016 share option scheme (unapproved)								
– Option price of £3.900 per share	7,397	—	—	—	**7,397**	10 Aug 2018	11 Aug 2021	7
– Option price of £4.425 per share	5,922	—	—	—	**5,922**	28 Aug 2019	29 Aug 2022	7
– Option price of £6.200 per share	—	1,973	—	—	**1,973**	28 Aug 2020	29 Aug 2023	7
Save As You Earn (SAYE) scheme								
– Option price of £4.085 per share	440	—	(440)	—	**—**	1 Sep 2017	2 Sep 2020	
– Option price of £4.900 per share	673	—	—	—	**673**	1 Sep 2018	2 Sep 2020	
– Option price of £4.475 per share	1,021	—	—	—	**1,021**	6 Sep 2019	7 Sep 2022	
– Option price of £6.700 per share	—	376	—	—	**376**	4 Sep 2020	5 Sep 2023	
	23,420	6,957	(8,100)	—	**22,277**			

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

Both Andrew Thomis and Simon Walther have participated in the Cohort plc Share Incentive Plan (SIP) which was launched on 1 September 2018. As at 30 April 2021, contributions were made by each of £1,200. This would convert to 208 Cohort plc ordinary shares as at 30 April 2021 based on the closing share price of 642.0 pence per share. On 1 September 2020, contributions of £1,800 each were converted to 407 ordinary shares each at 442.5 pence per share.

The terms of the Cohort plc SIP are set out in note 20.

As announced on 1 September 2020, Simon Walther exercised 7,660 Cohort plc 2016 approved share options when the market price of Cohort plc ordinary shares was £6.20 per share. Simon Walther disposed of sufficient shares to fund the option exercise. The balance of 2,996 shares being retained at 30 April 2021.

Andrew Thomis exercised 1,480 share options held under the Cohort plc SAYE scheme on 5 October 2020 when the mid-market price of Cohort plc ordinary shares was 600.0 pence per share. All shares were retained.

Simon Walther exercised 440 share options held under the Cohort plc SAYE scheme on 1 October 2020 when the mid-market price of Cohort plc ordinary shares was 613.0 pence per share. All shares were retained.

The aggregate amount of gains made by the Directors as a result of exercising share options during the year was £22,424 (2020: £317,322).

Table 2: Directors' remuneration (audited)

	Salary 2021 £	Bonus 2021 £	Restricted Share awards 2021 £	Benefits in kind 2021 £	Retirement allowance 2021 £	Emoluments 2021 £	Pension contributions 2021 £	Total 2021 £
Executive Directors								
A Thomis	**260,750**	**57,220**	**125,045**	**1,980**	**10,430**	**455,425**	**364**	**455,789**
S Walther	**204,000**	**44,767**	**97,830**	**1,980**	**8,160**	**356,737**	**364**	**357,101**
Non-executive Directors								
N Prest	**90,000**	—	—	—	—	**90,000**	—	**90,000**
S Carter	**45,000**	—	—	—	—	**45,000**	—	**45,000**
E Lowe	**45,000**	—	—	—	—	**45,000**	—	**45,000**
J Perrin	**45,000**	—	—	—	—	**45,000**	—	**45,000**
Sir Robert Walmsley	**30,000**	—	—	—	—	**30,000**	—	**30,000**
Total	**719,750**	**101,987**	**222,875**	**3,960**	**18,590**	**1,067,162**	**728**	**1,067,890**

Remuneration Committee report continued

Annual Report on Remuneration continued

Directors' remuneration continued

Table 2: Directors' remuneration (audited) continued

Sir Robert Walmsley retired on 31 December 2020. A consultancy agreement was put in place between Cohort plc and Sir Robert from 1 January 2021 where Sir Robert will receive a retainer of £6,000 per annum to provide advice, primarily in respect of naval opportunities and requirements, and additionally a day rate of £1,000 for supporting specific Group naval projects where appropriate. The consultancy agreement can be terminated by either party providing at least 30 days' notice. For the year ended 30 April 2021, Sir Robert received £6,150 under this consultancy agreement.

	Salary 2020 £	Bonus 2020 £	Restricted Share awards 2020 £	Benefits in kind 2020 £	Retirement allowance 2020 £	Emoluments 2020 £	Pension contributions 2020 £	Total 2020 £
Executive Directors								
A Thomis	260,750	65,188	147,594	1,829	10,430	485,791	906	486,697
S Walther	204,000	51,000	115,472	1,829	8,160	380,461	864	381,325
Non-executive Directors								
N Prest	90,000	—	—	—	—	90,000	—	90,000
S Carter	45,000	—	—	—	—	45,000	—	45,000
E Lowe	37,500	—	—	—	—	37,500	—	37,500
J Perrin	45,000	—	—	—	—	45,000	—	45,000
Sir Robert Walmsley	45,000	—	—	—	—	45,000	—	45,000
Total	**727,250**	**116,188**	**263,066**	**3,658**	**18,590**	**1,128,752**	**1,770**	**1,130,522**

The Restricted Share awards include tax and employee National Insurance. Edward Lowe joined the Board 1 July 2019, receiving annual fees of £45,000 per annum.

CEO remuneration as a multiple of the average remuneration of all employees (unaudited)

	2018	2019	2020	**2021**
Salary	5.26	5.38	5.76	**5.58**
Total remuneration	9.66	9.59	10.27	**9.31**

Salary includes benefits in kind and retirement allowance. Total remuneration includes all bonuses.

The decrease in the ratio from 2020 to 2021 reflects the increase in the size of the Group following the addition of ELAC, and for the CEO, no change in salary and a lower bonus.

Relative spend on pay (unaudited)

The following table shows actual expenditure of the Group on remuneration of all employees compared with distributions to shareholders and profit retained:

	Total remuneration expenditure	Other expenditure as a percentage of total remuneration			
		Dividends paid to shareholders		Profit retained	
	£'000	£'000	%	£'000	%
2021	**51,881**	**4,247**	**8**	**1,652**	**3**
2020	47,815	3,853	8	5,074	11
2019	43,109	3,464	8	1,781	4
2018	41,878	3,035	7	2,622	6

The total shareholder return performance graph is shown on page 56 of the Corporate governance report.

Directors' report

Introduction

The Directors present their report and the audited financial statements of Cohort plc for the year ended 30 April 2021. Cohort plc is a company incorporated in and operating from England. Its registered address is One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW.

Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Accounts, accordingly, the following sections of the Annual Report and Accounts are incorporated into this Directors' report by reference:

- Strategic report;
- Corporate governance report;
- Audit Committee report;
- Nomination Committee report;
- Remuneration Committee report; and
- the financial statements together with the notes to those financial statements.

Principal activities

The principal activity of the Company is that of a holding company. The principal activities of the Group are described in our Operating review on pages 16 to 36. The Company's subsidiary undertakings, including those located outside the UK, are listed in note 11 of the financial statements.

Business review

The Strategic report provides a review of the Group's business performance during the year, its strategy and likely future developments, its key performance indicators, and a description of the principal risks and uncertainties facing the business. The Chairman's statement is included in the Strategic report section on pages 7 and 8.

There have been no significant events since the balance sheet date.

Dividends

The Directors recommend a final dividend of 7.60 pence (2020: 6.90 pence) per 10 pence ordinary share which, subject to shareholder approval, is due to be paid on 27 September 2021 to ordinary shareholders on the register on 20 August 2021. Together with the interim dividend of 3.50 pence paid on 4 February 2021, the full dividend for the year will be 11.10 pence (2020: 10.10 pence), an increase of 10% over last year.

Directors and their interests

Brief biographies of the current Directors are set out on page 53, all of whom were in office throughout the year and up to the date of signing these accounts. In addition, Sir Robert Walmsley served as a Non-executive Director until 31 December 2020. Details of the Directors' interests in the equity of the Company are disclosed in the Remuneration Committee report.

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

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors during the reporting period and these remain in force at the date of this report.

The Company's rules about the appointment and replacement of Directors, together with the powers of Directors, are contained in the Articles of Association (the Articles) (available on the Company's website cohortplc.com). Changes to the Articles must be approved by special resolution of the shareholders. A summary of the matters reserved for the Board is included in the Corporate governance report and a copy is available on the Company's website (cohortplc.com).

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

Disclosure	Report	Pages
Directors who served throughout the year	Remuneration Committee report	65 to 74
Directors retiring by rotation	Nomination Committee report	62
Directors' biographies	Board of Directors	53
Directors' interests	Remuneration Committee report	65 to 74
Directors' share options	Remuneration Committee report	65 to 74

Directors' report continued

Directors and their interests continued

Table 2: Significant shareholdings and voting rights

As at 19 July 2021, the following interests of shareholders in excess of 3% have been notified to the Company:

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
S Carter	22.14	9,094,202	Direct
Schroders Investment Management	15.11	6,206,888	Direct
Liontrust Asset Management	10.21	4,191,495	Direct
Canaccord Genuity Wealth Management	8.39	3,445,500	Direct
N Prest	4.36	1,791,738	Direct
Invesco	3.51	1,443,076	Direct
Herald Investment Management	3.29	1,352,500	Direct

Research and development

During the year ended 30 April 2021 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure, was £9.5m (2020: £9.7m).

Going concern

The Group's financial statements have been prepared on the going concern basis.

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through a facility which is due for renewal in November 2022. Both the current domestic economic conditions (including the COVID-19 pandemic) and continuing UK Government budget pressures, including defence, create uncertainty, particularly over the level of demand for the Group's products.

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

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

Capital structure

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

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

Subject to the provisions of the Company's Articles and the Companies Act 2006, at a general meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought at the Annual General Meeting on 20 September 2021 are set out in the Notice of Annual General Meeting.

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

At 30 April 2021, the EBT held 172,744 Cohort plc ordinary shares, 0.42% of the issued share capital (2020: 231,048; 0.56%). The maximum number of shares held at any time in the year ended 30 April 2021 was 224,416, 0.55% of the issued share capital at that time. Shares in Cohort plc are acquired and disposed of by the EBT for the purposes of satisfying employee share options, Share Incentive and Restricted Share Schemes, details of which are shown in note 20.

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

Under its Articles, the Company has authority to issue up to half of its issued shares as new ordinary shares. This approximates to 20.5m shares at 30 April 2021.

Directors' report continued

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as: commercial contracts; bank facility agreements; property lease arrangements; and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, other than those disclosed in the Remuneration Committee report on pages 65 to 74.

International Financial Reporting Standards (IFRS)

The Group and parent company's reported results for the year ended 30 April 2021 are prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006. Information about the use of financial instruments by the Company and its subsidiaries is given in note 18 to the financial statements.

Fixed assets

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

Employee consultation

Details of our engagement with employees and how the Directors have considered their interests throughout the year are set out in our Stakeholder Engagement summary on pages 43 to 49.

Disabled employees

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

Donations

During the year ended 30 April 2021 the Group made charitable donations of £28,000 (2020: £44,000), mainly in respect of military and local charities. The Group made no political donations during the year (2020: £nil).

Environment

The Company is required to disclose its UK energy use and associated greenhouse gas emissions (GHG) under the Streamlined Energy and Carbon Reporting (SECR) Regulations, which came into force on 1 April 2019. Details of our report are set out on pages 50 to 51 of the Strategic report. As this is the second year that the Company has had to undertake a GHG emissions assessment to comply with SECR, no specific measurable energy efficiency actions have yet been undertaken.

Provision of information to the auditor

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

RSM UK AUDIT LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming AGM.

Approved by the Board of Directors on 27 July 2021 and signed on its behalf by:

Raquel McGrath
Company Secretary

Statement of Directors' responsibilities
in respect of the Annual Report and financial statements

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

The Group financial statements are required by law and accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Cohort plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board on 27 July 2021

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Financial statements

Independent auditor's report
to the members of Cohort plc

Opinion

We have audited the financial statements of Cohort plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 April 2021 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated and Company statement of financial position, Consolidated and Company cash flow statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

Summary of our audit approach

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

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

Key audit matters

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

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

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

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

Key audit matters continued

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

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

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

An overview of the scope of our audit

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 78, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

The most significant laws and regulations were determined as follows:

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

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

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

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

Use of our report

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

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

27 July 2021

Consolidated income statement
for the year ended 30 April 2021

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

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

All profit for the year is derived from continuing operations.

The accompanying notes form part of the financial statements.

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

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

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

	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	—	—	—	—	—	—	—	(163)	(163)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	750	—	750	—	750
At 30 April 2020	4,096	29,657	(1,564)	846	(3,600)	46,108	75,543	6,246	81,789
Profit for the year	—	—	—	—	—	5,463	5,463	40	5,503
Other comprehensive income for the year	—	—	—	—	—	153	153	206	359
Total comprehensive income for the year	—	—	—	—	—	5,616	5,616	246	5,862
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Issue of new shares	8	299	—	—	—	—	307	—	307
Equity dividends	—	—	—	—	—	(4,247)	(4,247)	—	(4,247)
Dividend from subsidiary with non-controlling interest	—	—	—	—	—	754	754	(754)	—
Vesting of Restricted Shares	—	—	—	—	—	290	290	—	290
Own shares purchased	—	—	(1,418)	—	—	—	(1,418)	—	(1,418)
Own shares sold	—	—	821	—	—	—	821	—	821
Net loss on selling own shares	—	—	1,093	—	—	(1,093)	—	—	—
Share-based payments	—	—	—	406	—	—	406	—	406
Deferred tax adjustment in respect of share-based payments	—	—	—	3	—	—	3	—	3
Transfer of share option reserve on vesting of options	—	—	—	(332)	—	332	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,238	—	1,238	—	1,238
At 30 April 2021	**4,104**	**29,956**	**(1,068)**	**923**	**(2,362)**	**47,760**	**79,313**	**5,738**	**85,051**

The accompanying notes form part of the financial statements.

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

Company	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2019	4,096	29,657	(348)	603	(4,350)	18,807	48,465
Impact of IFRS 16 'Leases' as at 1 May 2019	—	—	—	—	—	(29)	(29)
Restated as at 1 May 2019	4,096	29,657	(348)	603	(4,350)	18,778	48,436
Profit for the year	—	—	—	—	—	6,681	6,681
Transactions with owners of the Company, recognised directly in equity							
Equity dividends	—	—	—	—	—	(3,853)	(3,853)
Vesting of Restricted Shares	—	—	—	—	—	210	210
Own shares purchased	—	—	(3,677)	—	—	—	(3,677)
Own shares sold	—	—	1,472	—	—	—	1,472
Net loss on selling own shares	—	—	989	—	—	(989)	—
Share-based payments	—	—	—	318	—	—	318
Deferred tax adjustment in respect of share-based payments	—	—	—	193	—	—	193
Transfer of share option reserve on vesting of options	—	—	—	(268)	—	51	(217)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	750	—	750
Total contributions by and distributions to owners of the Company	—	—	(1,216)	243	750	2,100	1,877
At 30 April 2020	4,096	29,657	(1,564)	846	(3,600)	20,878	50,313
Profit for the year	—	—	—	—	—	5,820	5,820
Transactions with owners of the Company, recognised directly in equity							
Issue of new shares	8	299	—	—	—	—	307
Equity dividends	—	—	—	—	—	(4,247)	(4,247)
Vesting of Restricted Shares	—	—	—	—	—	290	290
Own shares purchased	—	—	(1,418)	—	—	—	(1,418)
Own shares sold	—	—	821	—	—	—	821
Net loss on selling own shares	—	—	1,093	—	—	(1,093)	—
Share-based payments	—	—	—	406	—	—	406
Deferred tax adjustment in respect of share-based payments	—	—	—	3	—	—	3
Transfer of share option reserve on vesting of options	—	—	—	(332)	—	24	(308)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,238	—	1,238
Total contributions by and distributions to owners of the Company	8	299	496	77	1,238	794	2,912
At 30 April 2021	**4,104**	**29,956**	**(1,068)**	**923**	**(2,362)**	**21,672**	**53,225**

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

The accompanying notes form part of the financial statements.

Consolidated and Company statement of financial position
as at 30 April 2021

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

The accompanying notes form part of the financial statements.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit after tax was £5,820,000 (2020: £6,681,000).

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

Andy Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Consolidated and Company cash flow statements
for the year ended 30 April 2021

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

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

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

The accompanying notes form part of the financial statements.

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

1. Segmental analysis

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

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

Business segment information about these subsidiaries is presented below:

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

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

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

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

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

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

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

1. Segmental analysis continued

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

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

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

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

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

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

For the purposes of monitoring segment performance and allocating resource between segments, the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment.

All assets and liabilities are allocated to reportable segments with the exception of central cash and bank borrowings, current tax and deferred tax assets and liabilities.

Goodwill and other intangible assets are allocated to reportable segments as analysed in note 9.

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

1. Segmental analysis continued

Geographical segments

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

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

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

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

Market segments

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

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

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

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

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

Product includes bespoke product, customised systems and sub-systems and is hardware and/or software. Services include operational support and training.

Further information on revenue by market segment and capability can be found in the Strategic report (pages 1 to 51).

Major customers

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

	2021					2020				
	UK MOD £'000	Portuguese MOD £'000	Customer A £'000	Customer B £'000	Customer C £'000	UK MOD £'000	Portuguese MOD £'000	Customer A £'000	Customer B £'000	Customer C £'000
Chess	**—**	**—**	**1,006**	**—**	**5,611**	—	—	1,574	—	4,244
EID	**—**	**5,935**	**—**	**10,206**	**—**	—	8,289	—	6,520	—
ELAC	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
MASS	**19,288**	**—**	**4,566**	**—**	**—**	19,751	—	5,972	—	—
MCL	**16,562**	**—**	**—**	**—**	**—**	12,938	—	—	—	—
SEA	**7,998**	**—**	**2,111**	**—**	**—**	8,494	—	2,212	—	—
	43,848	**5,935**	**7,683**	**10,206**	**5,611**	41,183	8,289	9,758	6,520	4,244

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

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

2. Employee benefit expense (including Directors)

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

Average number of employees (including Directors)

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

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration Committee report on pages 63 to 74, where the relevant disclosures have been highlighted as audited.

3. Profit for the year

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

	Notes	2021 £'000	2020 £'000
Net foreign exchange losses	18	**410**	132
Research and development costs		**9,512**	9,734
Depreciation of property, plant and equipment	10b	**1,957**	1,472
Depreciation of right of use assets	10a	**1,510**	1,168
Amortisation of other intangible assets	9	**10,103**	7,354
Cost of inventories recognised as expenses		**53,970**	45,732
Staff costs (excluding share-based payments)	2	**51,475**	47,497
Share-based payments	20	**406**	318

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

The fees payable to the auditor for audit and non-audit services are disclosed in the Audit Committee report on page 60, where the relevant disclosures have been highlighted as audited.

4. Finance income

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

All finance income is in respect of continuing operations.

5. Finance costs

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

All finance costs are in respect of continuing operations.

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

6. Income tax charge

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

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

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

The deferred tax includes a credit of £2,374,000 in respect of amortisation of other intangible assets (2020: £1,425,000), and a credit of £78,000 (2020: credit of £25,000) in respect of marking forward exchange contracts to market value at the year end. The deferred tax is further explained in note 17.

The tax charge for the year is reconciled to profit per the Consolidated income statement for the year ended 30 April 2021 as follows:

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

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

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

7. Dividends

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

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

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc representing 0.42% (2020: 0.56%) of the Company's called up share capital, has agreed to waive all dividends due to it in accordance with an arrangement dated 20 November 2009.

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

8. Earnings per share

The earnings per share are calculated as follows:

	2021			2020		
	Weighted average number of shares Number	**Earnings £'000**	**Earnings per share pence**	Weighted average number of shares Number	Earnings £'000	Earnings per share pence
Basic earnings (net profit attributable to equity holders of Cohort plc)	**40,841,923**	**5,463**	**13.38**	40,728,149	9,559	23.47
Share options	**413,249**			409,484		
Diluted earnings	**41,255,172**	**5,463**	**13.24**	41,137,633	9,559	23.24

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

The weighted average number of shares for the years ended 30 April 2021 and 30 April 2020 is after deducting the own shares, which are held by the Cohort Employee Benefit Trust.

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

		2021			2020		
	Notes	**Weighted average number of shares Number**	**Earnings £'000**	**Earnings per share pence**	Weighted average number of shares Number	Earnings £'000	Earnings per share pence
Basic earnings		**40,841,923**	**5,463**	**13.38**	40,728,149	9,559	23.47
Charge on marking forward exchange contracts at the year end (net of tax credit of £78,000 (2020: credit of £25,000))	18	**—**	**332**	**—**	—	107	—
Acquisition cost of ELAC (net of tax credit of £6,000 (2020: tax credit of £76,000))	30	**—**	**100**	**—**	—	874	—
Costs of relocation of MASS's Lincoln facility (net of tax of £112,000)		**—**	**—**	**—**	—	478	—
Adjustment to earn-out on acquisition of Chess	29	**—**	**38**	**—**	—	(750)	—
Costs of restructuring at SEA (net of tax of £124,000)			**527**	**—**	—	—	
Loss on disposal of SEA's subsea business (net of tax of £12,000)		**—**	**510**	**—**	—	—	—
Amortisation of other intangible assets (see below)		**—**	**6,763**	**—**	—	4,840	—
Adjusted earnings		**40,841,923**	**13,733**	**33.63**	40,728,149	15,108	37.10
Share options		**413,249**	**—**		409,484	—	—
Diluted adjusted earnings		**41,255,172**	**13,733**	**33.29**	41,137,633	15,108	36.73

The adjusted earnings are in respect of continuing operations. The research and development expenditure credit (RDEC) has no effect on adjusted earnings per share as it is Nil after tax.

The following table shows the adjustment to earnings for calculating the adjusted earnings per share.

	2021					2020				
	Amortisation of other intangible assets (note 9) £'000	**Deferred tax credit thereon £'000**	**Net £'000**	**Non-controlling interest £'000**	**Attributable to equity shareholders of the Group £'000**	Amortisation of other intangible assets (note 9) £'000	Deferred tax credit thereon £'000	Net £'000	Non-controlling interest £'000	Attributable to equity shareholders of the Group £'000
Chess	**6,319**	**(1,201)**	**5,118**	**(929)**	**4,189**	6,538	(1,242)	5,296	(962)	4,334
EID	**237**	**(53)**	**184**	**(37)**	**147**	816	(183)	633	(127)	506
ELAC	**3,547**	**(1,120)**	**2,427**	**—**	**2,427**	—	—	—	—	—
	10,103	**(2,374)**	**7,729**	**(966)**	**6,763**	7,354	(1,425)	5,929	(1,089)	4,840

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

9. Goodwill and other intangible assets

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

	Other intangible assets						
	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	ELAC £'000	Group £'000
Cost							
At 1 May 2019	7,955	4,340	15,678	10,247	23,934	—	62,154
Adjustment to fair value on acquisition of Chess	—	—	—	—	—	—	—
At 1 May 2020	7,955	4,340	15,678	10,247	23,934	—	62,154
Acquisition of ELAC Sonar	—	—	—	—	—	11,962	11,962
At 30 April 2021	**7,955**	**4,340**	**15,678**	**10,247**	**23,934**	**11,962**	**74,116**
Amortisation							
At 1 May 2019	7,955	4,340	15,678	8,723	4,870	—	41,566
Charge for the year ended 30 April 2020	—	—	—	816	6,538	—	7,354
At 1 May 2020	7,955	4,340	15,678	9,539	11,408	—	48,920
Charge for the year ended 30 April 2021	—	—	—	237	6,319	3,547	10,103
At 30 April 2021	**7,955**	**4,340**	**15,678**	**9,776**	**17,727**	**3,547**	**59,023**
Net book value							
At 30 April 2021	**—**	**—**	**—**	**471**	**6,207**	**8,415**	**15,093**
At 30 April 2020	—	—	—	708	12,526	—	13,234

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

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

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

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

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

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

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

9. Goodwill and other intangible assets continued

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

	Basis of estimate
Cash flow	As in previous years, the cash flows for the years ending 30 April 2022, 2023 and 2024 are based upon the cash-generating units' budgets and forecasts for those years. These cash flows are based upon the revenue, margin and overhead cost forecasts for each business taking account of the run-off of order book, renewal of existing business and winning of new business. Historically, these cash flow forecasts have been a reasonable forecast of actual performance over the period of measurement. Costs reflect inflation rates, currently assumed at 2% (2020: 2%). With regard to the revenue, margin and overhead cost forecasts, the key assumptions underlying these inputs are that current projects contracted will continue as per agreement, that government defence spending will remain largely consistent in the future and that each cash-generating unit will continue to be as successful in competing for new contracts as it has been historically. At 30 April 2021, nearly £100m (65% of consensus forecasts) of revenue for 2022 was already under contract and, as such, the main assumptions related to revenue volumes are in periods for 2023 and after where there is greater uncertainty and risk.
Growth rate	The cash flows for each UK-based cash-generating unit from years four to twenty inclusive are based upon the forecast cash flow for the year ending 30 April 2024 to which a growth rate of 1.5% is applied each year (2020: 1.5%). This rate reflects a prudent view of recent UK growth rates and is below the historically higher UK growth rate of 2.25%. The growth rate is similar for all of the UK-based cash-generating units as a significant proportion of their business is with the same customer, the UK MOD. As a significant proportion of the business is with the UK Government, a more prudent growth rate has been used to reflect lower expected growth rates of UK Government expenditure. In the case of EID, its main customer is the Portuguese MOD. As such, the growth rate assumed for EID's future cash flows is 1.0% (2020: 1.0%), reflecting the expected growth rate for Portuguese Government expenditure. In the case of ELAC, its domestic customer, the German Bundeswehr, does not form a significant proportion of its revenue with much of its business from export customers. A growth rate of 1.5% has been assumed for ELAC in 2021. The longevity of the cash flows used reflects the length of our order books and the long duration of the customer platforms and applications we supply and support.

WACC comprises a number of elements as follows:

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

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was 10.4% (2020: 9.2%). The Group WACC has been deemed appropriate to use for each cash-generating unit as all funding is cross-guaranteed and therefore the same cost of funding is incurred by each cash-generating unit. The increase in the Group's pre-tax WACC is due to higher interest rates and equity risk partly offset by a lower volatility (Beta factor), both of the latter in respect of Cohort plc shares.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2021 in respect of any of Chess, EID, ELAC, MASS, MCL or SEA. Sensitivity was applied to the impairment tests to deliver a material impairment of goodwill. If the post-tax WACC is increased to over 10%, SEA's goodwill (£22.6m) is impaired by around £10m. SEA's goodwill is the most sensitive to impairment due to its current high level of segmental current assets. This impairment would arise if the higher equity risk was applied to the post-tax WACC calculation.

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

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

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

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

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

10. Fixed assets

a) Right of use assets

The Group adopted IFRS 16 'Leases' as from 1 May 2019. The Group applied IFRS 16 using the modified retrospective with cumulative effect method, i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 May 2019.

	Group			
Cost of right of use assets	Property £'000	Fixtures and equipment £'000	Total £'000	Company £'000
At 1 May 2019	5,450	467	5,917	325
Additions	2,475	128	2,603	—
Disposals	(451)	—	(451)	—
Foreign exchange movement	—	(1)	(1)	—
At 1 May 2020	7,474	594	8,068	325
Additions	—	529	529	26
Disposals	(229)	(61)	(290)	—
Acquired (see note 30)	1,430	10	1,440	—
Foreign exchange movements	(43)	(5)	(48)	—
At 30 April 2021	**8,632**	**1,067**	**9,699**	**351**

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

	Group			
Lease liabilities	Property £'000	Other £'000	Total £'000	Company £'000
At 1 May 2019	5,598	467	6,065	354
New lease liabilities	2,418	128	2,546	—
Interest charge	233	13	246	11
Payments	(1,161)	(199)	(1,360)	(88)
At 1 May 2020	7,088	409	7,497	276
New lease liabilities	—	341	341	26
Acquired (see note 30)	1,465	11	1,476	—
Interest charge	225	12	237	8
Payments	(1,689)	(259)	(1,948)	(89)
Foreign exchange movement	(44)	(4)	(48)	—
At 30 April 2021	**7,045**	**510**	**7,555**	**221**
Current	1,320	251	1,571	101
Non-current	5,725	259	5,984	121
At 30 April 2021	**7,045**	**510**	**7,555**	**221**
Current	1,078	179	1,257	80
Non-current	6,010	230	6,240	196
At 30 April 2020	7,088	409	7,497	276

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

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

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

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

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

b) Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2019	9,994	8,738	18,732
Additions	353	2,309	2,662
Disposals	—	(121)	(121)
Foreign exchange movement	—	6	6
At 1 May 2020	10,347	10,932	21,279
Additions	35	1,212	1,247
Disposals	(223)	(489)	(712)
Acquired (see note 30)	—	1,419	1,419
Foreign exchange movement	—	(68)	(68)
At 30 April 2021	**10,159**	**13,006**	**23,165**
Depreciation			
At 1 May 2019	2,321	5,455	7,776
Charge in the year	314	1,158	1,472
Eliminated on disposal	—	(92)	(92)
Foreign exchange movement	—	2	2
At 1 May 2020	2,635	6,523	9,158
Charge in the year	336	1,621	1,957
Eliminated on disposal	(211)	(271)	(482)
Foreign exchange movement	—	(4)	(4)
At 30 April 2021	**2,760**	**7,869**	**10,629**
Net book value			
At 30 April 2021	**7,399**	**5,137**	**12,536**
At 30 April 2020	7,712	4,409	12,121

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

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

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

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

11. Investment in subsidiaries and joint ventures

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

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

11. Investment in subsidiaries and joint ventures continued
A list of all the investments in joint ventures and subsidiaries is as follows:

Name of company	Registered office	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned					
Systems Consultants Services Limited (SCS)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Formerly a provider of technical consultancy Dormant
MASS Limited	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Ltd. (SEA)	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Holding company of Systems Engineering & Assessment Ltd and Beckington Castle Ltd
Marlborough Communications (Holdings) Limited	Dovenby Hall, Balcombe Road, Horley, Surrey RH6 9UU	England	Ordinary	100%	Holding company of Marlborough Communications Limited
Thunderwaves, S.A.	6. Ruo do Alecrim 26E 1200-018, Lisbon	Portugal	Ordinary	100%	Holding company of EID
Cohort Deutschland GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Holding company for ELAC SONAR GmbH
Chess Technologies Limited (Chess)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	81.84%	Holding company of Chess Dynamics Limited, Chess Dynamics Inc and Vision4ce Limited
Held through a subsidiary					
MASS Consultants Limited (MASS)	Enterprise House, Great North Road, Little Paxton, St. Neots, Cambridgeshire PE19 6BN	England	Ordinary	100%	Electronic warfare, managed services, secure communications and digital services
Systems Engineering & Assessment Ltd	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to the defence and transport markets and is also the holding company of JS Residual Ltd
JS Residual Ltd	Riverside Road, Pottington Business Park, Barnstaple, Devon EX31 1LY	England	Ordinary	100%	Subsidiary of Systems Engineering & Assessment Ltd. Holds investment in SEA's Canadian operations Dormant
Marlborough Communications Limited (MCL)	Dovenby Hall, Balcombe Road, Horley, Surrey RH6 9UU	England	Ordinary	100%	Designs, sources and supports advanced electronic and surveillance technology
Beckington Castle Ltd	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Property company holding freehold of Beckington Castle and SEA's Bristol office
Chess Dynamics Limited	Quadrant House, North Heath Business Park, North Heath Lane Horsham, West Sussex RH12 5QE	England	Ordinary	100%	Design and production of detection and tracking systems, as well as counter UAV solutions for the defence and security markets
Empresa de Investigação e Desenvolvimento de Electrónica, S.A. (EID)	Quinta dos Medronheiros-Lazarim, 2820-486 Charneca da Caparica, Lisbon	Portugal	Ordinary	80%	Designs and manufactures advanced communications systems for the defence and security markets
8963665 Canada Inc.	1100, Boul Rene-Levesque O, Porte 2500, Montreal (Quebec), Canada H3B 5C9	Canada	Ordinary	100%	The holding company of the Group's investment in JSK Naval Support Inc.
JSK Naval Support Inc.	193 Brunswick Blvd, Quebec, Canada H9R 5N2	Canada	Ordinary	50%	A joint venture between SEA and a Canadian supplier to deliver and support SEA products and services into the Canadian Navy
Vision4ce Limited	Unit 4, Wokingham Commercial Centre, Molly Millars Lane, Wokingham RG41 2RF	England	Ordinary	100%	Software solutions for detection, tracking and C-UAV systems
Chess Dynamics Inc	7060 S Tucson Way A, Centennial, CO 80112 USA	USA	Ordinary	100%	US representative of Chess's UK business
ELAC SONAR GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Supplies advanced sonar systems and underwater communications to global customers in the naval market
ELAC SONAR Unterstützungskasse GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Social institution of ELAC SONAR GmbH which provides pension-related support benefits to ELAC SONAR GmbH employees

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

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

11. Investment in subsidiaries and joint ventures continued

Company

The Company's investments in subsidiaries are as follows:

	Chess £'000	Cohort Deutschland £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Thunderwaves £'000	Total £'000
At 1 May 2019	18,702	—	14,546	16,498	1,584	26,511	12,884	90,725
Share-based payments	21	—	111	27	—	82	45	286
Vested in year	—	—	(109)	(22)	—	(87)	—	(218)
Deferred tax on share-based payments charged directly to equity	20	—	76	14	—	67	—	177
At 1 May 2020	18,743	—	14,624	16,517	1,584	26,573	12,929	90,970
Additions	—	24	—	—	—	—	—	24
Share-based payments	64	—	139	35	—	88	32	358
Vested in year	—	—	(109)	(32)	—	(107)	(59)	(307)
Deferred tax on share-based payments charged directly to equity	(10)	—	(4)	1	—	6	—	(7)
At 30 April 2021	**18,797**	**24**	**14,650**	**16,521**	**1,584**	**26,560**	**12,902**	**91,038**

12. Inventories

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

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

13. Trade and other receivables

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

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

The average credit period taken on sales of goods is 38 days (2020: 37 days). Of the trade receivables balance, £9.8m was considered overdue at 30 April 2021 (30 April 2020: £6.1m). The increase in the debtor days is due to slippage of some receivables from the UK MOD into early 2021/22. Overdue is defined as trade receivables still outstanding beyond invoice terms (typically 30 days). The allowance for doubtful debt is determined by management's best estimates, by reference to the particular receivables over which doubt may exist. None of the other receivables were past due.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. One of the largest trade receivables, to which the Group is exposed at 30 April 2021, is the UK MOD (customer B below) with a balance outstanding of £5.9m (2020: £2.0m). Customers who represent more than 5% of trade receivables include:

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

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

Trade receivables include £13.9m (2020: £7.1m) denominated in foreign currency. The predominant currency of the trade receivables is pounds sterling.

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

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

13. Trade and other receivables continued

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

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

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

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

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

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

14. Trade and other payables

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

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing contract costs. Advance receipts reflect invoicing ahead of work done in accordance with contracted terms. The average credit period taken for trade purchases is 41 days (2020: 43 days), based upon each Group business's standard payment terms. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms (see Risk management, pages 37 to 42).

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

Social security and other taxes include employment taxes and VAT.

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

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

14. Trade and other payables continued

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

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

15. Bank borrowings

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

These borrowings are repayable as follows:

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

The weighted average interest rates paid were as follows:

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

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

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

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

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

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

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

15. Bank borrowings continued

The Group has entered into separate bilateral arrangements with each of its banks, Lloyds and NatWest, for ancillary facilities including bonding, letters of credit and foreign exchange contracts.

Similar bilateral arrangements exist for EID with its bank in Portugal. In addition, EID has an overdraft facility of €2.5m with Santander which is renewable on a six-month rolling basis. This facility was undrawn at 30 April 2021.

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

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

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

16. Provisions

Group	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2019	651	775	1,426
On acquisition (see note 29)	—	900	900
Released to the income statement	(155)	(257)	(412)
Utilised	(95)	(7)	(102)
Foreign exchange movement	4	—	4
At 1 May 2020	405	1,411	1,816
On acquisition (see note 30)	275	2,373	2,648
Charged/(released) to the income statement	203	(506)	(303)
Utilised	(128)	(26)	(154)
Foreign exchange movement	(8)	(73)	(81)
At 30 April 2021	**747**	**3,179**	**3,926**
Provisions due in less than one year	747	2,039	2,786
Provisions due in greater than one year	—	1,140	1,140
At 30 April 2021	**747**	**3,179**	**3,926**
Provisions due in less than one year	405	1,141	1,546
Provisions due in greater than one year	—	270	270
At 30 April 2020	405	1,411	1,816

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

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

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

16. Provisions continued

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

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

17. Deferred tax

	Accelerated tax depreciation £'000	Other intangible assets £'000	Revaluation of building £'000	Other short-term timing differences £'000	Share options £'000	Derivatives £'000	Group £'000
At 1 May 2019	(143)	(3,713)	(301)	332	130	19	(3,676)
Credit/(charge) to the income statement in respect of the current tax year	(102)	1,425	7	(56)	31	25	1,330
Charge to the income statement in respect of prior tax years	(33)	—	—	(3)	—	—	(36)
Effect of tax rate change from 17.0% to 19.0% for assets/liabilities falling after April 2020	(14)	—	(34)	8	4	—	(36)
Foreign exchange movement	—	—	—	3	—	—	3
Recognised in the income statement	(149)	1,425	(27)	(48)	35	25	1,261
Recognised in equity	—	—	—	—	193	—	193
At 1 May 2020	(292)	(2,288)	(328)	284	358	44	(2,222)
On acquisition (see note 30)	—	(3,777)	—	1,470	—	—	(2,307)
Credit/(charge) to the income statement in respect of the current tax year	24	2,374	8	(1)	15	78	2,498
Credit/(charge) to the income statement in respect of prior tax years	(108)	—	—	4	(4)	—	(108)
Foreign exchange movement	—	(1)	—	2	—	—	1
Recognised in the income statement	(84)	2,373	8	5	11	78	2,391
Recognised in equity	—	—	—	—	3	—	3
At 30 April 2021	**(376)**	**(3,692)**	**(320)**	**1,759**	**372**	**122**	**(2,135)**

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

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

A deferred tax liability in respect of the revaluation of a freehold building arose on the acquisition of SEA and is the potential tax liability payable on the revaluation gain in respect of the building with reference to its historical cost.

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

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

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

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

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

18. Derivative financial instruments
The Group has derivative financial instruments as follows:

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

The changes in marking the outstanding foreign currency forward contracts to fair value (which are based upon quoted market valuations) are credited or charged to the Consolidated income statement as "credit/(charge) on marking forward exchange contracts to market value at the year end". They are in respect of trading contracts undertaken by the Group and in respect of Chess, MCL and SEA and are disclosed within their respective operating profits in the segmental analysis (see note 1; 2020: MCL and SEA). They are considered to be level 1 classification. The charge (2020: charge) to the Consolidated income statement for the year ended 30 April 2021 was as follows:

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

Currency derivatives
The Group utilises forward currency contracts to hedge significant future transactions and cash flows. The Group is party to a number of foreign currency forward contracts in the management of its foreign exchange rate exposure.

The changes in total outstanding committed foreign currency forward contracts of the Group were as follows:

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

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

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

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

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

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

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

The following significant exchange rates applied at 30 April:

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

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

19. Share capital

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

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

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

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

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

New shares were issued as follows:

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

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

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

20. Share options

The Group grants new share options under the Cohort plc 2016 share option scheme to senior management and key employees. Previous options have been granted under the Cohort plc 2006 share option scheme. The Group also operates a Save As You Earn (SAYE) scheme and a Share Incentive Plan (SIP), both of which are available to all employees.

The following options were outstanding at 30 April 2021:

Scheme and grant date	Exercise price £	Vesting date	Expiry date	30 April 2021 Vested	30 April 2021 Not vested	30 April 2021 Total	30 April 2020 Vested	30 April 2020 Not vested	30 April 2020 Total
Cohort plc 2006 share option scheme									
23 Jul 2010	0.835	24 Jul 2013	23 Jul 2020	—	—	—	15,000	—	15,000
26 Jul 2011	0.915	27 Jul 2014	26 Jul 2021	**22,000**	—	**22,000**	22,000	—	22,000
2 Aug 2012	1.165	3 Aug 2015	2 Aug 2022	**8,500**	—	**8,500**	8,500	—	8,500
9 Aug 2013	1.675	10 Aug 2016	9 Aug 2023	**10,700**	—	**10,700**	10,700	—	10,700
11 Aug 2014	1.975	12 Aug 2017	11 Aug 2024	**12,600**	—	**12,600**	12,600	—	12,600
20 Aug 2015	3.725	21 Aug 2018	20 Aug 2025	**38,603**	—	**38,603**	72,090	—	72,090
Cohort plc 2016 share option scheme									
15 Aug 2016	3.400	16 Aug 2019	15 Aug 2026	**40,219**	—	**40,219**	81,366	—	81,366
25 Aug 2017	3.760	26 Aug 2020	25 Aug 2027	**170,784**	—	**170,784**	—	272,158	272,158
10 Aug 2018	3.900	11 Aug 2021	10 Aug 2028	—	**272,433**	**272,433**	—	304,553	304,553
28 Aug 2019	4.425	29 Aug 2022	28 Aug 2029	—	**379,249**	**379,249**	—	408,907	408,907
18 Sep 2019	4.875	19 Sep 2022	18 Sep 2029	—	**13,491**	**13,491**	—	13,491	13,491
7 Nov 2019	5.500	8 Nov 2022	7 Nov 2029	—	**5,454**	**5,454**	—	5,454	5,454
28 Aug 2020	6.200	29 Aug 2023	28 Aug 2030	—	**347,769**	**347,769**	—	—	—
1 Oct 2020	6.150	2 Oct 2023	1 Oct 2030	—	**6,000**	**6,000**	—	—	—
28 Apr 2021	6.340	29 Apr 2024	28 Apr 2031	—	**80,000**	**80,000**	—	—	—
				303,406	**1,104,396**	**1,407,802**	222,256	1,004,563	1,226,819
Save As You Earn (SAYE) scheme									
14 Aug 2015	3.380			—	—	—	—	33,509	33,509
29 Aug 2016	3.550			—	**27,811**	**27,811**	6,853	29,332	36,185
25 Aug 2017	4.085			**3,087**	**27,853**	**30,940**	—	80,392	80,392
1 Sep 2018	3.900			—	**56,401**	**56,401**	—	62,065	62,065
6 Sep 2019	4.475			—	**88,225**	**88,225**	—	96,011	96,011
4 Sep 2020	6.700			—	**68,563**	**68,563**	—	—	—
				3,087	**268,853**	**271,940**	6,853	301,309	308,162
				306,493	**1,373,249**	**1,679,742**	229,109	1,305,872	1,534,981

The SAYE options have maturity periods of three or five years from the date of grant. The Group plan provides for a grant price equal to the closing market price of the Group shares on the trading day prior to the date of grant. In the case of the SAYE schemes, the price is determined on the date before the invitation to participate, which was on 10 August 2020 for the 2020 scheme. The vesting period is generally three years, five years in the case of some SAYE options.

If options under the Cohort plc 2006 or 2016 share option schemes remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

The Group launched an all-employee Share Incentive Plan (SIP) on 1 September 2018. The scheme provides for participating employees to save up to £150 per month throughout each annual accumulation period. At the end of each accumulation period (30 August each year), the amount saved will be used to purchase Cohort plc ordinary shares at the lower of the mid-market share price on the first and last day of accumulation period.

The shares to be issued under the Group's SIP scheme are provided by the Cohort Employee Benefit Trust (see note 21).

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

20. Share options continued

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

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

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

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

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

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

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

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

The Group recognised a cost of £406,000 (2020: £318,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to the share option reserve.

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

21. Own shares

	£'000
Balance at 1 May 2019	348
Acquired in the year	3,677
Sold in the year	(1,472)
Loss on shares sold in the year	(989)
Balance at 30 April 2020	1,564
Acquired in the year	1,418
Sold in the year	(821)
Loss on shares sold in the year	(1,093)
Balance at 30 April 2021	**1,068**

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

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

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

21. Own shares continued

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

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

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

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

In addition, 62,543 (2020: 51,816) ordinary shares in Cohort plc were transferred at nil value realising a loss on sale of shares of £419,000 for the purpose of satisfying shares awarded to the Executive Directors (see the Remuneration Committee report on pages 65 to 74) and senior management under the Group's Restricted Share Scheme. The total loss on satisfying share options and Restricted Shares by the Employee Benefit Trust was £1,093,000 (2020: £989,000). 26,321 of the shares sold at £4.425 per share were in respect of satisfying the Group's SIP.

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

As at 30 April 2021, an estimated 18,000 shares (2020: 18,000) held by the Employee Benefit Trust expect to be issued under the SIP on which no estimated loss or gain (2020: loss of £43,000) would be recognised as they are issued.

The market valuation of the ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2021 was £1,109,016 (2020: £1,328,526).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2021 was £24,349 (2020: £23,825) and this cost is included within "Administrative expenses" in the Consolidated income statement.

22. Reserves and non-controlling interests

The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements on pages 87 and 88. Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shares issued, including those issued to the Cohort Employee Benefit Trust (see note 19).
- Share premium includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account.
- Own shares held by the Group represent shares in Cohort plc. All the shares are held by the Cohort Employee Benefit Trust (see note 21).
- Share option reserve represents the cumulative share-based payment charged to reserves less the transfer to retained earnings on vesting of options.
- The other reserve represented the final earn-out payable on the acquisition of the non-controlling interest (18.16%) of Chess. This reserve is expected to be fully utilised by 30 April 2022.
- Retained earnings include the realised gains and losses made by the Group and the Company.

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

22. Reserves and non-controlling interests continued

The non-controlling interests are analysed as follows:

Group	EID (20.00%) £'000	Chess (18.16%) £'000	Total £'000
At 1 May 2019	2,517	3,762	6,279
Profit/(loss)	375	(250)	125
Other comprehensive income	5	—	5
Change in the fair value of assets acquired with Chess	—	(163)	(163)
At 1 May 2020	2,897	3,349	6,246
Profit/(loss)	589	(549)	40
Other comprehensive income	206	—	206
Dividend from subsidiary with non-controlling interest	(754)	—	(754)
At 30 April 2021	**2,938**	**2,800**	**5,738**

23. Net cash from operating activities

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

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

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

24. Leases

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

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

25. Commitments

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

26. Retirement benefit obligations

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

i. Defined contribution schemes

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

ii. Defined benefit schemes

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

Retirement benefit risks

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

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

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

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

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

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

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

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

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

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

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

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

The present value of defined benefit obligations comprised:

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

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

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

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

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

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

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

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

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

26. Retirement benefit obligations continued

Actuarial assumptions continued

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

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

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

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

Sensitivity analysis

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

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

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

27. Contingent liabilities

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

28. Related party transactions

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

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

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

28. Related party transactions continued
During the year ended 30 April 2021, the Directors of Cohort plc received dividends from the Company as follows:

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

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

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

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

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

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

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

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

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

This option is exercisable by 31 October 2021 and is capped at £9.1m. The amount payable is dependent upon the performance of the Chess business for the three years ended 30 April 2021.

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

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

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

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

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

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

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

The acquisition accounting is as follows:

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

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

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

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

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

The most significant fair value adjustment is in respect of the other intangible assets and is analysed, including their estimated useful lives, as follows:

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

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

The other intangible assets acquired are based upon the following:

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

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

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

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

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

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

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

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

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

Accounting policies

Basis of accounting

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

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

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

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

Going concern

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

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

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

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report on pages 1 to 51 and included in the Risk management section on pages 37 to 42. The financial position of the Company, its cash flows, its liquidity position and its borrowing facilities are also described in the Strategic report on pages 1 to 51.

In addition, the Strategic report includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 30 April 2021. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see "Business combinations" below).

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

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

Transactions eliminated on consolidation

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

Adoption of new and revised standards

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

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

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

Accounting policies continued

Adoption of new and revised standards continued

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

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

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

Bank borrowings

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

Borrowing costs

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

Business combinations

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

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss as an exceptional item.

The Group measures the non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquired business in the event of liquidation, at its proportionate interest in the recognised amount of the identifiable net assets of the acquired business at the acquisition date.

Where less than 100% of a subsidiary is acquired but the Group has effective control, that subsidiary is accounted for as if 100% were acquired with the non-controlling interest recognised appropriately.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Cash and cash equivalents

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

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise and are disclosed separately in deriving the Group's adjusted operating profit.

Equity instruments

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

Accounting policies continued

Exceptional items

The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance, reported as the adjusted operating profit. Events which may give rise to the classification of items as exceptional, if of a significantly material value, include gains or losses on the disposal of a business or the restructuring of a business, transaction costs, litigation and similar settlements, asset impairments and onerous contracts.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Foreign currencies

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

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

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

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

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

Goodwill

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Accounting policies continued

Intangible assets

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

Inventories

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

Joint ventures

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

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

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

Leases

The Group applied IFRS 16 using the modified retrospective approach and therefore the comparative information (prior to 1 May 2019) was not restated and continues to be reported under IAS 17.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative standalone price and the aggregate standalone price of the non-lease components.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, to the extent that the right of use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and of short-term (less than 12 months) leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Accounting policies continued

Pension contributions

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

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

Property, plant and equipment

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

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

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

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

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

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

Provisions

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

Warranty

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

Other contract related provisions including contract loss provisions

These include the following:

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

Contract loss provisions are reviewed on a regular basis to determine whether the provision is still adequate or excessive. Contract loss provisions and subsequent adjustments to them are charged as cost of sales in the income statement.

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

Research and development expenditure

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

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

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

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

Revenue and profit recognition

The Group applies IFRS 15 'Revenue from Contracts with Customers'.

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Group to customers in exchange for consideration in the ordinary course of the Group's activities.

Accounting policies continued

Performance obligations

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

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

Transaction price

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

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

Revenue and profit recognition

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

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

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

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

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

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

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

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

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

Accounting policies continued

Software licences

The Group sells software licences either separately or together with other goods and services, including computer hardware and implementation, hosting and support. Revenue recognition in respect of software licences sold as part of a bundle of goods and services is considered separately when the licence is determined to be a separate performance obligation. Software licences either represent a right to access the Group's intellectual property as it exists throughout the licence period or a right to use the Group's intellectual property as it exists at the point in time at which the licence is granted. Revenue in respect of right to access licences is recognised over the licence term or, in relation to perpetual licences, over the related customer relationship and revenue in respect of right to use licences is recognised upfront on delivery to the customer.

A software licence is considered to be a right to access the Group's intellectual property as it exists throughout the licence period if all of the following criteria are satisfied:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property;
- the licence directly exposes the customer to the effects of those activities; and
- those activities do not result in the transfer of a good or service to the customer.

Contract modifications

The Group's contracts are often amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. prospectively, as an additional, separate contract;
2. prospectively, as a termination of the existing contract and creation of a new contract; or
3. as part of the original contract using a cumulative catch-up.

The majority of the Group's contract modifications are treated under either 1 (for example, the requirement for additional distinct goods or services) or 3 (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded, such as sales commission.

Costs to fulfil a contract

Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2 'Inventories'.

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

Share-based payments

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

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

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

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

Taxation

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

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

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

Accounting policies continued

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

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

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

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

Trade and other receivables
Trade receivables are initially measured at fair value.

With the exception of derivative financial instruments (see above) all other trade and other receivables are reported at amortised cost.

The Group recognises provisions for doubtful debts on a credit loss basis taking into account the future anticipated credit losses based upon the creditworthiness of the end customer. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Where revenue recognised over time on a contract exceeds the value that has been invoiced, the excess is recognised as a contract asset and is included within trade and other receivables.

Accrued income is recognised on revenue recognised at a point in time where a delivery or service has been made and revenue can be recognised, but no invoice has been raised.

Trade and other payables
Trade and other payables are initially measured at fair value.

With the exception of derivative financial instruments (see above) all other trade and other payables are reported at amortised cost.

Subsequent measurement is based on changes in the fair value and any changes recognised in the Consolidated income statement. To the extent that receipts from customers exceed relevant revenue, whether invoiced or a contract asset, then this is included as an advance receipt within trade and other payables.

Deferred income will arise on point in time contracts where customers have been invoiced, usually as a result of supplier costs incurred by the Group but where the service/delivery has been made.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The Directors have identified the following critical judgements and estimates in applying the Group's accounting policies that have the most significant impact on the amounts recognised in the financial statements.

1. Critical accounting judgements
Revenue recognition
Judgement is applied in whether to recognise revenue over time or at a point in time with respect to contracts and other sales agreements in place. This will make reference to the contractual arrangements on each contract and which revenue recognition method is most appropriate for that contract or sales agreement.

Recoverability of trade and other receivables
Judgement is applied in determining whether any of the Group's trade and other receivables require a bad debt provision to be recognised. This takes account of the nature of our customers, many of which are ultimately governments, our historical experience and the commercial terms we have in place to protect the recoverability of our receivables. Within the receivables balance and contract assets there is a balance of £7.7m relating to a single customer which, whilst past due, has not been provided for. Management has assessed the recoverability of this balance and concluded that, as the ultimate customer is a sovereign government, the risk of impairment is low.

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

Accounting policies continued

1. Critical accounting judgements continued

Acquisition of other intangible assets

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

Provisions

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

Research and development

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

Taxation

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

2. Key sources of estimation uncertainty

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

Revenue and profit recognition

The judgement applied in recognising revenue on a contract over time as performance obligations are completed is in respect of the input costs incurred and the attributable margin. The latter is particularly a judgement in respect of estimating the cost to complete on a particular contract and the remaining risk and associated contingency. The Directors make use of monthly project (contract) control processes in each business within the Group to monitor and review cost to complete estimates and the utilisation or release of risk contingencies with each contract. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduces.

Incremental borrowing rate

In respect of the application of IFRS 16 'Leases', the incremental borrowing rate of the Group in respect of leases reported as right of use assets and lease liabilities has been estimated at 3.0% (2020: 3.0%). This is based upon the Group's current secured borrowing rate from its banks and peer and market rates for such leasing arrangements.

Other

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

Five-year record

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

1. The order book at 30 April 2021 is after including the acquired order book of ELAC Sonar (£23.2m) on 2 December 2020.
2. The order book at 30 April 2019 is after including the acquired order book of Chess (£20.1m) on 12 December 2018.
3. The order book at 30 April 2017 is after including the acquired order book of EID (£23.1m) on 28 June 2016.

Glossary of terms

ASW	Anti-Submarine Warfare
C4IS	Command, control, communications, computers and information systems
C4ISTAR	Command, control, communications, computers, intelligence, surveillance, target acquisition and reconnaissance
C-UAS	Counter-unmanned aerial systems
C-UAV	Counter-unmanned Air Vehicle
DoD	United States Department of Defence
DSEI	Defence and Security Equipment International event
ECS	External communications system
EW	Electronic warfare
EWOS	Electronic warfare operational support
GHG	Greenhouse gas
ISO	Intermodal shipping container
ISTAR	Intelligence, surveillance, target acquisition and reconnaissance
MOD	UK Ministry of Defence
NATO	North Atlantic Treaty Organisation
RAF	Royal Air Force
SAYE	Save as You Earn scheme
SECR	Streamlined Energy and Carbon Reporting
SIGINT	Signals intelligence
SIP	Share Incentive Plan
SSAFA	Soldiers, Sailors, Airmen and Families Association
STEM	Science, Technology, Engineering & Maths
s-UAV	Small Unmanned Air Vehicle
TLS	Torpedo Launcher System
UAV	Unmanned Air Vehicle
UGS	Unmanned Ground Systems
UGV	Unmanned Ground Vehicle

Please visit our subsidiary websites for more information on the products and services mentioned in this report:

Chess – chess-dynamics.com

EID – eid.pt

ELAC – elac-sonar.de

MASS – mass.co.uk

MCL – marlboroughcomms.com

SEA – sea.co.uk

Shareholder information, financial calendar and advisers

Advisers

Nominated adviser and broker

Investec
30 Gresham Street
London EC2V 7QP

Auditor

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

Tax advisers

Deloitte LLP
Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers

Shoosmiths LLP
Apex Plaza
Forbury Road
Reading RG1 1SH

Registrars

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

Public and investor relations

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

Bankers

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

NatWest Bank
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Shareholders' enquiries

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

Share register

Link Group maintains the register of members of the Company.

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

Link Group

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

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

Email: shareholderenquiries@linkgroup.co.uk

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

Daily share price listings

The Financial Times – AIM, Aerospace and Defence

The Times – Engineering

The Daily Telegraph – AIM section

London Evening Standard – AIM section

Financial calendar

Annual General Meeting

20 September 2021

Final dividend payable

27 September 2021

Expected announcements of results for the year ending 30 April 2022

Preliminary half year announcement

December 2021

Preliminary full year announcement

July 2022

Registered office

Cohort plc

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Arlington Business Park
Theale
Reading RG7 4SW

Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.

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