Highlights

How we have performed

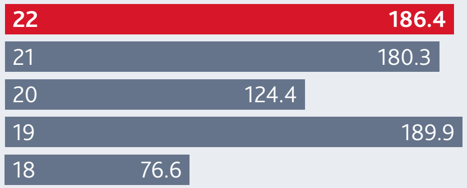
Financial highlights

ADJUSTED OPERATING PROFIT (£m)

£15.5m

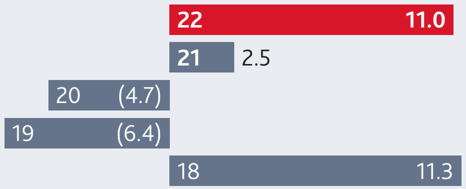
ORDER INTAKE (£m)

£186.4m



NET FUNDS/(DEBT) (£m)

£11.0m



Operational highlights

- MASS, MCL and SEA all posted increases in profit.
- Strong first full year contribution from ELAC Sonar, ahead of expectations.
- Disappointing performance from Chess. As expected, weaker performance at EID.
- Strong order intake of £186.4m (2021: £180.3m).
- Record closing order book of £291.0m (2021: £242.4m) underpinning 78% of expected revenue for 2022/23, a record high.
- Adjusted operating profit of £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m).
- Dividend increased by 10%.
- Net funds higher than expected at £11.0m (2021: £2.5m).

Who we are

Innovative, agile, responsive

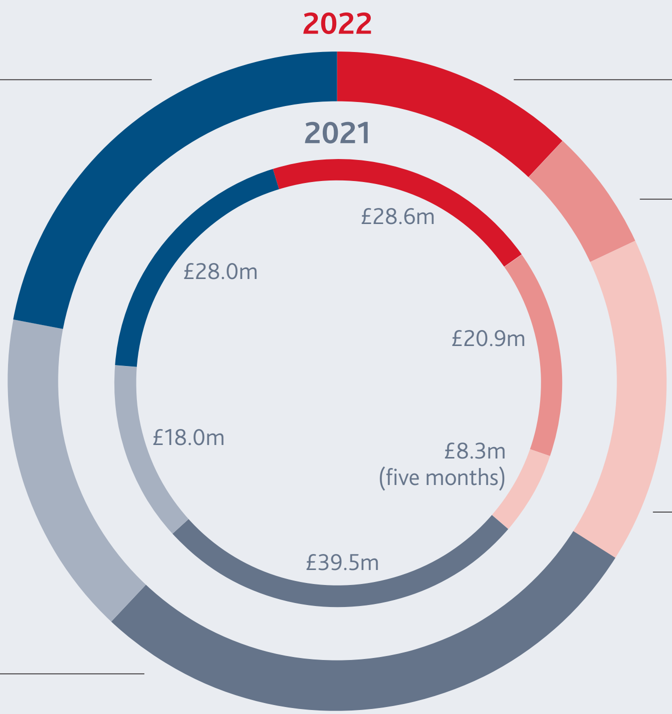
Cohort is the parent company of six innovative, agile and responsive businesses based in the UK, Germany and Portugal, providing a wide range of services and products for domestic and export customers in defence, security and related markets. Each of the subsidiary businesses within the Group offers a specialist portfolio of technologies and services, many unique, supplied to prime contractors and end users.

Revenue by subsidiary

TOTAL REVENUE

£137.8m

(2021: £143.3m)



SEA

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

REVENUE

£31.0m

MCL

MCL designs, sources and supports advanced electronic and surveillance technology for the UK MOD and other government agencies.

REVENUE

£21.7m

MASS

MASS provides advanced digital services serving the defence and security markets.

REVENUE

£38.5m

CHESS

Chess is a leading supplier of electro-optical tracking and surveillance systems for the naval and land defence and security sectors.

REVENUE

£16.9m

EID

EID designs and manufactures advanced communications systems for the maritime and land defence sectors.

REVENUE

£8.2m

ELAC SONAR

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

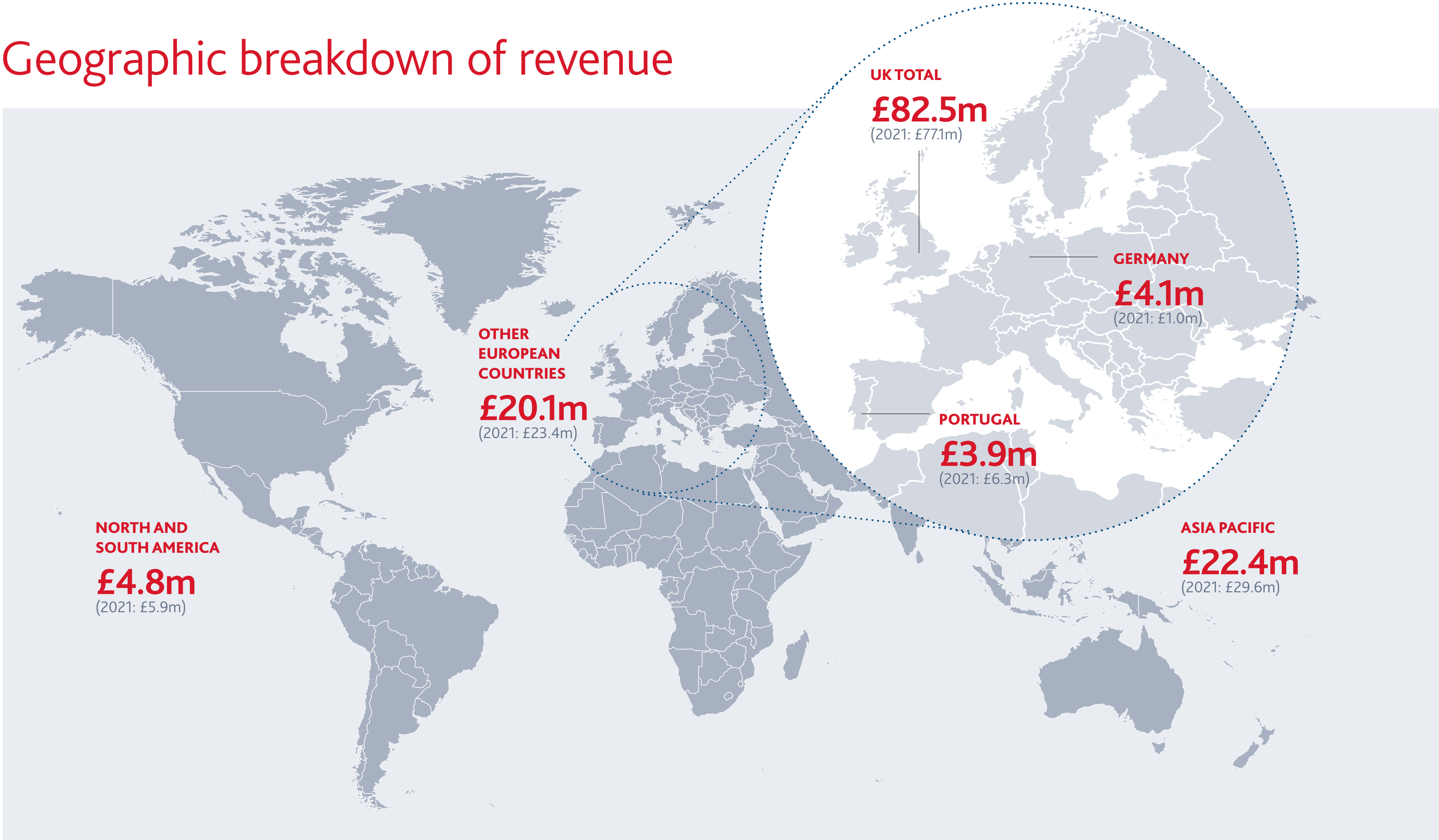
REVENUE

£21.5m

FULL REVIEW FOR EACH SUBSIDIARY IS AVAILABLE IN THE **OPERATIONAL REVIEW**

Geographic analysis

Geographic breakdown of revenue



FULL DETAILS AVAILABLE IN **FINANCIAL STATEMENTS**

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 agencies and critical national infrastructure authorities.
- Direct customers include Ministries of Defence, platform providers, system integrators and infrastructure operators in national and international markets.

Other Revenue

Intelligent Transport Systems

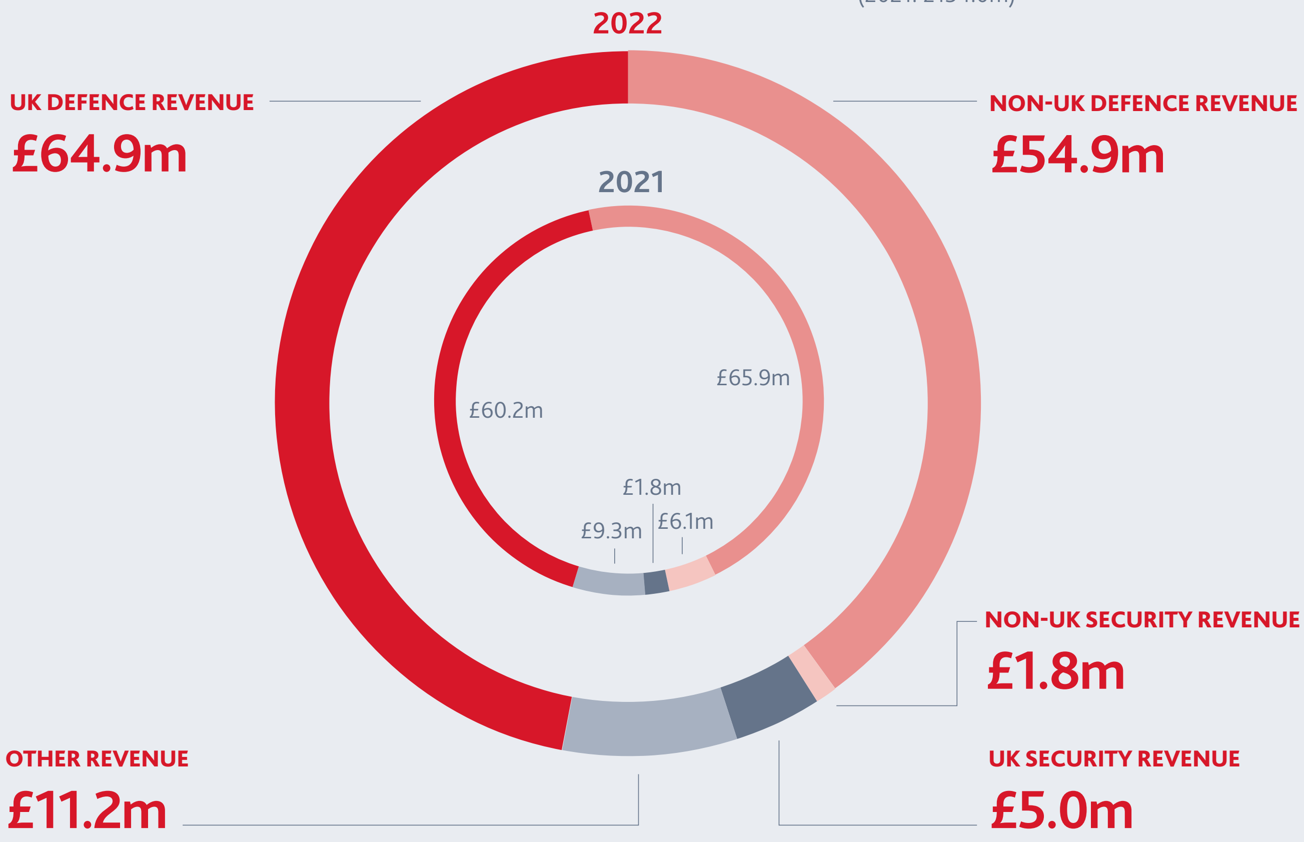
- We provide high-integrity software and systems development for this growing and complex application area.

Revenue by market area

Defence and security total

£126.6m

(2021: £134.0m)



Our markets continued

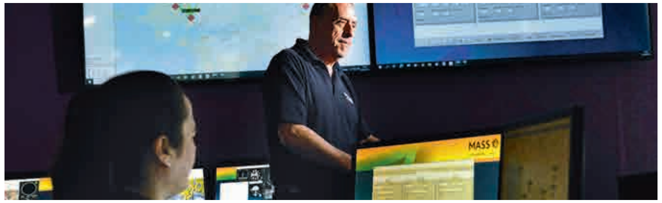
Combat Systems

REVENUE

£19.0m
(2021: £22.0m)

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

- Anti-submarine Warfare
- Platform and Force Protection



Training & Simulation

REVENUE

£9.6m
(2021: £9.5m)

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

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

Intelligent Transport Systems

REVENUE

£6.7m
(2021: £6.4m)

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

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

C4ISTAR

REVENUE

£75.0m
(2021: £79.0m)

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

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

Digital Services

REVENUE

£14.0m
(2021: £14.5m)

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

- Cyber Security
- Data Protection & Management

Research, Advice & Support

REVENUE

£7.5m
(2021: £9.0m)

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

Investment case

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.

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.
- Record of growing acquired businesses.

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.
- Increased focus by governments on defence, especially within NATO.

Consistent dividend track record

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

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.

Visibility of future earnings provided by substantial order pipeline

- Order book at 30 April 2022: £291.0m (30 April 2021: £242.4m).
- 78% of 2022/23 externally forecast revenue on contract at 30 April 2022 (64% equivalent for 2021/22).
- Order book extends out to 2030.

READ MORE **COHORTPLC.COM/INVESTORS**

Chairman's statement

Strong order cover for the coming year

Nick Prest CBE
Chairman

"Performance in line with revised expectations, robust cash, and a record closing order book with strong cover for the coming financial year."

Performance

The Group's trading performance was in line with our revised expectations at the time we announced our half year results on 14 December 2021, achieving an adjusted operating profit of £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m). The reduction in performance compared to last year was primarily the result of a disappointing performance at Chess, along with an expected drop in profit from EID. MASS, MCL and SEA all posted increases in profit, and we benefited from a full year contribution from ELAC Sonar.

The Group had another strong year of order intake, winning £186.4m (2021: £180.3m) of orders, driving us to a record closing order book of £291.0m (2021: £242.4m). This order book gives us a strong start to 2022/23. The Group's net funds also finished at a higher level than we expected at the start of the year, £11.0m compared with £2.5m in 2021.

Following strong order intake in 2020/21, SEA had an improved year, driven by export deliveries, including a first contract with the Royal New Zealand Navy. MCL delivered another year of growth and, importantly, ended the year with an unusually strong order book, providing good underpinning for 2022/23. MASS, despite slightly lower revenue and continued challenges in its EWOS and Training divisions from COVID-19 restrictions, delivered an improved net margin, with better mix and flat overhead. ELAC, having secured a large Italian sonar order early in the year, delivered a better than expected result. In line with our expectations, EID's performance was much weaker, having benefited from a large export delivery in 2020/21 that was not repeated this year. Chess's performance was disappointing. Order intake was lower than expected, as were customer deliveries, and a small number of problem contracts had a negative impact on margin. We have made progress in resolving these problems, and we saw an uptick in performance at Chess towards the end of the year.

We continued to see some negative impact from COVID-19 in the first half of our financial year, particularly at MASS. This started to alleviate in the second half and at the same time, as some normality returned to our business activities, we saw a return to more face-to-face business engagement, especially trade shows and exhibitions across the world. Despite two years of challenging business conditions the Group won over £365m of orders during that period. Our order book now stretches out to 2030 and we expect to extend that further in the coming year.

The Group's operating profit of £11.1m (2021: £7.8m) is stated after recognising amortisation of intangible assets of £6.9m (2021: £10.1m), exceptional income of £0.7m (2021: £1.3m charge) and research and development expenditure credits of £1.0m (2021: £1.0m). Profit before tax was £10.2m (2021: £7.1m) and profit after tax was £8.7m (2021: £5.5m).

The closing net funds of £11.0m (2021: £2.5m) was better than our expectation, due to an improved operating cash flow, particularly at ELAC, MASS, and SEA. The cash flow also benefited from slippage of some items of capital expenditure and the final Chess acquisition payment into 2022/23.

International conflict

The Russian invasion of Ukraine has had a notable impact on public and government perceptions worldwide of the importance of an effective defence capability. Media reporting has reflected a sense of shock that a nascent European democracy can be the target of state-on-state violence of an intensity not seen on the continent since 1945. Many have had to re-learn that the stability of democracy and maintenance of our freedoms and values requires strong defence to deter, and if necessary, repel an aggressive invader. It is also clearer than ever that strong defence means a strong defence industry as well as capable armed forces. That is something that Cohort's leadership and employees understand well, and for many of us it is a large part of our motivation at work. We therefore believe that an activity that generates social value as well as business success such as the UK's defence sector, is worthy of investor consideration.

Our customers' response to the situation in Ukraine had some positive business impact in 2021/22 and we expect this to increase in 2022/23. There is also the potential for a negative effect as increased operational readiness makes it harder for us to provide maintenance services, upgrades and training. On balance, we believe that the long-term change in defence stance that has been catalysed by these events, especially among NATO countries, will be of benefit to the Group.

Strategic initiatives

Cohort's subsidiary, SEA, acquired the remaining 50% of its joint venture JSK in August 2021 for a net consideration of £0.4m. JSK is based in Montreal, Canada and provides SEA, and the Group, with a local presence to provide the Royal Canadian Navy with ongoing support to existing and new naval platforms. The latter include the new Canadian frigate programme for which SEA is providing certain important systems.

Chairman's statement continued

Strategic initiatives continued

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 2022 will now be £1.4m (2021: £2.8m), and we expect to pay this on or before 31 October 2022.

The Group continues to review acquisition opportunities as they arise, in line with our criteria.

Shareholder returns

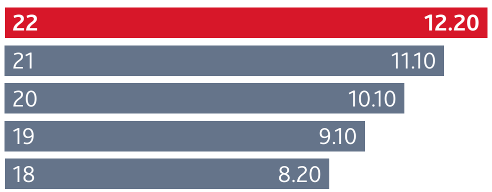
Adjusted earnings per share (EPS) were 31.08 pence (2021: 33.63 pence). The adjusted EPS figure was based on profit after tax, excluding amortisation of other intangible assets, net foreign exchange movements and exceptional items. Basic EPS were 22.55 pence (2021: 13.38 pence). The adjusted EPS were 8% lower primarily due to the weaker adjusted operating profit (down 17%), partly offset by a lower tax charge of 13.5% (2021: 17.4%) and a change in mix from which the Group's profits were derived, with the 100% owned businesses (ELAC and MCL) performing most strongly.

The Board is recommending a final dividend of 8.35 pence per ordinary share (2021: 7.60 pence), making a total dividend of 12.20 pence per ordinary share (2021: 11.10 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 4 October 2022 to shareholders on the register at 26 August 2022, subject to approval at the Annual General Meeting on 27 September 2022.

DIVIDEND (PENCE PER ORDINARY SHARE)

12.20p

+10%



Over the medium term, the Group plans to maintain a policy of growing its dividend each year broadly consistent with the growth in adjusted earnings per share growth.

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.

As already highlighted, the direct impact of COVID-19 has diminished over the year, and we have in most instances returned to normal work and travel practices. Where appropriate we continue to offer flexibility to our employees as to their location of work, including hybrid working in some cases. As of June 2022, 75% of our employees are mostly based on our or our customers' sites which compares with 50% at this time last year.

We have seen a return to face-to-face customer meetings and in the last few months alone we have attended trade shows in Australia, Europe, Asia and the United States. We could not easily assess the direct impact of the various COVID-19 lock-downs on our long-term business prospects but the strong order intake in the last two years suggests this may not be as deep as we first feared. Andy Thomis, Simon Walther and their senior executive colleagues have continued their dedicated and skillful work which has helped the Group to progress in the face of continuing challenging conditions.

Governance and Board

As separately announced, Stanley Carter has decided not to stand for re-election as a Non-executive Director at Cohort's forthcoming Annual General Meeting to be held in September 2022. Stanley has made an immense contribution to the development and success of Cohort since co-founding it with me in 2006, initially as Chief Executive, then as Co-Chairman and since 2015 as a Non-executive Director. The Board and all Cohort staff are grateful to him for his leadership and support during different phases of the Company's development, and we look forward to continuing the relationship with him as a major shareholder.

We formally welcomed Beatrice Nicholas onto the Board as a Non-executive Director on 1 September 2021. Beatrice has had a long and successful career in the defence industry and brings a wealth of experience in engineering, project management and general management to Cohort.

I also take this opportunity to welcome David Tuddenham as the new Managing Director of Chess. David had worked for Chess for over ten years in senior positions before stepping up to this role in June 2021. David replaces Graham Beall who will lead Chess's business development in the USA. At ELAC, we have adjusted the senior roles, with Bernd Szukay appointed Managing Director and Ole Schneider as Finance Director.

Outlook

The new year has started in line with our expectations and with an encouraging outlook for Cohort, despite the challenging external environment.

Geo-political and macro-economic trends

The recent sad events in Ukraine have impacted on a world economy still recovering from the COVID pandemic. The invasion has seen a higher level of focus amongst governments, particularly European NATO members, on their defence stance. In some instances, notably the UK and Germany, this has already led to an increase in defence spending.

It is hard to predict the duration of the conflict in Ukraine and its direct impact upon the Group's trading. In the longer term, after the taboo over armed invasion of peaceful neighbours has so clearly been broken, we expect to see a more sustained growth in defence budgets, both in NATO but also in other parts of the world where security threats remain.

To set against this, we expect to see economic fallout from the war in Ukraine as well as the lingering impacts of COVID-19. These include higher inflation and rising interest rates and therefore pressure on governments to mitigate these effects on their populations.

The Group is not currently facing any direct restrictions on business activity arising from COVID-19, though we cannot rule out some re-introduction of restrictions if a new variant should cause severe health problems. We still face indirect fall out in the form of cost increases and delays to supplies. These are not currently having any significant impact on performance, but we are seeing delivery schedules for certain components lengthen markedly and may see some impacts in the short term.

Encouraging outlook for Cohort

Our order intake for the year was strong and as a result of this success, the Group has entered the new financial year with a record order book of £291.0m. As we have indicated in the last few years, our order book is not only growing in value, but its longevity continues to increase. We now have orders across the Group stretching out to 2030. We have good prospects in the coming year to secure further long-term orders for our naval systems and support work, including from the UK MOD, Portugal and in export markets.

The order book underpins nearly £128m (2021: £100m) of current financial year revenue, representing 78% of expected consensus revenue for the year. Following order wins since the start of the financial year of just over £20m, that cover now stands at 90%.

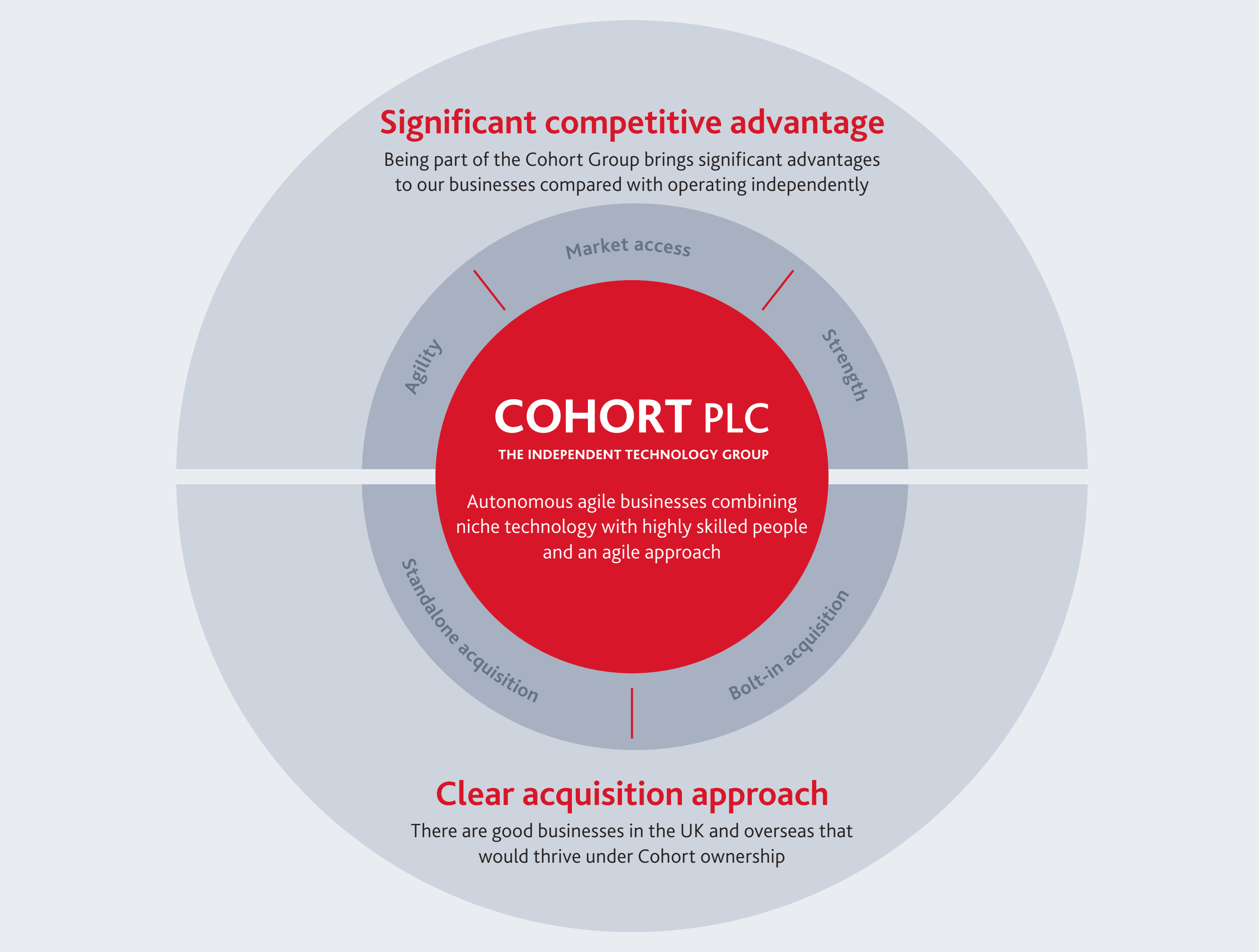
Overall, we continue to expect that our trading performance for 2022/23 will be ahead of that achieved for the year ended 30 April 2022. As a result of planned capital expenditure and expansion in working capital we expect that our net cash balance will decrease, but that we will maintain positive net funds at the year end.

We are optimistic that the Group will make further progress in 2023/24, based on current orders for long-term delivery and on our pipeline of opportunities.

Nick Prest CBE
Chairman

Business model

Significant competitive advantage



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.

Strategy

A clear strategy for growth

Three key objectives form our clear strategy for growth.

Consistently grow profits and cash generation organically through our subsidiaries.

Organic growth

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 2021/22

- Record closing order book and improved visibility at Chess, MCL and SEA. On order cover for 2022/23 at record high of 78% of consensus external forecasts. Length of order book out to 2030.
- New leadership making good progress at SEA and EID.
- Resumed face-to-face customer contact and significant presence at industry meetings.

Our priorities for 2022/23

- Continue to improve long-term order book in all subsidiaries. Improve order intake at EID.
- Seek opportunities from increased focus on defence stance, especially in NATO.
- Monitor and proactively manage supply chain and recruitment challenges.

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

Acquisition

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.
- Creativity and flexibility in structuring transactions to bridge value gaps.

What we did in 2021/22

- Joint venture JSK, in Canada, fully acquired by SEA.
- Reviewed numerous acquisition opportunities.

Our priorities for 2022/23

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

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

Maintaining confidence

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 2021/22

- Beatrice Nicholas appointed to the Board in September 2021 as independent Non-executive Director.
- Project advisory committee in place to oversee ELAC Sonar's Italian project.
- Operational control improvements at Chess. Now being reflected in early part of 2022/23.
- Carbon Reduction Plans introduced at all UK subsidiaries.

Our priorities for 2022/23

- Enhance investor communications through Capital Markets Day event.
- Complete operational control improvements 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.

Introducing futuristic robotic technology to the UK military

MCL is continually sourcing the latest innovations in science and technology from around the globe, providing advanced technologies and capabilities to the UK MOD through its global network of specialist providers. Through its partnership with Boston Dynamics, MCL has brought the iconic yellow quadruped robot 'Spot' to the UK defence market.

Spot is an agile mobile robot that can navigate terrain to carry out routine inspections and data capture tasks. Easy to control, Spot can be programmed for repeatable autonomous missions and can also carry and power up to 14kg of equipment. It can be used to deliver resources such as medical aid, food, or fuel, and to detect hazardous items such as hostile drones.

The robot reduces the risk to human life by carrying out inspection and data capture missions autonomously to protect people and assess potentially hazardous situations, in addition to helping to de-escalate dangerous scenarios.

MCL is also a key participant in Project Theseus, a UK MOD initiative to explore how autonomous technology can play an increasing role in deployed sustainment and provide support in dangerous and complex environments that could pose a high risk to human life.

Dstl Future Individual Lethality System (FILS) programme

SEA led key aspects of the Future Individual Lethality System (FILS) programme with Dstl: which adds a multi-band sight that fuses active infrared, thermal imaging, and electro-optical imaging as well as a laser rangefinder, attitude and heading reference system and GPS. The result is not only a more accurate sight picture for the weapon, but an individual soldier-level system that can locate an enemy and share that information to cue other weapons and sensors. The FILS, according to a Dstl official, "improves team effectiveness as well as individual effectiveness". He added, "It is expected that elements of this capability will likely enter service in the next five years, although maybe not in this exact form". SEA is continuing to look for ways to productise elements of the design to create a "data over power" applique system that enables each soldier's rifle to become a ISTAR node to share and disseminate target information.

Innovation and technology continued

Image-based object classification

As part of the drive towards increasingly autonomous systems, Chess Dynamics has been focusing on the development of AI and AR technologies with specific emphasis on image-based object classification. This has already seen a number of initial deployments such as Gremlins in the USA where Chess's Vision4ce team were very proud to have been part of the Dynetics and DARPA X-61A Gremlins Air Vehicle (GAV) Program team. The team's success and innovation were recognised by the National Aeronautic Association 2021 Robert J. Collier Trophy selection committee. The overarching goal of the Gremlins Program, managed by DARPA's Tactical Technology Office, was to demonstrate aerial launch and recovery of multiple low-cost, reusable, unmanned aerial drones. Working with commercial partner Sierra Nevada Corporation, Vision4ce's CHARM100 video tracker brought high resolution, low latency image processing, video encoding and streaming to the GAV. The video tracker incorporates novel target detection and tracking techniques to assist in the drone positioning during the final phases of the recovery operation.

ELAC Sonar Digital Hydrophones

ELAC Sonar successfully field-tested the next generation of digital hydrophones for sophisticated and high-performance surveillance missions on submarines. The delivery of the first three units of these state-of-the-art anti-submarine warfare sonars is on schedule for delivery in mid-2022. Customers can expect a new set of underwater communications features, which is available on new projects and upgrades.

Combining innovation with STEM learning

As part of Silverstone University Technical College (UTC) Work Experience Week, 12 students applied their knowledge of coding and cyber-security to hack a car, under the tuition of Ian Tabor, MASS Senior Cyber Security Systems Consultant.

We challenged the Silverstone UTC students to see what they could learn about vulnerabilities of a vehicle's security system. The students quickly learned that they could identify signals sent over the car's network, then replicate those signals to control the car. For example, they could control the speedometer reading, turn on the lights, sound the horn and get the wipers going. With some hardware that they created, they even managed to work out how to unlock the vehicle via their laptops.

Naturally, this gave rise to discussion about the importance of the cyber-security of vehicles, particularly as cars become more autonomous.

Key performance indicators

Measuring our progress

Change in revenue

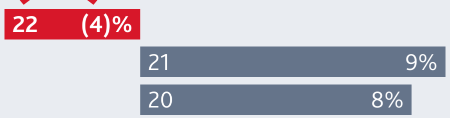
Indicates the change in total Group revenue compared with prior years.

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

(4)%



Comment on results

Excluding the impact of a full year contribution from ELAC, the underlying Group revenue of £126.5m was 12% lower than in 2021, mainly due to decreases at EID and Chess, partly offset by increases at MCL and SEA.

Change in adjusted operating profit

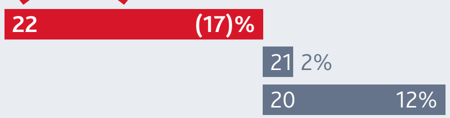
Change in Group operating profit before exceptional items, amortisation of other intangible assets, research and development expenditure credits and non-trading exchange differences, including marking forward exchange contracts to market.

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

(17)%



Comment on results

Excluding the impact of the full year contribution from ELAC, the underlying Group adjusted operating profit of £13.8m was 26% lower than the 2021 equivalent figure with falls at Chess and EID 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

78%

Comment on results

This is higher than the last three years and has further increased to 90% in mid-July 2022.

Key performance indicators continued

Change in adjusted earnings per share

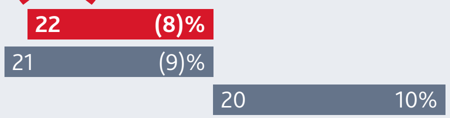
Annual change in earnings per share, before exceptional items, amortisation of other intangible assets and non-trading exchange differences including marking forward exchange contracts to market, all net of tax.

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

(8)%



Comment on results

The 8% decrease compares to a 17% decrease in the adjusted operating profit with the difference being mostly driven by a fall in earnings from our part owned subsidiaries (Chess and EID). These downsides were partly offset by a full year contribution from ELAC and improved performances at MCL, MASS and SEA.

Operating cash conversion

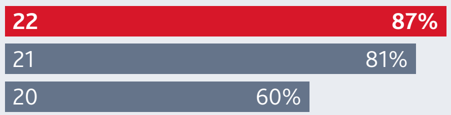
Net cash generated from operations (net of interest and net capital expenditure) before tax as compared to the profit before tax and interest, excluding amortisation of other intangible assets over a rolling four-year period.

Why is it important?

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

RESULTS

87%



Comment on results

The stronger conversion in the last year reflects good cash performance at SEA, EID and ELAC. Our expectation is that the conversion rate should decrease in 2022/23 due to the favourable timing seen in 2021/22 partly unwinding, the conversion rate in 2021/22 alone being 116%. We do expect an improved cash performance at Chess in 2022/23.

International revenue

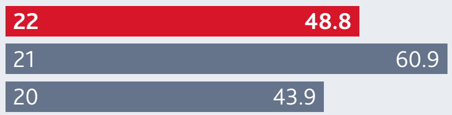
Total sales to markets outside the UK, Germany and Portugal.

Why is it important?

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

RESULTS

£48.8m



Comment on results

The decrease in 2022 export revenue is driven by lower export sales at EID and Chess, partly offset by a full year contribution from ELAC and higher export sales at SEA. This represents 35% of the Group's revenue compared with 42% in 2020/21.

Operating review

Results in-line, order book and balance sheet strengthened

Andrew Thomis
Chief Executive

"The Group's profit performance for the year was in line with our revised expectations at the time of our half year results announcement on 14 December 2021. Pleasing improvements in performance at ELAC, MCL and SEA were offset by reduced profits at EID and, especially, Chess. Cash performance was better than expected, resulting in a strong positive net cash position at the year end. Order intake was also strong, and the resulting record order book gives us a solid base for 2022/23. We see good prospects for further significant new orders in the year ahead."

2021/22 highlights

- Order intake of £186.4m (2021: £180.3m) and a record closing order book of £291.0m (2021: £242.4m).
- Closing net funds of £11.0m much stronger than last year's £2.5m.
- Adjusted operating profit of £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m) represented a net return of 11.2% (2021: 13.0%), in line with our revised expectations at the time of the half year results announcement.
- MASS remained the strongest contributor to the Group's adjusted operating profit, despite a slightly reduced level of revenue.
- SEA and MCL made good progress and ELAC made a positive full year contribution to the Group's results (2021: five months).
- As expected, EID was lower than in 2021 in terms of revenue and profit following weak order intake in 2020.
- Chess had a poor year with weaker revenue and lower profit.

Operating review

2022 saw another strong year for order intake, with £186.4m of new work contracted compared with £180.3m in 2021. That resulted in a record closing order book of £291.0m, an historic high for the Group, underpinning 78% of the consensus forecast revenue for 2023. Cash flow was robust, the Group closing the year with net funds of £11.0m (2021: £2.5m). In line with our expectations at the time of the half year results announcement in December 2021, revenue was down 4% despite a full year contribution from ELAC Sonar (ELAC) and trading profit down 17%.

We saw a welcome return to growth at SEA, with an increase in export deliveries following order wins in 2020/21. MCL again grew its revenue and trading profit with higher deliveries of autonomous vehicle systems to the UK MOD. Despite slightly reduced revenue, mostly from cessation of its lower margin support to the Metropolitan Police Service, MASS delivered a record high net margin. As expected, EID's contribution was lower this year, with deliveries on a large export order in 2020/21 not being repeated. The main disappointment of the year was at Chess, where significantly reduced revenue and profit resulted from order slippage, delayed deliveries on key programmes and continuing cost increases on certain legacy projects.

ELAC performed well in its first full year in the Group (compared with its five-month contribution in 2020/21). Its revenue and profit included a £1.1m contribution from the mechanism agreed with Wärtsilä, ELAC's former owner, in respect of an export contract that has not yet been made effective. This mechanism may provide up to a further £0.5m in 2022/23. ELAC has begun to recognise revenue on the major Italian submarine sonar contract won last July and has continued to deliver against a pleasing level of product, spares and repair orders.

Operating review continued

Operating review continued

Travel and operational restrictions arising from the COVID-19 pandemic continued in the first half of the financial year, with international travel restrictions still in place in many regions. This has affected some customer contact, and with that some order closure and pipeline building opportunities. Nevertheless, the Group overall has performed well in winning new business. The record closing order book of £291.0m gives us order cover of just under £128m for 2022/23. Over the last two years, despite the effects of COVID-19, the Group secured orders of £365m, materially growing and extending the duration of its order book.

We have seen an impact on deliveries of products and services resulting from pandemic related customer site closures and restrictions. This has been especially true of MASS's training work, some of which has slipped into 2022/23. Although COVID-19 restrictions have now generally lifted, we continue to see price increases and extended lead times for certain materials and components, especially semiconductors. We also see upwards pressure on salaries in certain specialist areas of expertise. We are taking action to maintain deliveries and protect our margins through increasing stock levels, seeking alternative sources of supply, and ensuring that our commercial arrangements enable us to pass on higher costs.

Towards the end of the financial year, we began to see an increase in activity as certain of our customers responded to Russia's invasion of Ukraine. This had minimal financial impact on 2021/22 but we anticipate some of this activity converting to tangible orders and deliveries during 2022/23.

As we signalled in December 2021, the Group's adjusted operating profit fell by nearly 17% to £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m), a net operating return of 11.2% (2021: 13.0%). This was primarily a result of the disappointing performance at Chess. The Group's statutory operating profit of £11.1m (2021: £7.8m) reflects the amortisation of other intangible assets, a £6.9m non-cash charge in 2022 (2021: £10.1m 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 this is broken down by operating business in note 1.

Adjusted operating profit by subsidiary

	Adjusted operating profit			Adjusted operating margin	
	2022 £m	2021 £m	Change £m	**2022 %**	2021 %
ELAC	**3.8**	1.2	2.6	**17.5**	14.1
MASS	**9.1**	8.7	0.4	**23.7**	22.1
MCL	**2.2**	2.1	0.1	**10.4**	11.5
SEA	**3.4**	2.4	1.0	**10.9**	8.4
EID	**0.9**	4.8	(3.9)	**10.5**	23.1
Chess	**0.3**	3.0	(2.7)	**1.9**	10.5
Central costs	**(4.2)**	(3.6)	(0.6)	**—**	—
	15.5	18.6	(3.1)	**11.2**	13.0

ELAC made a strong full year contribution after its initial five-month contribution in 2020/21. Its revenue included an initial contribution from the major Italian submarine sonar programme won in July 2021. It also delivered specialist sonar products for various export customers, including its widely used underwater communication system, and spares and support for both its current product range and legacy hydrographic products.

MASS returned to growing its trading profit despite a slight (3%) fall in revenue. MASS continued to see some headwinds from COVID-19 restrictions, especially in the first half of the year, but these began to ease in the second half with a pick-up in its various training services and support to the UK's Joint Forces Command.

MCL delivered increased revenue and profit with provision of autonomous land vehicles and hearing protection more than offsetting a reduction in deliveries of systems for the UK submarine fleet last year.

SEA saw a welcome return to growth with higher export and support sales offsetting lower submarine activity. Transport sales also returned to growth following a hiatus in activity during COVID-19 restrictions in the early part of 2020/21.

As expected, EID's performance was much weaker than last year which included a large export order of intercom systems. EID had a stronger order intake for the year compared with 2020/21 but the business still awaits some key orders, particularly for long-term naval programmes which are anticipated in the coming financial year.

Chess had a poor year, delivering only a marginal trading profit on much lower revenue compared to 2020/21. This resulted from order intake that was lower than expected, delivery delays and cost overruns on a small number of problem projects. Over the year we have strengthened Chess's senior management team and made organisational changes intended to improve performance and reduce risk. These changes have begun to have an impact, and we have seen a much improved performance at the beginning of 2022/23.

The growth in central costs reflects the enhanced commercial, legal and financial resources we have brought in to support subsidiary growth, especially in export markets, together with the increasing compliance requirements faced by the Group.

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 through 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 as we hopefully now return to more normal working practices.

We have made a small number of changes to the senior management of our subsidiary businesses. David Tuddenham took over as Managing Director of Chess in June 2021. After a period when they shared the role, Bernd Szukay has been appointed as sole Managing Director of ELAC with Ole Schneider taking on the role of Finance Director, the latter including responsibility for certain operational matters. Both retain the German legal status of Geschäftsführer.

Like many high-skill businesses, we are facing challenges in recruiting qualified and experienced people to meet our customer demands and our own investment strategies. As our order book has grown, so have our employee numbers and the Group now has nearly 1,050 staff compared with just over 1,000 this time last year. We will continue to add more resources in the coming year, especially at Chess, ELAC and SEA.

Operating strategy

Organic growth

The Group's adjusted operating profit was in line with our expectations at the time of the half year results in December 2021. Despite some good performances across the Group, overall, this meant a lower level of revenue and profit than in 2020/21. Nevertheless, the strong order intake achieved in 2021/22, and the further prospects we can see in the short and medium term, provide confidence that the Group will make progress in the year ahead.

Despite the difficulties thrown up by the COVID-19 pandemic in the first half of the year, we have had a good year for new orders, and we ended it with a record order book. The return to some normality in the second half of our financial year saw a welcome return to face-to-face business shows, with members of the Group attending defence events in the USA, Australia, Malaysia, Philippines and across Europe. These are positive indicators for future organic growth, and we enter 2022/23 with a record level of order cover for external revenue expectations for the year.

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:

Operating review continued

Operating strategy continued

Organic growth continued

- MASS benefits from an extremely high customer reputation, rare or unique technical capabilities and experience at building long-lasting customer relationships. Much of its revenue derives from long-term service contracts, and it aims gradually to add more of these 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. This has allowed it to develop high-performance low-cost defence communications products that can win business in a highly competitive marketplace.
- Chess makes use of its innovative engineers, customer-focused culture and freedom to source sensors from the best international providers to win business 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 and, alongside Chess, decoy launchers.
- 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 2022 has seen some notable successes for ELAC, MCL and, in particular SEA. Discussions with potential customers have opened up some major longer-term opportunities for all of our businesses.

Being part of the Cohort Group brings material advantages to our operating 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. Examples in the last year included the award of a €49m order to ELAC for sonar systems for the Italian Navy's new class of submarine and an initial development order for the Royal New Zealand Navy at SEA.

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 with each other 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. Recent examples include a renewal of MASS's support to the Joint Forces Command out to July 2024 and significant (£15m) orders for hearing protection systems at MCL. We also expect to conclude some key long-term supply and support orders for the Royal Navy and systems orders for export naval customers in the coming year.

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.

We have reviewed a significant number of possible acquisitions over the last year, in some cases leading to active discussions. Our experienced executive team is conscious of the various potential risks that arise from acquisitions and takes a careful approach, with only a small proportion of the opportunities we see being brought to fruition. When we do identify an opportunity that we believe to be value-creating, the close involvement of our senior team means we can be very flexible in terms of transaction structure, and quick in decision making. That gives us some advantage compared to competitors who may have larger resources available.

On 20 August 2021 SEA acquired the reminder of its joint venture, JSK, which is based in Canada, for a net consideration of £0.4m. This was part of SEA's plan to develop and grow its business in Canada, primarily to support the new Canadian Frigate programme.

We acquired 81.84% of Chess in December 2018 for an initial consideration of just over £20m. 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 £1.4m (2021: £2.8m) in total on or before 31 October 2022 to acquire the minority shareholding.

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.

We have invested in our Head Office function over the last two years, introducing commercial support to the subsidiaries, particularly for export business. We have also invested in the financial, legal and company secretarial functions, partly to support the subsidiaries but also to deal with the ever-growing tide of compliance requirements. This includes increasingly wide and onerous external audit requirements, which is reflected in rising audit fees, and the need for external support for environmental reporting.

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

Andrew Thomis
Chief Executive

Subsidiary review

CHESS

chess-dynamics.com

Overview

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, Plymouth and Wokingham, 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, tracking, and targeting systems, and a wide range of high-performance cameras and special sensors.

The Chess portfolio includes the Vision4ce branded real-time video and image processing solutions for electro-optic systems. This covers the supply of rugged hardware (PCs that utilise the latest Intel mobile processors) for harsh environments on land, at sea and in the air, along with integrated software solutions (such as GRIP View video management software and DART video tracking software) incorporating sophisticated image processing algorithms for object detection and tracking.

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 also a major developer and world-wide supplier of counter-sUAV (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.

Chess has been supplying equipment, sub-systems and systems to defence forces and prime contractors since 2005. Cohort acquired a majority share in Chess in 2018. It is led by Managing Director David Tuddenham.

REVENUE

£16.9m

2021: £28.6m

ADJUSTED OPERATING PROFIT

£0.3m

2021: £3.0m

OPERATING CASH FLOW

£(5.8m)

2021: £(1.0m)

Subsidiary review continued

CHESS

David Tuddenham
Managing Director of Chess Technologies

Chess had a very poor 2021/22. Order delays, technical and delivery delays, and continued project issues all negatively impacted on both revenue and trading profit. It has made a better start to 2022/23.

Chess previously operated through two distinct businesses, Chess Dynamics and Vision4ce, both owned by Chess Technologies. During 2021/22, Vision4ce was integrated with Chess Dynamics to ensure that the process improvements at Chess were replicated there, and that the full resources of the business, including its software arm, could be focused on the highest priority tasks.

Chess's revenue is dominated by export customers. Deliveries during 2021/22 for some major contracts that were secured in the previous few years saw delays due to technical issues, including in one instance a customer requested deferral whilst a technical upgrade was developed and tested. Chess also suffered margin deterioration from continuing issues on legacy projects. We have made significant progress on these, and we expect them to be fully resolved in the coming year.

Chess and its customer reached a mutual agreement to terminate one contract in 2021/22. Approximately £6m of revenue had been recognised previously on the project and this was reversed in 2021/22. The profit impact in 2021/22 was minimal and the system has been subsequently sold to a new customer in 2022/23.

Despite the dip in performance in 2021/22, 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. For instance, it is working closely with SEA on developing a new generation of decoy launcher.

Chess's operations were only marginally impacted by the COVID-19 pandemic and lock-down with a few in-country activities being postponed. However, its business winning methods rely significantly on demonstrating its product, often at trade shows and exhibitions which Chess was unable to do during the various COVID-19 restrictions. In the last few months, as restrictions have eased, Chess has been able to renew its activities including demonstrating new products to the US Navy.

Chess's rapid evolution over the last few years has caused it some growing pains, especially in project control and delivery. This, along with an increase in working capital, has resulted in a weak cash performance this year. Cohort has been working with Chess's management 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 winning success over the last two years.

We made changes to the senior management and organisation of Chess in 2021/22 following the appointment of David Tuddenham as Managing Director in June 2021. These have led in turn to improvements in processes and controls, which have begun to show a tangible positive impact. Most of Chess's problem projects are now either fully resolved or on a clear path to improvement.

Chess's order book at April 2022 of nearly £41m provides cover for £22m of 2022/23 revenue and our expectation is that Chess should return to growth in the coming year.

"The management changes at Chess have already positively impacted 2022/23 and we expect a stronger trading and cash performance from the business in the coming year."

Subsidiary review continued

EID

eid.pt

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 C3 equipment for the global defence and security markets. Its customers are primarily national naval and military forces in Portugal and overseas.

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. These changes have already seen progress in developing both its next generation naval communication system and a new soldier system, the latter resulting in the award of a major contract by the Portuguese Army during 2021/22.

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

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

REVENUE

£8.2m

2021: £20.9m

ADJUSTED OPERATING PROFIT

£0.9m

2021: £4.8m

OPERATING CASH FLOW

£1.7m

2021: £5.4m

Subsidiary review continued

EID

Frederico Lemos
Managing Director of EID

"We expect an improved EID performance in 2022/23 but as previously stated, the return to stronger net margins will not be until 2023/24 when we expect significant new naval programmes to commence delivery."

As expected, EID's revenue and profit were lower than in 2020/21, which saw the completion of a large export contract.

EID's reliance on some significant export orders does bring a risk of year-to-year fluctuations in performance. In 2021/22 nearly 50% of EID's revenue was from its domestic customer, the Portuguese MOD. We expect this situation to continue into 2022/23 with key orders for the Portuguese Army and Navy being important to EID's trading performance over the next few years. One significant Army order, on which delivery has already begun, was secured in 2021/22. We expect to see a key naval order in 2023. EID is also actively working with both ELAC and SEA to promote their respective products and solutions for the Portuguese Navy, using EID as a local integrator and support partner.

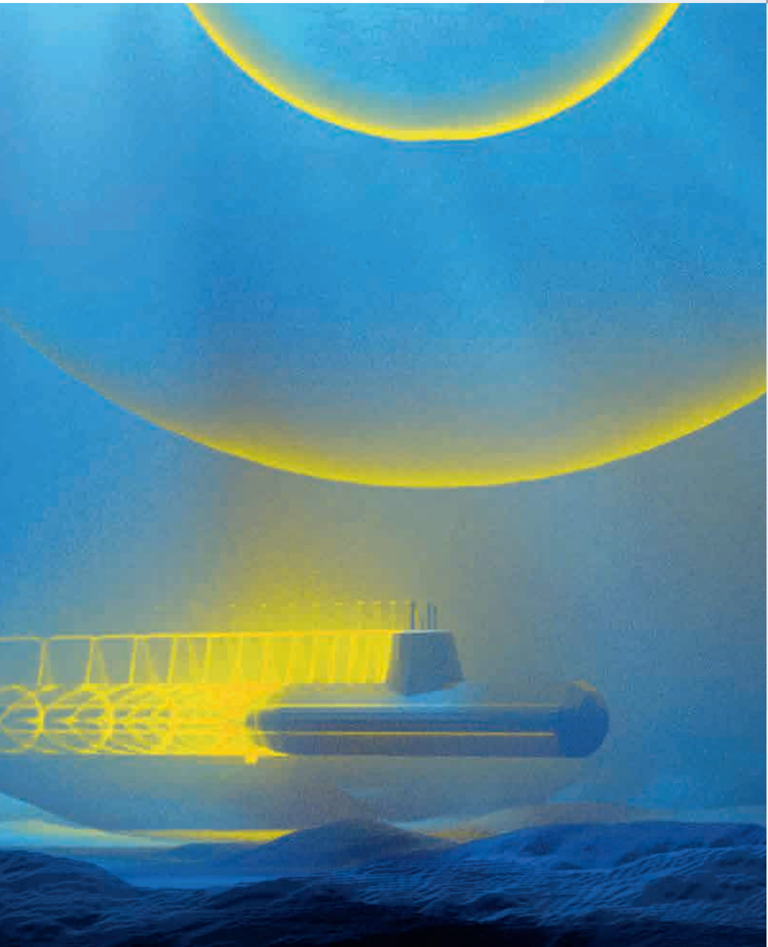
EID had a solid cash performance for the year. Some significant deliveries were made late in the year and the receipts from these will be received in early 2022/23. EID is increasing its stock holding to enable it more readily to meet customer needs.

EID's closing order book of £23m underpins over £11m of revenue for 2022/23, already greater than that achieved in 2021/22. At 75% of revenue expectation for the year this order cover is much greater than at the same time last year, when it was below 50%.

Subsidiary review continued

ELAC SONAR

elac-sonar.de



Overview

ELAC Sonar (ELAC) serves global customers in the naval marketplace. Working with navies, system integrators and shipyards, ELAC supplies mission critical hydro-acoustic naval sensors for underwater surveillance, object avoidance and ranging. These include complete submarine and surface ship sonar suites, submarine rescue sonars, digital underwater communications and echo-sounders for manned and unmanned platforms. ELAC specialises in developing innovative hydro-acoustics, working in partnership with customers to meet their specific needs, offering flexibility through open architectures.

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

ELAC 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, the naval systems industry and the University of Kiel nearby, ELAC has access to excellent resources and networks. ELAC is led by Bernd Szukay and joined the Cohort Group in December 2020.

REVENUE

£21.5m (twelve months)

2021: £8.3m (five months)

ADJUSTED OPERATING PROFIT

£3.8m (twelve months)

2021: £1.2m (five months)

OPERATING CASH FLOW

£6.6m (twelve months)

2021: £0.4m (five months)

Subsidiary review continued

ELAC SONAR

Bernd Szukay
Managing Director of ELAC Sonar (ELAC)

ELAC's full year contribution was stronger than the annualised 2020/2021 equivalent. Much of this growth was due to the Italian sonar contract.

In early July 2021, ELAC secured a contract for over £40m 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.

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 project, which is the largest technical delivery contract the Group has ever won, has been overseen by a Programme Advisory Committee set up by Cohort and whose members have extensive knowledge and experience of operating, developing and delivering submarine systems.

We continue to closely review the project and how it is monitored going forward.

In addition to the significant contribution of this project to ELAC's 2021/22 performance, it also saw a number of good orders for its market-leading underwater communication systems, both new, upgrades and spares. ELAC also had a good contribution from higher margin spares, repairs and legacy hydrographic equipment. ELAC continues to add key resources, both people and capital to enable it to deliver its order book and secure further important naval sonar programmes with other navies.

As for 2021/22, ELAC has already 90% coverage of its 2022/23 revenue expectations.

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 £1.1m in respect of this mechanism, which will contribute up to a further £0.5m in 2022/23.

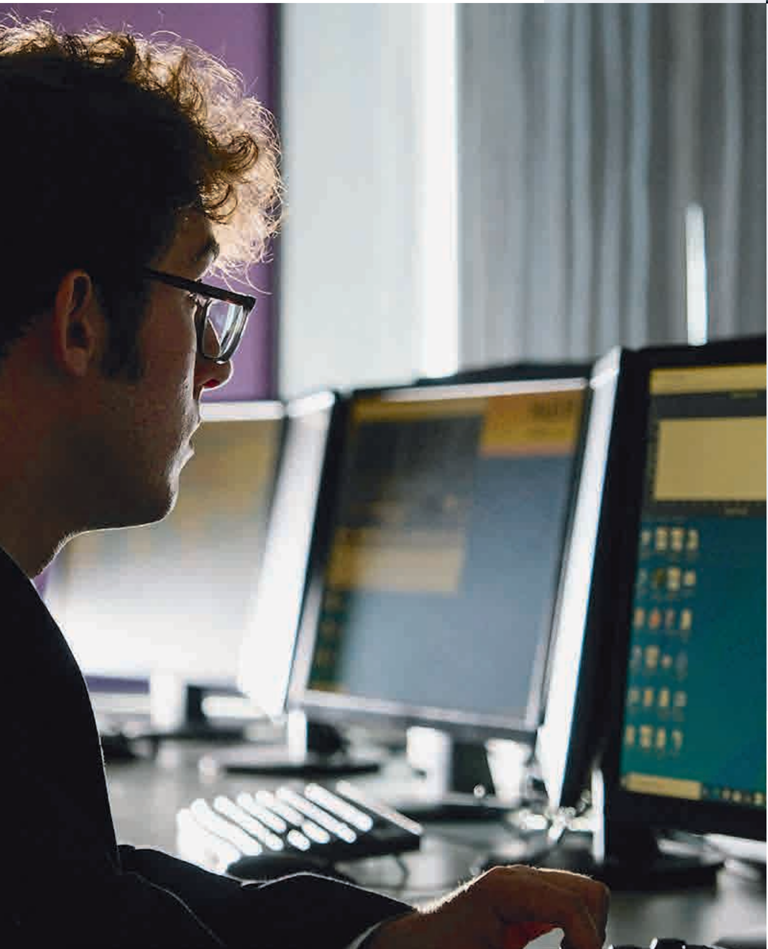
In the coming few years, ELAC will invest in a new facility in the Kiel area to further enhance its offering. Its current facility is now old and is planned to be redeveloped by its landlord for the University of Kiel.

"The underlying ELAC business should continue to grow in the coming year with 90% of its expected revenue for 2022/23 now on order."

Subsidiary review continued

MASS

mass.co.uk



Overview

MASS is a global technology company, trusted by the most secure organisations to provide advanced, cyber hardened digital services centred around data, information and knowledge. MASS has built its reputation through decades in defence, providing training, electronic warfare and cyber security services for governments to keep their confidential information safe. It now offers its data management and protection solutions to other sectors where data security expertise is crucial.

MASS works in partnership with customers to fit solutions to their needs, using highly-skilled, technical experts. The company innovates through new technology and thinking that enables swift adaptation to the changing data environment. MASS also supports opportunities and local initiatives for talented young people in STEM.

MASS operates through four divisions:

- The EWOS (Electronic Warfare Operational Support) 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. MASS is based in Cambridgeshire and it also operates an Electronic Warfare Training Academy in Lincolnshire. MASS is led by Managing Director Chris Stanley.

REVENUE

£38.5m

2021: £39.5m

ADJUSTED OPERATING PROFIT

£9.1m

2021: £8.7m

OPERATING CASH FLOW

£9.9m

2021: £4.6m

Subsidiary review continued

MASS

Chris Stanley
Managing Director of MASS

"MASS continues to demonstrate its strength in its core markets of EWOS and niche technical support to key government capabilities. Its order book of £73m gives good visibility beyond 2023."

MASS had a stronger year despite a small fall in its revenue. The mix of work and flat overheads improved its trading profit.

MASS continued to see the impact of COVID-19 restrictions, particularly in the first half of the financial year on its EWOS training provision. The same issues impacted exercise work at the Joint Forces Command. The nature of MASS's work reflects its long-term investment in defence capability and threat analysis. Short-term changes in operational circumstances can delay MASS's delivery, even when under contract, as we have seen recently with Joint Forces Command support. We now expect that to return to a normal level of activity in 2022/23.

The EWOS business, which is mostly export, saw a further reduction in training and overseas support activity, some slipping into 2023. Digital Services activity was up slightly but the mix drove a stronger trading profit. In the other parts of the business, especially its technical support to key parts of UK defence, MASS was able to increase its activity as COVID-19 restrictions eased.

MASS's net margin increased again to 23.7% (2021: 22.1%). This was due to improved mix, especially in Digital Services, cost savings in delivering some of its long-term work and flat overheads. Together these offset the lower revenue and margin in the EWOS division.

MASS's operating cash flow this year was very strong, catching up on some delayed receipts in 2020/21. We do not expect such a strong cash inflow in 2022/23.

MASS continues to demonstrate its strength in its core markets of EWOS and niche technical support to key government capabilities. Its order book of nearly £73m gives good visibility beyond 2023 although its coverage for 2022/23 of 60% is slightly lower than we have seen in recent years.

Subsidiary review continued

MCL

marlboroughcomms.com

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 a full suite of hearing protection equipment for vehicle mounted and dis-mounted operations, communication ancillaries including antennas, 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 an expanding, expert workforce of nearly 40 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 has been part of the Cohort Group since 2014 and is led by Managing Director Shane Knight.

REVENUE

£21.7m

2021: £18.0m

ADJUSTED OPERATING PROFIT

£2.2m

2021: £2.1m

OPERATING CASH FLOW

£0.6m

2021: £4.3m

Subsidiary review continued

MCL

Shane Knight
Managing Director of MCL

"MCL starts 2022/23 with a record level of order cover for the coming year at 80% and some good new prospects."

MCL grew again in 2021/22 with revenue and adjusted operating profit up by 21% and 5% respectively.

MCL's deliveries in 2021/22 included the autonomous ground vehicles ordered in 2020/21, as well as hearing protection systems for the Army and systems for Royal Navy submarines that now enter a period of long-term support.

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 £12.4m (April 2021) to £22.5m (April 2022) which underpins 80% of its revenue expectations for the coming year. The visibility of MCL's revenue still remains, on average, in the three to six-month range, MCL does see some substantial opportunities in long-term UK naval support programmes, particularly on the new planned frigates for the Royal Navy. Success in these would enable MCL to improve its revenue visibility significantly.

MCL, of all of our businesses, is very much at the forefront of changes in operational tempo at the UK MOD. It has in the last few months seen a significant uplift in activity from the UK MOD, and we anticipate some of this translating to orders in the coming financial year.

MCL moved its operations to a new site, close to its former site in Horley in January of 2022. The new facility provides much improved facilities for developing and trialling its products.

Subsidiary review continued

SEA

sea.co.uk

Overview

SEA delivers systems, 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 combat systems requirements, including communications, ship and fleet protection via torpedo and decoy launcher systems, and anti-submarine warfare systems, including 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 three divisions:

- Complex Systems, based at Beckington.
- Maritime Solutions, based at Barnstaple.
- Transport Management, based in Bristol.

The technology and innovation activities of the organisation are underpinned by strong project management and dedicated production and support teams. In the last year SEA has enhanced its senior management team with several new recruits and has adjusted its strategy to align its research and training activities to support its product offerings, rather than being independent business lines.

In the final quarter of the year, SEA combined all of its engineering capability into a single function under one Director, to ensure that the engineering resource is effectively managed and prioritised, and that development and skill gaps are addressed.

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.

REVENUE

£31.0m

2021: £28.0m

ADJUSTED OPERATING PROFIT

£3.4m

2021: £2.4m

OPERATING CASH FLOW

£5.7m

2021: £9.8m

Subsidiary review continued

SEA

Richard Flitton
Managing Director of SEA

"Export revenue at SEA was up significantly with orders won in the final quarter of the previous financial year being delivered in 2021/22. Export revenue included development work on an order for the Royal New Zealand Navy."

After a strong order intake in 2020/21, SEA had a solid year with revenue growing by over 10% and trading profit by over 40%.

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

	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	**2022 £m**
Submarine systems	16.9	7.3	4.7	2.7	4.2	**2.4**
Research	2.1	2.3	4.5	5.2	3.0	**4.9**
Export defence	6.0	7.1	8.2	1.6	2.3	**4.9**
Other defence products and support	11.9	13.2	9.6	11.7	11.1	**12.1**
Transport	5.9	5.3	9.2	7.6	6.4	**6.7**
Subsea	1.9	2.1	2.1	2.9	1.0	**—**
SEA total revenue	44.7	37.3	38.3	31.7	28.0	**31.0**

Submarine systems activity at SEA declined following the cancellation of a major contract in early 2021/22. This contract was terminated by the Australian Government following a change to its strategic stance. Its intention is to move away from a conventional (diesel) powered submarine to a nuclear-powered vessel in alliance with the UK and USA (AUKUS). We are optimistic that, when this programme re-launches, SEA's external communication system, as used on the UK's nuclear submarine, will be the preferred solution.

SEA's research activity saw growth in naval research. SEA's research, training and simulation activities will in future have a greater focus on supporting its main product and service offerings.

Export revenue at SEA was up significantly with orders won in the final quarter of the previous financial year being delivered in 2021/22. Export revenue included development work on an order for the Royal New Zealand Navy. This was to upgrade the external communication system on the ANZAC class of frigates. SEA secured a further follow-on export order from a previous customer for its Torpedo Launcher System.

Revenue from other defence products also increased, a result of higher levels of support activity and the inclusion of revenue from JSK, SEA's Canadian subsidiary.

SEA's transport business saw a 5% rise in revenue with a return to pre-COVID-19 activity levels. The new Clean Air Zone for Bristol provided both order intake and revenue in this year.

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. SEA has won nearly £100m of orders in the last two years. This has provided SEA with improved short and long-term visibility, including a number of export contracts for its Torpedo Launcher Systems.

The closing order book of over £75m underpins just over £27m of revenue expectations for 2022/23. SEA's position for UK submarine communication systems and key defence systems for the Royal Navy's surface fleet provides very good prospects for the coming and future years in securing long-term support and delivery orders, some of which will stretch into the early 2030s. SEA secured its first significant orders for the new Dreadnought class of submarine in 2021/22. We also expect follow-on orders for some of its key export contracts.

SEA acquired the other half of its joint venture, JSK, which is based in Canada. This has allowed SEA to fully control the delivery of its Torpedo Launcher Systems to the Canadian Frigate programme and to reinvigorate its efforts to support existing Royal Canadian Navy vessels including the Victoria Class submarines.

Financial review

Net funds much stronger than expected

Simon Walther
Finance Director

"The 2021/22 order intake was 135% (2021: 126%) of the Group's revenue for the year ended 30 April 2022. This was higher than last year, with substantial export orders being secured at ELAC and good order performance at MCL and some recovery at EID."

Revenue analysis

The segmental breakdown of sales in 2021/22 was similar in proportions to 2020/21. In absolute terms we saw a fall in C4ISTAR revenue, driven by lower intercom deliveries from EID, partly offset by higher MCL sales. The slight drop in combat systems revenue was due to lower revenue at Chess where a project was terminated in 2021/22, offset by higher Torpedo Launcher Systems revenue at SEA to export customers. The other segment areas were in line with last year.

The Group saw an increase in revenue with the UK MOD, although it remains below 50% of the Group total revenue. The increase was at MCL and MASS.

Sales to the Portuguese MOD decreased, a result of continued delays to orders for both land and naval systems. A key land system order for the Portuguese Army was secured in 2021/22 albeit later than expected, and this and some delivery delays resulted in revenue being below our expectations. Important naval orders are now expected in 2023 and should start to deliver revenue in 2023/24. The higher German sales reflected a full year contribution from ELAC and some refresh programmes starting for German surface ships.

Security sales were lower as MASS completed its contract with the Metropolitan Police Service in July 2021.

Export defence sales were lower due to completion of a large Middle East order at EID last year. Chess saw declines in revenue as one contract was terminated and deliveries on other contracts were delayed into 2022/23 due to changes in customer requirements. These were partly offset by stronger export sales at SEA following good order intake in 2020/21. MASS's export revenue was lower as training provision to export customers continued to be impaired by COVID-19 restrictions, especially in the first half of the year and these could not be made up in the second half.

The Group's defence and security business is the largest part of our business, accounting for 92% of our revenue this year (2021: 94%). The Group's non-defence revenue was up over 30% compared to last year, with SEA's transport business seeing a slight increase as COVID-19 restrictions eased. MASS education revenue was higher and ELAC saw increased deliveries of legacy commercial echosounder spares.

REVENUE

£137.8m

2021: £143.3m

ADJUSTED OPERATING PROFIT

£15.5m

2021: £18.6m

OPERATING CASH FLOW

+£19.5m

2021: +£16.2m

Financial review continued

Revenue by sector and business

	Chess		EID		ELAC		MASS		MCL		SEA		Group			
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	**%**	2021 £m	%
Defence and security	**16.8**	28.6	**8.2**	20.9	**20.3**	8.3	**35.3**	37.6	**21.7**	18.0	**24.3**	20.6	**126.6**	**92**	134.0	94
Transport	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**6.7**	6.4	**6.7**	**5**	6.4	4
Offshore energy	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	1.0	**—**	**—**	1.0	1
Other commercial	**0.1**	—	**—**	—	**1.2**	—	**3.2**	1.9	**—**	—	**—**	—	**4.5**	**3**	1.9	1
	16.9	28.6	**8.2**	20.9	**21.5**	8.3	**38.5**	39.5	**21.7**	18.0	**31.0**	28.0	**137.8**	**100**	143.3	100

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

	Chess		EID		ELAC		MASS		MCL		SEA		Group			
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	**%**	2021 £m	%
Direct to UK MOD	**0.1**	—	**—**	—	**—**	—	**21.0**	19.3	**19.3**	16.6	**5.9**	8.0	**46.3**	**34**	43.9	31
Indirect to UK MOD where the Group acts as a sub-contractor or partner	**2.6**	2.1	**0.1**	0.1	**—**	—	**4.9**	4.8	**0.8**	0.4	**10.2**	8.9	**18.6**	**13**	16.3	11
Total to UK MOD	**2.7**	2.1	**0.1**	0.1	**—**	—	**25.9**	24.1	**20.1**	17.0	**16.1**	16.9	**64.9**	**47**	60.2	42
Portuguese MOD	**—**	—	**3.9**	5.9	**—**	—	**—**	—	**—**	—	**—**	—	**3.9**	**3**	5.9	4
German MOD	**—**	—	**—**	—	**4.0**	1.0	**—**	—	**—**	—	**—**	—	**4.0**	**3**	1.0	1
Security	**2.0**	2.4	**—**	—	**—**	—	**3.1**	4.5	**1.6**	1.0	**—**	—	**6.7**	**5**	7.9	6
Export defence	**12.1**	24.1	**4.2**	14.9	**16.3**	7.3	**6.3**	9.0	**—**	—	**8.2**	3.7	**47.1**	**34**	59.0	41
	14.1	26.5	**8.1**	20.8	**20.3**	8.3	**9.4**	13.5	**1.6**	1.0	**8.2**	3.7	**61.7**	**45**	73.8	52
	16.8	28.6	**8.2**	20.9	**20.3**	8.3	**35.3**	37.6	**21.7**	18.0	**24.3**	20.6	**126.6**	**92**	134.0	94

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 categorised in market segments:

	Year ended 30 April 2022		Year ended 30 April 2021	
	£m	**%**	£m	%
Combat systems	**19.0**	**14**	22.0	16
C4ISTAR	**75.0**	**54**	79.0	55
Digital services	**14.0**	**10**	14.5	10
Training and simulation	**9.6**	**7**	9.5	7
Research, advice and support	**7.5**	**6**	7.4	5
Other	**1.5**	**1**	1.6	1
Total defence and security revenue	**126.6**	**92**	134.0	94

Total revenue by type of deliverable:

	Year ended 30 April 2022		Year ended 30 April 2021	
	£m	**%**	£m	%
Product	**82.7**	**60**	90.7	63
Services	**55.1**	**40**	52.6	37
Total revenue	**137.8**	**100**	143.3	100

Financial review continued

Operational outlook

Order intake and order book

	Order intake		Order book	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Chess	**15.2**	57.7	**40.7**	42.3
EID	**11.4**	4.3	**23.1**	20.0
ELAC	**57.1**	7.2	**56.8**	21.2
MASS	**34.1**	25.6	**72.8**	77.2
MCL	**31.8**	21.8	**22.5**	12.4
SEA	**36.8**	63.7	**75.1**	69.3
	186.4	180.3	**291.0**	242.4

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 ELAC and increased order intake at EID, MASS and MCL offsetting the unwinding 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 from these contracts as deliveries take place.

The 2021/22 order intake was 135% (2021: 126%) of the Group's revenue for that year.

The revenue on order (order cover) for the coming year is 78% (2021: 64%) as at 30 April 2022, based on consensus external revenue forecasts. This had risen to 90% in July.

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 £15.2m was mainly orders for European land forces, including extensions to a larger order received in 2020/21. Chess's order intake is net of an order cancelled by mutual agreement for which the equipment developed has now been supplied to a new customer in 2022/23. Chess's order intake included over £4m of spares and repairs and we have recently invested in its logistics and support team to grow this important revenue stream. Chess's closing order book of £40.7m included £22.0m for delivery in 2022/23. Chess is well positioned for further naval and land programmes which we hope will convert to orders in the coming year. As expected, Chess's order intake was lower than 2020/21, which was dominated by two large orders from European customers. The actual order intake was weaker than we had expected in the year and this in part contributed to the weaker performance. As we saw last year, weaker margins on some projects due to delays, customer deployment changes and technical challenges continued. These challenging projects have mostly been closed out. The now established new management team at Chess, and stronger underpinning of revenue expectations for 2022/23, give us confidence that Chess will deliver a stronger performance for the coming year, more akin to 2020/21.

EID's order intake for this year was higher at £11.4m (2021: £4.3m), including a long-awaited order from the Portuguese Army. EID's order book of £23.1m provides £11.3m of underpinning for 2022/23, which is already ahead of 2021/22. 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 and we expect a significant naval order for the Portuguese Navy to be secured in 2023. The stronger start point and some good prospects should see EID improve its performance in 2022/23 but it will still be short of the levels achieved historically.

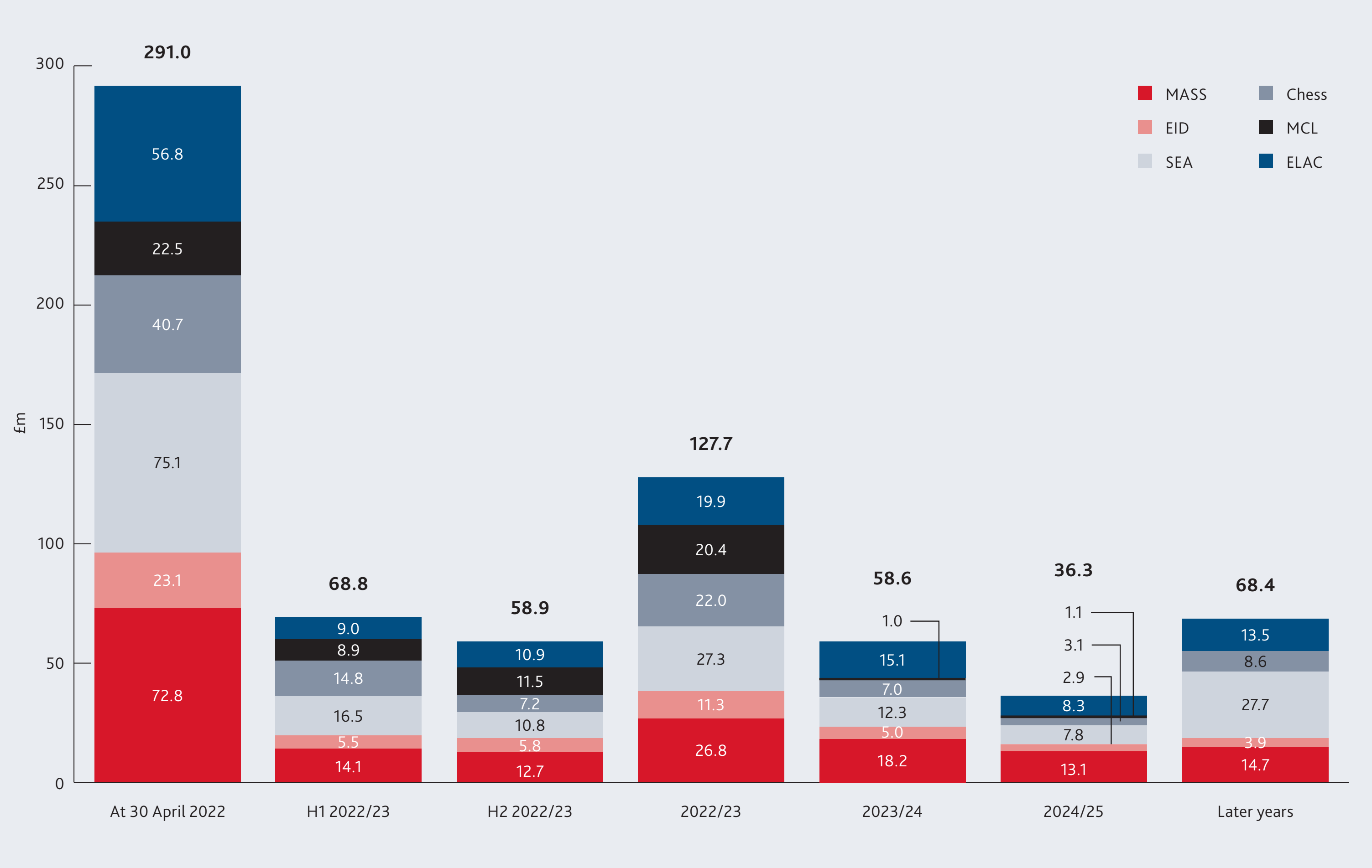
ELAC, as expected had a very strong order intake for 2021/22, including over £40m for sonar development and delivery on two new Italian submarines. ELAC secured orders for other navies including the German, UK's Royal Navy and Japan. ELAC also received nearly £7m of various spares and support orders, reflecting its widely installed product base, especially for underwater communication systems. ELAC's order book of £56.8m includes £19.9m to be delivered in 2022/23. We expect ELAC to perform in line with 2021/22, before including the income from the agreed mechanism with Wärtsilä, which will be lower as this mechanism concludes in November 2022.

Financial review continued

Operational outlook continued

Delivery of the Group's order book into revenue

The table below shows the expected delivery of future revenue from the current order book.



"The Group order book underpins 78% of the 2022/23 consensus analysts forecasts for revenue. This has increased to 90% in July."

Financial review continued

Operational outlook continued

Delivery of the Group's order book into revenue continued

MASS's order intake of £34.1m included the exercise of an option by the customer of over £11m to extend MASS's support to the UK's Joint Forces Command out to July 2024, a service MASS has been providing for nearly 20 years. MASS's closing order book of £72.8m includes nearly £27m of revenue to be delivered in 2022/23. Following a good year in 2021/22, we expect MASS to only show modest growth in the coming year. With the easing of COVID-19 restrictions, we are seeing MASS's level of operational activity, particularly in training returning to pre-COVID-19 levels.

At MCL, order intake of £31.8m was much higher than last year (2021: £21.8m) and included over £15m of hearing protection related orders, including for the first time, Armoured Fighting Vehicle crews and further extensions to its work on autonomous vehicles for the British Army of nearly £7m. MCL's closing order book of £22.5m includes £20.4m to be delivered in 2022/23, an historically high level of cover for MCL. Our long-term aim remains to strengthen MCL's order book and prospects to give it more visibility of future workflows and we have made some progress in respect of this in the current year. MCL, by its nature, sees changes in UK MOD (by far its major customer) activity quicker than our other businesses, and the current international situation gives MCL some positive momentum. We expect MCL to grow again in the coming year.

SEA's order intake of £36.8m was, as expected, not as strong as last year (£63.7m) which included a ten-year support contract to the UK Royal Navy's minor sonars at nearly £25m. Significant orders secured in 2021/22 included continued work on ECS and other systems for the UK's submarine fleet of over £4m, including the first significant orders for the new Dreadnought class. SEA also secured a follow-on order from the Philippines for its Torpedo Launcher System and an initial development order for deploying its external communication system onto a surface ship for the Royal New Zealand Navy's ANZAC frigate class. SEA's recently acquired Canadian business, JSK secured over £1m of orders in the period from August 2021. SEA's Transport division had a better year with order intake of nearly £8m (2021: £7m), reflecting an easing of COVID-19 restrictions. SEA's closing order book of £75.1m underpins over £27m of revenue for 2022/23 and we expect it to continue to grow in the coming year and achieve a net margin approaching 12%. We are optimistic that SEA will secure further export orders as well as long-term Royal Navy support orders in the coming year.

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 £33.6m this year (2021: £40.8m). The decrease was due to a hiatus in some of MCL's deliveries for hearing protection, orders for which significantly picked up in 2021/22. The UK Government followed up the review 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. The invasion of Ukraine by Russia and the concerted response by NATO has resulted in a reinforced focus on defence and may drive NATO members' defence spending levels to achieve the agreed minimum level of 2.0% of GDP. The UK has set its objective of achieving 2.5% by 2030 which would add around £55bn to UK defence spending over the next eight years.

Unlike last year, the Group's businesses are not dependent upon a single critical order to achieve their respective revenue targets for 2022/23. The Group infill for the coming year of around 22% is an historically low level. The level of infill required varies from 39% at MASS to around 10% at ELAC.

Funding resource and policy

At 30 April 2022, the Group's cash and readily available credit was £51.1m (2021: £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, especially in the light of recent events in Ukraine. As already mentioned, 78% of our revenue (based on consensus analyst forecasts) for 2022/23 was on contract at 30 April 2022 providing further assurance, and this has since increased to 90%. 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.

The Group completed a renewal of its banking facility on 18 July 2022. The new facility is for three years to July 2025 with options to extend it for a further two years to July 2027. The revolving credit facility (RCF) has been agreed on broadly similar terms to the previous facility (which was due to expire in November 2022). The RCF is for an initial £35m to be drawn and an option (accordion) to draw a further £15m. The facility has been extended from two to three banks with the addition of Commerzbank to NatWest and Lloyds.

The Group's bank borrowings have been reported as due within one year as the facility in place as at 30 April 2022 expires in November 2022.

NatWest is the Group's primary bank in the UK, especially for clearing purposes and day-to-day transactions. Commerzbank undertakes a similar role in Germany for ELAC.

The Group's facility in place as at 30 April 2022 was for £40m of which £29.3m was drawn, leaving £10.7m available to be drawn down. The facility itself provides the Group with a flexible arrangement to draw down for acquisitions and overdraft. The Group's banking covenants were all passed for the year ended 30 April 2022. Looking forward, we expect this to continue out to 31 July 2023 and beyond within the new facility, the covenants for which are the same as the facility in place at 30 April 2022.

The facility is available to the UK and German members of the Group and is fully secured over the Group's assets, including those of Chess. EID's assets are excluded but the shares that the Group owns in EID are included as part of the Group's security package with the banks.

The UK Group has separate bilateral facilities with each of NatWest and Lloyds for instruments such as forward exchange rate contracts, 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 has a bilateral facility in place with Commerzbank for provision of similar banking instruments to ELAC in Germany.

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.

Financial review continued

Funding resource and policy continued

Most of the Group's UK cash (that is not on short-term deposit) is managed through a set-off arrangement, enabling the most efficient use of the Group's cash from day to day, under the supervision of the Group's finance function.

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

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

EID has a local overdraft facility of €2.5m with Santander. This was undrawn as at 30 April 2022.

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 2022 were £11.0m (30 April 2021: £2.5m), better than expected due to timing of receipts, delayed capital expenditure and the slipping of the Chess minority buyout, which is now expected to complete in the first half of 2022/23. Looking forward, we expect the Group's net funds at 30 April 2023 to be lower, as the currently seen timing advantage is expected to unwind. The Group is expected to see an increase in net funds by 30 April 2024 from 2023, if there is no further corporate activity. Looking forward into 2023 through to 2025, the Group expects to invest in a new facility for its ELAC business in Kiel.

In addition to its cash resources, the Group has in issue 41.2m ordinary shares of 10 pence each. Of these shares 0.7m (2021: 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 1.8m at 30 April 2022 (2021: 1.7m).

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.
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 12.20 pence per share (2021: 11.10 pence).

The last five years' annual dividends, growth rate, earnings cover 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)
2022	**12.2**	**10**	**2.6**	**3.9**
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

Looking forward the Group plans to maintain a policy of growing its dividend each year and we expect the rate of growth over time to align with the expected adjusted earnings per share growth of the Group.

The Group's cash generation in 2022 was stronger than the expected flat performance for the year. In summary, the Group's cash performance was as follows:

	2022 £m	2021 £m
Adjusted operating profit	**15.5**	18.6
Depreciation and other non-cash operating movements	**2.8**	2.4
Working capital movement	**4.2**	(0.1)
	22.5	20.9
Acquisition of ELAC	**—**	(1.3)
Costs paid in respect of acquiring ELAC	**—**	(0.6)
Acquisition of JSK joint venture	**(0.4)**	—
Restructuring and subsea disposal at SEA	**—**	(0.7)
Tax, dividends, capital expenditure, interest, loans and other investments	**(13.6)**	(11.1)
Increase in funds	**8.5**	7.2

The higher cash outflow in tax, and dividends, etc. was mostly due to a net investment in own shares of £2.6m, £2.0m higher than last year. 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 44 days (2021: 38 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 increase has been mostly at Chess and is a result of very high revenue in the final quarter and not receiving payments until the early part of 2022/23.

Financial review continued

Tax

The Group's tax charge for the year ended 30 April 2022 of £1,541,000 (2021: charge of £1,554,000) was at a rate of 15.1% (2021: 22.00%) of profit before tax. This includes a current year corporation tax charge of £2,577,000 (2021: £4,254,000), a prior year corporation tax credit of £300,000 (2021: £310,000) and a deferred tax credit of £736,000 (2021: £2,390,000).

The Group's overall tax rate was below the standard corporation tax rate of 19.00% (2021: 19.00%). The decrease is due to the lower contribution of taxable profits from Portugal (at 22.0%) and an R&D credit recognised in Portugal (2021: no R&D credit) partly offset by a higher contribution from Germany (at 31.7%). The Group continues to take a prudent approach to the potential outcomes of a tax audit in Portugal and R&D credits recognised 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 £1,004,000 (2021: £1,029,000) 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 2022/23 is estimated at 18.0% compared with 13.5% of the pre-RDEC adjusted operating profit less interest for 2021/22. This rate going forward reflects a combination of lower Portuguese derived profits and higher German profits as well as rising UK rates (to 25%) in late 2022/23. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2020/21 and 2021/22.

Exceptional items

The exceptional items this year are £0.7m of net income (2021: £1.3m net cost). This includes the costs of acquiring all the shares in SEA's joint venture operation in Canada, JSK, and a profit recognised on the Group's existing investment in this joint venture on acquiring the remaining shares. The remainder of the exceptional income arose from the Group no longer having any earn-out payment obligation on the acquisition of Chess.

Adjusted earnings per share

The adjusted earnings per share (EPS) of 31.08 pence (2021: 33.63 pence) are 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 2021	18.6	33.63
Chess (81.84% owned)	(2.7)	(5.38)
100% owned businesses throughout the year ended 30 April 2022	1.0	2.99
EID (80% owned)	(4.0)	(7.78)
ELAC (twelve months in 2022)	2.6	6.37
Change in tax rate (excluding RDEC): 13.5% (2021: 17.4%)	—	1.48
Other movements including dilution and interest	—	(0.23)
Year ended 30 April 2022	**15.5**	**31.08**
Decrease from 2021 to 2022	(17%)	(8%)

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

There were no significant accounting policy changes in 2021/22.

Simon Walther
Finance Director

Risk management

Risk management

The key risks and the approach we take to their management are set out below. Certain additional risks are explained elsewhere in the Annual Report. Specifically, the impact of the war in Ukraine, 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 to the Group is discussed within the Corporate governance report, alongside our ethical and behavioural risks. Our risk in respect of our key resource, our employees, is explained within this Risk management section but also expanded upon in the Business model and Stakeholder engagement sections of this report. These should be considered alongside this section to give a complete picture of our risks and their management and control.

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.

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

"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."

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. It also includes having sufficient people of the right skill sets to deliver our existing commitments and develop our future products and solutions (see below).	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. £46.3m of revenue came directly from this source in 2022 (2021: £43.9m), 34% (2021: 31%) of Group revenue. In addition, £18.5m (2021: £16.3m) of Group revenue, 13% (2021: 11%), was sourced ultimately from the UK MOD but received via other contractors. Any event which affects the Group's reputation with the UK MOD could also put this revenue at risk.	The increase in the proportion of the Group's revenue to its ultimate primary customer in 2022 compared with 2021 reflects the stronger performance at MCL and SEA as well as the overall decline in revenue at Chess and EID where the UK MOD is a much smaller customer. In the immediate future we expect the revenues, direct and in-direct with the UK MOD to remain at least at this absolute level, but as we see a recovery in revenue at Chess and EID, the latter over the next two years, the proportion of the Group's revenue with the UK MOD is expected to gradually decline. Revenue from the Portuguese MOD, which is also a home market for the Group, was lower at £3.9m (3%) in 2022 (2021: £5.9m; 4%). The fall in revenue from the Portuguese domestic customer was a result of slippage of orders, particularly a naval programme, which we now expect to be secured in late 2022/23. Germany is also a home market for the Group following the acquisition of ELAC Sonar (ELAC). Sales of £4.0m (3%) in 2021/22 (2021: £1.0m; 1%) were higher than last year, in part due to 12 months being reported (2021: five months) by ELAC and higher supplies for German frigate overhauls. Non-defence sales (which include security) increased to £18.0m (13%) from £17.2m (12%). The increase was due to slightly higher transport revenue where the deployment of traffic camera systems increased following the easing of COVID-19 restrictions. Higher education sales at MASS offset slightly weaker security sales following completion of the Metropolitan Police contract and no Subsea sales at SEA in 2021/22 after the business was sold in August 2020. £48.8m of revenue (35%) was delivered to defence and security export customers this year compared with £60.7m (42%) in 2021. This decline was partly expected with high EID deliveries to a Middle East customer in 2021 not being repeated. Chess sales were also down, mostly in export with delayed orders and slippage of some deliveries to European customers. These reductions were partly offset by the full year contribution from ELAC (2021: five months). £33.6m (2021: £40.8m), 24% (2021: 28%) of Group revenue, representing 53% (2021: 68%) of revenue derived from the UK MOD, was in relation to the Astute and other submarine programmes, nuclear deterrent programme 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 UK Government's latest Strategic Defence and Security Review. This revenue stream is expected to be higher in the coming financial year following some key order wins in the final quarter of 2021/22.	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 the People section of our Sustainability report, 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 that the Group is able to develop its own people and that skills are maintained into the future, especially in the light of shrinking military establishments. In the last year, as our order book has expanded and operating activity has returned to near pre-COVID-19 levels, we have been expanding our work force across the Group, especially at Chess, ELAC and SEA. In some cases, we have experienced a challenging environment to recruit the right skills with challenges in both availability and cost. In some specific areas, especially software and cyber, we have seen even more marked wage inflation. In all cases we have continued to engage closely with our employees, ensuring we develop and compensate them appropriately and continue to offer a working environment that they find both interesting and rewarding. We have already put in place an Employee Value Proposition programme at MASS and are rolling this out across the Group to ensure we attract and retain the key skills the Group requires now and into the future.	Increased
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 because 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 on the commercial aerospace and automotive markets. We have seen delivery times increase, particularly for semiconductors and certain other components. We have, where appropriate, ordered products and components ahead of schedule to ensure we meet customer expectations. This has resulted in a higher working capital commitment. In the last year, lead times have steadied, but remain longer than we had previously seen pre-COVID-19. We have seen the additional impact of inflation, especially in supplies of products with high energy inputs, e.g., ceramics. As discussed below in operations, we continue to try and manage this inflation by looking for alternatives or passing on costs where we can through higher pricing. Many longer-term contracts include an index-based price adjustment which automatically compensates for some or all supply inflation. In most cases, bought-in parts and equipment are a small proportion of total cost, so the inflationary impact can be managed. Nevertheless, this is certainly a higher risk for the Group in the coming year.	Increased

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
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. Risks from higher inflation and lengthening delivery times have been seen across the Group. We have increased stock holdings of key components to ensure delivery risk is mitigated as far as possible. In the case of inflation, we have tried to fix prices with our supplier base and where this is not possible have used index-based pricing, particularly in long-term contracts, to protect our margins. We have seen component prices rise, in some cases significantly and have as far as possible reflected these costs in bids and tenders. The risk of staff shortages 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 previously, we have seen operational, project and commercial weaknesses at Chess. We made progress last year by appointing Operations, Project and Technical Directors to the business. Further work was also completed during the last year to improve Chess's delivery performance and tighten its commercial processes. We did not see the full benefits of these until late in this financial year. The acquisition of ELAC in December 2020 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.	Unchanged
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, 2022: 39 (2021: 36), 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 2022/23 is higher than last year's at 80% (2021/22: 55%) and is a result of increased activity from UK MOD, particularly for hearing protection and drones in the final quarter of our financial year. MCL has significant exposure to the UK MOD (over 90% of its revenue). As we reported last year, the marked increase in the UK MOD budget and agreed four-year spending plan gave MCL some positive momentum and we are seeing this now translate into orders. MCL is very much the Group's weathervane in respect of UK MOD spend.	Decreased

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
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 long-term nature of these contracts does expose the Group to the impact of high inflation.	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. SEA are in discussions with the UK MOD to secure a long-term service contract to support various SEA products in service with the Royal Navy, including Torpedo Launcher Systems and Sea Gnat countermeasures systems. The Group manages the inflation risk in these contracts through index-based pricing. Elements of these long-term contracts are contracted by the customer as required (e.g., purchases of spares) and are priced at that point in time, taking account of actual costs.	Unchanged
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 2022 represented 35% (2021: 42%) of the Group's revenue. Revenue derived directly and indirectly from the UK, German and Portuguese defence ministries represent 47% (2021: 42%), 3% (2021: <1%), 3% (2021: 4%) of the Group total respectively. The completion of deliveries by EID on one export contract in 2020/21 accounts for most of the decline, together with weaker export revenue at Chess. 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. COVID-19 may impact our export markets with individual customer defence budgets coming under pressure. We may also see more positive demand drivers arising from changes in regional security stances and disputes, notably the recent invasion of Ukraine by Russia. The unpredictability of some export contracts, especially in terms of timing, remains a risk. Any increase in defence spending by NATO members may have both a positive impact on the volume and predictability of the Group's revenue.	Unchanged
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 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 to the customer and meets the needs of the individual team members. During the year ended 30 April 2022, the Group acquired the remaining 50% shares in JSK (Canada) to ensure that we are able to fully support the Canadian Future Frigate programme.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
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. During the year ended 30 April 2022, the Group continued to review potential businesses with a view to them joining the Cohort Group. One small acquisition completed in the year when SEA's 50% owned joint venture in Canada, JSK, was fully acquired. The work on this acquisition was led by SEA's management team with oversight from the Cohort headquarters. One ongoing acquisition process was aborted during the year following a review of the market prospects.	Unchanged
Financial risks		
Treasury		
A key risk is that the Group deposits monies with banks that are a credit risk, putting our cash resources at risk. A risk for the Group is that its pools of cash and facilities, in the UK, Germany and Portugal, are insufficient for local needs. In addition to our own cash, the Group has facilities with banks to provide debt (structured and overdraft) and other financial products (bonds, foreign exchange instruments etc.) to enable us to carry out our operations efficiently and to execute our strategy of growth by acquisition and organically. 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 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. Over the last 12 months, the credit ratings of most of our banks (see note 15) have remained steady. 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. In July 2022, the Group completed a new bank facility with Commerzbank, Lloyds and NatWest. NatWest remains the Group's primary bank in the UK, especially for clearing purposes and day-to-day transactions. Commerzbank performs a similar role in Germany. The facility is a revolving credit facility for three years out to July 2025 with options to extend for a further two years to July 2027. The facility is for £35m with an accordion in place to extend it by a further £15m to £50m in total. Of the Group's existing facility at 30 April 2022 (£40.0m), £29.4m was drawn at 30 April 2022. The existing and new facilities provide the Group with a flexible arrangement to draw down for acquisitions and overdrafts. The renewal of the Group's banking facility for three years (with two option years) and our strong net funds position as at 30 April 2022 provide the Group with a robust financial strength for at least the next 12 months. The Group's new facility is available to all the Group's entities (excluding EID) through an offset arrangement. The existing and new facilities are secured against all 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. 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 2022 and expects to continue to do so. The impact of IFRS 16 'Leases' is ignored for the purpose of our banking covenants.	Decreased

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 2022 in respect of financial derivatives (forward foreign exchange contracts) was £10.7m of payable and £23.8m of receivable (2021: £5.9m of payable and £17.5m of receivable). The financial derivatives at 30 April 2022 were held with NatWest and Investec Bank (30 April 2021: NatWest 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. There is a risk of weaker margin or bid loss if exchange rates materially deteriorate from the Group's perspective between bid and contract. There is also an opportunity of margin improvement from favourable exchange rate movements in the same period. The Group does not enter into speculative forward exchange contracts. At 30 April 2022, the Group's primary foreign exchange contracts were to cover exposures to the US dollar at SEA, which has a number of sales in US$ and increased euro buys for supplies, mainly at MCL. The Group does not hedge the exposure to euro/sterling fluctuations that arise from its ownership of either EID or ELAC. The currency risks the Group faces have increased, especially in respect of the US$ requiring the Group to review more regularly its supplies to be paid in foreign currency. The stronger US$ against the pound sterling, if it persists, should improve the Group's competitive position in US$ based markets.	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 and critical accounting judgements of the notes to the accounts, and as such, may from time to time have a degree of risk. The 2022 net bad debt charge was £0.2m (2021: £nil) on Group revenue of £137.8m (2021: £143.3m). Financial assets exposed to credit risk at 30 April: (see table below)	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. The cash and bank deposit risk is discussed under Treasury above.	Unchanged

	2022 £m	2021 £m
Trade receivables	**24.4**	30.2
Other receivables including contract assets	**31.8**	36.4
Cash and bank deposits	**40.4**	32.3

Stakeholder engagement

Engaging with our stakeholders

We maintain strong relationships across all our stakeholder groups.

People

- This year the Board reinstated its in-person visits to subsidiaries and the Directors were able to tour the sites and engage with 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 to commend individuals for their achievements.
- Board members contributed to Q&A sessions held for the Learning Development Programme and Business Development Conference.

FURTHER DETAILS ARE SET OUT IN THE PEOPLE SECTION OF OUR SUSTAINABILITY REPORT

Customers

- The Board received regular updates on key customers through the monthly reporting mechanism, in the presentations to the Board meetings by the Managing Directors and through input from the Managing Directors into the strategy planning.
- Our Group engagement principles show our customers how we will work with them.
- The Chief Executive was invited to meet with selected customers when they visited subsidiary sites.
- The Board visited the DSEI industry event in London in September 2021 and engaged with visitors and customers.

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.

Communities and our environment

- The Board has created and endorsed a Group Environmental Policy.
- Engagement by our subsidiaries in the communities within which they operate is reported to the Board throughout the year where appropriate.

FURTHER DETAILS ARE SET OUT IN THE SOCIAL SECTION OF OUR SUSTAINABILITY REPORT

Shareholders

- Live Q&As hosted for shareholders after Preliminary results and Interim results webcast presentations.
- Regular meetings with institutional shareholders.

FURTHER DETAILS ARE SET OUT IN THE CORPORATE GOVERNANCE REPORT

Stakeholder engagement continued

Board engagement with stakeholders

The Board has set out below how it has engaged with each group of key stakeholders.

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. All voting is conducted by way of a poll and all shareholders are encouraged to submit voting instructions by proxy in advance of the AGM to ensure that they are able to participate in the decision making of the Company and have their votes recorded. Details of proxy votes received are 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 on 27 September 2022 at Armourers' Hall, 81 Coleman Street, London, EC2R 5BJ and the Notice of AGM for Cohort plc is being sent to shareholders together with this Annual Report. A Capital Markets Day event will be held at the same location immediately after the AGM, which will provide shareholders and analysts with the opportunity to understand the business better and hear about the latest innovations from the subsidiary businesses.

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.

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 as outlined above, will host a Capital Markets Day event together with the other members of the Board following the 2022 AGM.

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.

Customers, suppliers and partners

From mid-2021 our business development teams were once again able to meet with their customers face-to-face and resume attendance at industry conferences and exhibitions. The teams worked within remaining local restrictions to enable travel, and also continued to attend meetings by video conference.

Our engagement principles

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.

Communities and our environment

Our approach to engagement with our communities and to environmental sustainability is included in our Sustainability report.

People

Details of our engagement with our people are set out in our Sustainability report.

Stakeholder engagement continued

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	59
	▶ Effective risk management	38-44
	▶ Proactive acquisition programme, regularly considering potential acquisitions throughout the year	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
	▶ Implementing hybrid working arrangements where appropriate in response to employee feedback	
	▶ Regular health and safety reporting to the Board	
	▶ Investment in our employees through training and other initiatives	50-52
▶ the need to foster the Company's business relationships with suppliers, customers and others	▶ Partnering with our customers to develop innovative solutions	12-13
	▶ High-level engagement with key defence customers	45
	▶ Our Group engagement principles	46
	▶ Building the relationship with the UK MOD through involvement in group activities such as the Department of Equipment and Support	
	▶ Hosting regular review meetings with customers	
	▶ Prompt payment of suppliers	106
	▶ Ethical business conduct	53
▶ the impact of the Company's operations on the community and environment	▶ Community initiatives were undertaken throughout the year	52
	▶ SEA and EID hold ISO14001 accreditation and three other subsidiaries are in the process of evaluating or working towards this	49
	▶ Promoting STEM opportunities	52
	▶ Supporting charities	53
	▶ Environmental reporting	48-49
▶ the desirability of the Company maintaining a reputation for high standards of business conduct	▶ Environmental Policy statement adopted	49
	▶ Strong emphasis on our Ethical Policy	53
	▶ Updated Anti-Bribery Policy and procedures	
	▶ Regular training for employees on key compliance areas	
	▶ Whistleblowing hotline	
▶ the need to act fairly as between shareholders of the Company	▶ Shareholder engagement practices	45-46

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.

Sustainability

Group commitment to sustainability

As a Group we are aware of the increasing importance of sustainability and are focused on our environmental, people, social and governance priorities. We are committed to monitoring how our business activities impact on our stakeholders and acting in accordance with high levels of ethics and governance.

Environmental sustainability

The Group is committed to managing the environmental impact of its activities, and to improving resource efficiency and reducing waste. As part of the Group's commitment to sustainability, the Board has created and endorsed a Group Environmental Policy. This outlines how our businesses work together with our employees, contractors, suppliers, customers and communities to ensure high standards of environmental protection through a variety of actions including:

- compliance with all relevant environmental legislation;
- preparing and publishing environmental reports for our stakeholders;
- reviewing the environmental impact of our activities, and following good business practices to manage this;
- improving resource efficiency and reducing waste wherever we can;
- having measures in place for effective and expedient incident control, investigation and reporting;
- where relevant, having regard to environmental factors in business decisions; and
- engaging and communicating with our employees and other stakeholders on environmental matters.

Ownership of our Environmental Policy rests with the Cohort plc Board, and the Board is responsible for providing the strategic vision and direction on all environmental related matters. The Board is also committed to supporting our subsidiaries and ensuring that this policy is effectively implemented across the Group.

Each subsidiary Managing Director has responsibility for implementing an Environmental Policy and procedures appropriate for that business, and for communicating that policy to their employees to ensure that they are aware of their responsibilities. They must also ensure that environmental issues are given adequate consideration in the planning and day-to-day undertaking of all business activities.

In addition, the Board expects all employees in the Group to be ambassadors of good environmental practices and to report any practices that do not meet the required standards.

carbon footprint standard
CO_2e Assessed Organisation

Colleagues at Chess getting involved in volunteering work at Warnham Nature Reserve as part of Wellbeing Week 2022.

Sustainability continued

Environmental sustainability continued

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 following the GHG Protocol Corporate Accounting and Reporting Standard and has used the 2021 emission conversion factors published by Department for Environment, Food and Rural Affairs and the Department for Business, Energy & Industrial Strategy. The assessment follows the dual reporting approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

The table to the right summarises the GHG emissions for reporting year 1 May 2021 to 30 April 2022. As a business we have been assessing our carbon emissions since 2019 and have provided both last year's assessment results and the baseline year for comparison.

Over the assessment period Scope 3 emissions have increased due to a resumption in travel following the lifting of restrictions imposed during the COVID-19 pandemic. We have continued to use virtual meetings where appropriate. We also note that the accuracy and quality of data collection has improved since we started assessing our carbon emissions in 2019.

The table below summarises our GHG emissions for the reporting year 1 May 2021 to 30 April 2022:

Scope	Activity	2019/20 Location based tCO_2e	2020/21 Location based tCO_2e	**2021/22 Location based tCO_2e**
Scope 1	Site gas	167.32[1]	143.50	**189.16**
	Van travel and distribution	67.19	69.47	**48.94**
	Company car travel	70.63	50.29	**71.47**
	Site gas oil	38.74	6.89	**0.00**
	Refrigeration & A/C	0.84	0.00	**1.04**
Scope 1 subtotal		344.71	270.15	**310.62**
Scope 2	Electricity generation	536.47	429.87	**366.89**
Scope 2 subtotal		536.47	429.87	**366.89**
Scope 3	Flights	1,725.18	90.86	**370.90**
	Employee-owned car travel (grey fleet)	138.24	70.54	**106.76**
	Electricity transmission and distribution	45.55	36.97	**32.47**
	Hire cars	39.60	14.56	**26.60**
	Rail travel	23.08	1.02	**8.28**
	Taxi travel	4.88	0.94	**3.66**
	Bus travel	<0.01	<0.01	**<0.01**
Scope 3 subtotal		1,976.52	214.88	**548.67**
Total tonnes of CO_2e		2,857.71	914.90	**1,226.17**
Total market-based tCO_2e		N/A	N/A	**1,171.96**
Tonnes of CO_2e per employee (all scopes)		4.45	1.52	**1.74**
Tonnes of CO_2e per £m turnover (all scopes)		23.58	6.40	**11.34**
Total energy consumption (kWh)[2]		3,791,999	3,467,995	**3,273,720**

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).

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.

Energy and waste efficiency initiatives

The subsidiaries of the Cohort Group have implemented a range of energy efficiency and waste reduction measures. All UK sites have undertaken assessments to develop and adopt Carbon Reduction Plans, in accordance with PPN 06/21.

A team from SEA attended an Environmental Awareness in Defence course at Cranfield University this year. This has already had a positive impact on ways of working at SEA and enabling it to demonstrate to MOD that SEA is working in a way that minimises its impact on the environment.

ISO 14001

SEA underwent a successful ISO 14001 reaccreditation audit with no non-conformances recorded. Their continual improvement of energy efficiency was noted by the auditor. EID recently attained their first ISO 14001 accreditation. MCL is working towards ISO 14001, and MASS along with Chess are in the final stages of the accreditation process.

Waste and recycling

SEA is now zero to landfill and has increased staff training on environmental and waste improvement. EID has implemented a waste sorting scheme to increase recycling.

Energy efficiency

At ELAC Sonar, all lighting is being replaced with LED units. In addition, PCs and other electrical equipment are being replaced with more energy efficient models. MCL, Chess and SEA have switched to green energy tariffs. MCL are encouraging suppliers to consider alternatives to air freight where possible.

Looking forward

Measures outlined in the UK subsidiary Carbon Reduction Plans will start to roll out in the coming year. These include:

- SEA are holding product lifecycle reviews to consider component reusability and recyclability. They are also looking to introduce reusable/returnable packaging.
- Chess, SEA and MASS will be working to replace their vehicle fleet cars with electric or hybrid vehicles at the end of current lease periods. Additional EV charging points will be installed at subsidiary sites.

Sustainability continued

People

Our capabilities and customer relationships all ultimately derive from our people. Across the Group, our people can make a difference, fulfil their potential, develop their careers, and are 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 values that capture and articulate the spirit of the Group.

NUMBER OF PERMANENT EMPLOYEES AT 30 APRIL 2022

1,050

22	1,050
21	1,005
20	906
19	907

Our values

We believe in PLAYING OUR PART

We dedicate our expertise to advancing defence technology. It is our contribution to national interest and security, protecting people and keeping them safe. It is our way of making a difference.

We work at the highest levels of strategic capability and take great pride in our collective expertise. We operate with uncompromising ethics and offer up our talent and resources for the greater good of nations.

We believe in BEING RESULTS DRIVEN

We are an agile group of smart thinkers, with the ability to create solutions and the tenacity to see things through. If we say we'll do something, then we'll do it.

We're interested, committed, and personally invested in purposeful technology that delivers and makes good commercial sense.

We believe in INDEPENDENT THINKING

Small teams do big things when they have the autonomy to think and to see the bigger picture. When they're given the space and encouragement to explore, free of unnecessary process.

Independent thinking and an entrepreneurial spirit help us inspire each other to find better ways of working and create the conditions for new ideas to unfold. It's how we come to better understand the challenges before us and adapt swiftly to reach the most effective solution.

Sustainability continued

People continued

Employee engagement

It is critical to the success of our business that our employees feel valued and engaged and are well informed about happenings at Group level as well as within their own businesses and their subsidiary peers.

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, Board member visits to the subsidiaries' sites were able to resume in person after the COVID-19 restrictions. The Board undertook a varied programme including presenting recognition awards at EID in Portugal, engagement sessions with technology developers at MCL, and a site tour at ELAC Sonar. The Board engaged with the Managing Directors on an individual basis to ensure a conduit to employees was maintained.

The Board discussing technology updates with colleagues from MCL.

Group communications

The Group cascades employee communications to the subsidiary businesses through a Group intranet, update presentations, and direct all-employee emails. The Group intranet features regular updates from the Chief Executive and updates at key times of the reporting calendar, as well as sharing important information about internal activities happening across the subsidiaries. Employees have good awareness of the financial and economic factors affecting the Group's performance. Where possible communications are translated into the local language.

Internal communications

Each subsidiary has its own internal communications programme, delivered across a variety of channels appropriate to each business. Regular town hall meetings and informal employee briefings, where employees' questions can be answered by local leadership, have now been able to resume, but online communications continue to support hybrid working.

Employee feedback

All of our 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. In 2021 MASS undertook an Employee Value Proposition project using employee surveys and workshops to better define their brand and employee proposition. An action plan to support employee engagement initiatives will be rolled out across the Group in the coming year.

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 luncheon celebration and was attended by the Board.

The recipients of this year's top award were a team from Marlborough Communications who successfully negotiated a contract renewal providing communications ancillaries and hearing protection to the UK Armed Forces. They worked incredibly hard to give the customer confidence with a complex project.

The larger subsidiaries also run their own annual employee recognition events and smaller thank-you awards.

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, recently introduced at MASS.

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 2021/22 we ran a Leadership Development Programme with a group of 22 participants, including participants from the newly integrated ELAC Sonar. The Board was able to engage with the individuals who are being developed to grow the Group in the future through a Q&A session. A new programme will be starting in Autumn 2022.

Apprenticeship programmes

Across the Group we run a number of apprenticeship programmes, incorporating both technical and non-technical specialisms. The UK based Cohort businesses are utilising their Apprenticeship Levy funding for new apprentices or adding to the skills of the existing employees.

The Towards Excellence Project in action at EID discussing problems, ideas and opportunities for improvement.

Harry Shone from SEA receiving his Advanced level apprenticeship in Engineering Manufacture and Level 3 NVQ Extended Diploma in Electrical & Electronic Engineering.

Sustainability continued

People continued

MASS Apprenticeship and Graduate Talent and Development Programmes

The MASS apprenticeship programme was launched with the first intake of apprentices in 2021. The training programme mirrors their graduate training and is provided by the same external trainers. This training is undertaken in addition to their external studies towards their recognised qualification and develops their personal skills and helps them build relationships within the work environment.

The Talent and Development programme provides a focus on personal development for graduates or employees with only a few years' work experience. The 12-month training programme includes skills development, and individual coaching sessions for participants to review their learning and how they can incorporate this into their day-to-day work. Andrew Leigh, Head of Software development at MASS, ran a course on Engineering in Business as part of the programme. The objective of this module is to increase awareness of junior staff as to how engineering decisions and processes can affect delivery to the required cost, schedule and budget, to improve business outcomes for both customer and supplier.

As well as embracing technology and bringing new ideas to shape the future of the business, the apprentices are helping to bridge industry skill gaps and, along with the graduates, are enabling MASS to create a diverse talent pool within the business.

Health and wellbeing

The subsidiaries took part in many activities during the year to promote the health and wellbeing of their people. Our Employee Assistance Programmes are available for employees to access and are regularly promoted.

Once again Mental Health Awareness Week was given particular focus:

SEA launched their Wellbeing Centre on their intranet, highlighting four main sub-sections, and encouraging people to make use of the benefit.

MASS focused their activity for the week on being active by launching the MASS 5K challenge. Physical activity is proven to reduce the risk of mental health problems. Colleagues were encouraged to walk, wheel, bike ride or run the 5k distance either all at once or over a few days, to get outside and have fun. Fundraising for the MIND charity was part of the challenge.

Chess highlighted the Time to Talk campaign encouraging people to start a conversation and open up about their mental health. They aim to reduce mental health stigma and create a supportive community where people can feel empowered to seek help when needed.

Social sustainability

STEM

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

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.

FUTURENEST Mentoring

SEA's Business Development Director, Peter Hodgkinson, has been mentoring a student into the defence industry through the UKNEST FUTURENEST programme. UKNEST is a forum that promotes activities within science, technology, engineering and maths (STEM) with a primary focus on the UK Naval industry. Influenced by the MOD and UK industry, the forum is dedicated to developing initiatives that enhance future naval capabilities. FUTURENEST helps to recruit, train and develop the careers of talented individuals across the Navy. The mentee, an electrical engineer student from Cardiff University, received a grant to assist with their study and research, alongside the benefit of Peter's extensive Naval industry knowledge. On his mentoring journey so far, Peter said: "It is important to ensure that undergraduate engineers are given an opportunity to understand the opportunities that working in the maritime defence industry offers and to ensure they have a simple route into a career in maritime defence if they chose. The NEST scholarship programme achieves both aims and it has been a pleasure to work with some of the highly talented young people who have expressed an interest in maritime defence as a career."

STEM/Community Engagement at MCL

The first ever MCL STEM event was held at Avenue Primary Academy in Sutton, Greater London, a school which supports children with specialist needs. MCL's SKYDIO drone and "Spot" the quadruped robot were used in the demonstration at the school. After the event, the school sent over feedback "The headteacher received so many thank you phone calls from the parents, we can't thank you enough for turning up to our school with the robot 'dog' and drone. Lots of the children were amazed that they can work in engineering through many different routes."

Communities and charities

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 celebrate their achievements during Armed Forces Week. At SEA we had one employee mobilised in early 2022 who spent three weeks on deployment with the Royal Navy.

We are proud to be a signatory to the Armed Forces Covenant, and under the Defence Employer Recognition Scheme we hold three Silver Awards at MASS, SEA and Cohort plc, and a Bronze Award for Chess Dynamics.

Sustainability continued

Social sustainability continued

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.

CHARITY DONATIONS IN 2022 BY THE GROUP

£29,900

(2021: £28,000)

SSAFA
Cohort plc is proud to be an active sponsor of the UK Armed Forces charity SSAFA Corporate Friends Scheme. In 2021 the Group sponsored the SSAFA Christmas Carol Concert, annual dinner and industry networking events.

ssafa the Armed Forces charity

Governance
Cohort is committed to the highest standards of governance and ethics. 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.

Ethical business conduct
It is Cohort's policy to conduct all of our business in an honest and ethical manner. Our Ethics Policy sets out the values and standards of behaviour expected from all those working for or on our behalf. It requires all of our representatives to comply with the laws and regulations in the countries in which we operate and we require anyone who becomes aware of behaviour which may contravene our policy to report it and to seek advice. We provide a confidential and anonymous whistleblowing facility to support this.

Anti-bribery
Cohort has a culture of zero tolerance towards bribery and corruption. 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 all of its employees on joining. Employees in roles with a greater risk of exposure to bribery are required to undertake annual refresher training.

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 January 2022. Our policy is supported by comprehensive procedures to be followed when any member of the Group works with third parties to ensure thorough due diligence is carried out and repeated at regular intervals and that our agents and other third parties have satisfactory standards and procedures in place.

Cyber risk and data security
The Group introduced an Information Security Policy (ISP) in January 2019, replacing its previous Security Policy Framework.

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 and encompasses our responsibilities in respect of the Data Protection and other non-personal information we handle.

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.

We continue to monitor phishing attempts and other cyber threats and to raise awareness of these risks across the Group.

Our data protection policies and processes are embedded in our culture through mandatory training for all employees which must be undertaken at least every two years.

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

safecall

Whistleblowing
Our whistleblowing line is hosted by SafeCall and provides a channel for confidential and anonymous reporting in more than 68 languages. Details of the service are provided in the local language at our European subsidiaries. The Chief Executive reviews all whistleblowing reports and every report is investigated with support from the General Counsel and Company Secretary. The Senior Independent Director acts as the escalation contact for whistleblowing reports. Our Whistleblowing Policy provides protection and support for whistleblowers raising a genuine concern.

FURTHER DETAILS OF OUR CORPORATE GOVERNANCE STRUCTURE ARE SET OUT IN THE CORPORATE GOVERNANCE REPORT