COHORT PLC

THE INDEPENDENT TECHNOLOGY GROUP

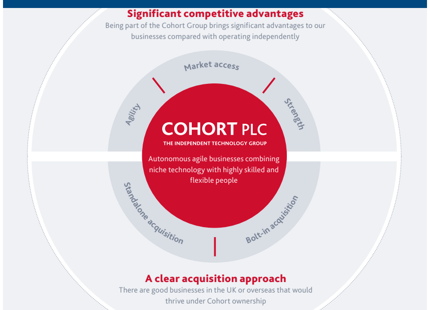
Applying advanced technology to protect and secure

Annual Report and Accounts 2020

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

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

Strategic report



Corporate governance

Financial statements

Highlights

How we have performed

Operational highlights

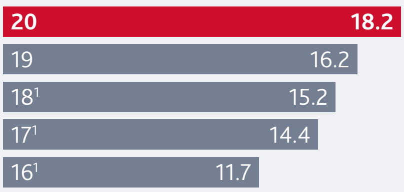
- Full year contribution from Chess driving overall growth in Group's performance
- Record performance from MASS
- Stronger year from EID
- Weaker performance from MCL and SEA
- Agreement to acquire Wärtsilä ELAC Nautik GmbH (ELAC)

- Adjusted operating profit of £18.2m (2019: £16.2m) on revenue of £131.1m (2019: £121.2m)
- Dividend increased by 11%
- Net debt better than expected at £4.7m (2019: £6.4m)

Financial highlights

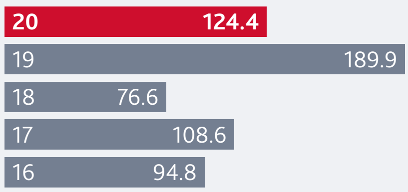
ADJUSTED OPERATING PROFIT (£m)

£18.2m



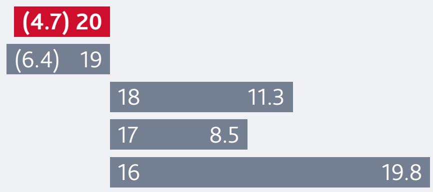
ORDER INTAKE (£m)

£124.4m

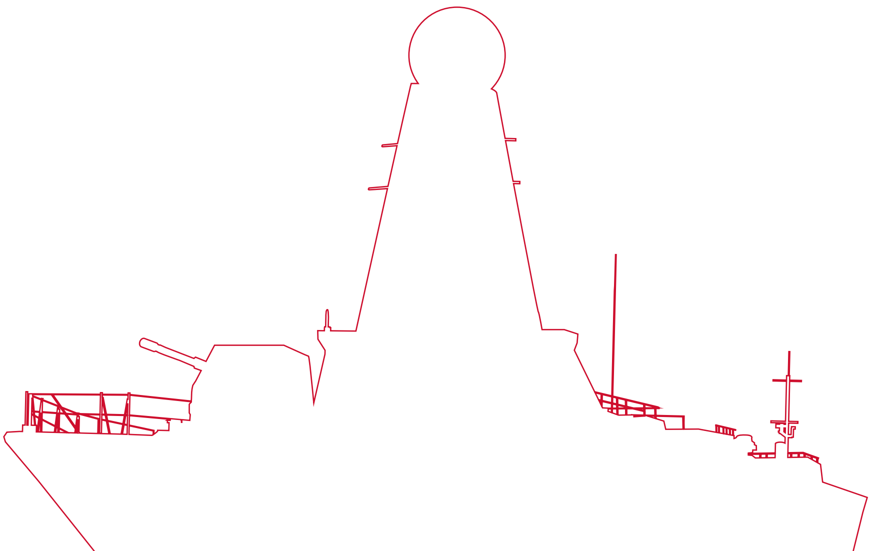


NET (DEBT)/FUNDS (£m)

£(4.7)m



1. Prior year comparatives were restated upon the Group's adoption of IFRS 15 "Revenue from Contracts with Customers".



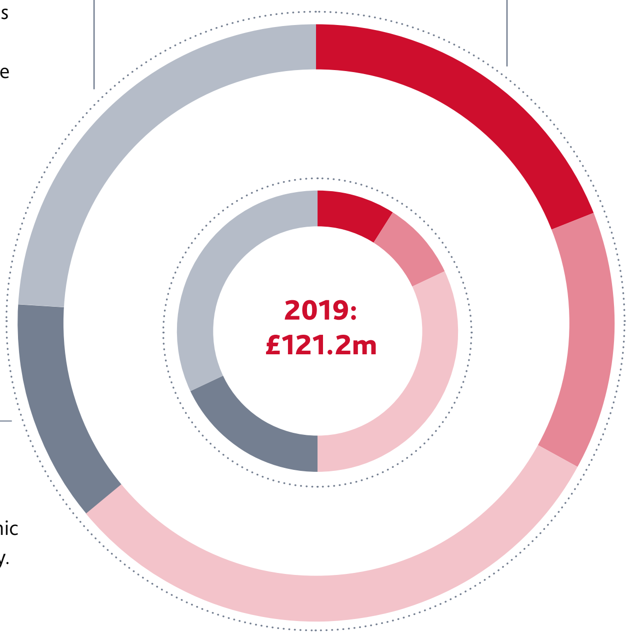
At a glance

Cohort is the parent company of five innovative, agile and responsive businesses based in the UK 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 unique technologies and services, supplied to prime contractors and end users.

Our businesses

TOTAL REVENUE

£131.1m



SEA

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

REVENUE:

£31.7m

(2019: £38.3m)

FULL REVIEW ON PAGE 24

MCL

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

REVENUE:

£15.1m

(2019: £21.7m)

FULL REVIEW ON PAGE 23

CHESS

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

REVENUE:

£25.2m

(2019: £10.7m five months)

FULL REVIEW ON PAGE 17

EID

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

REVENUE:

£18.0m

(2019: £11.5m)

FULL REVIEW ON PAGE 19

MASS

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

REVENUE:

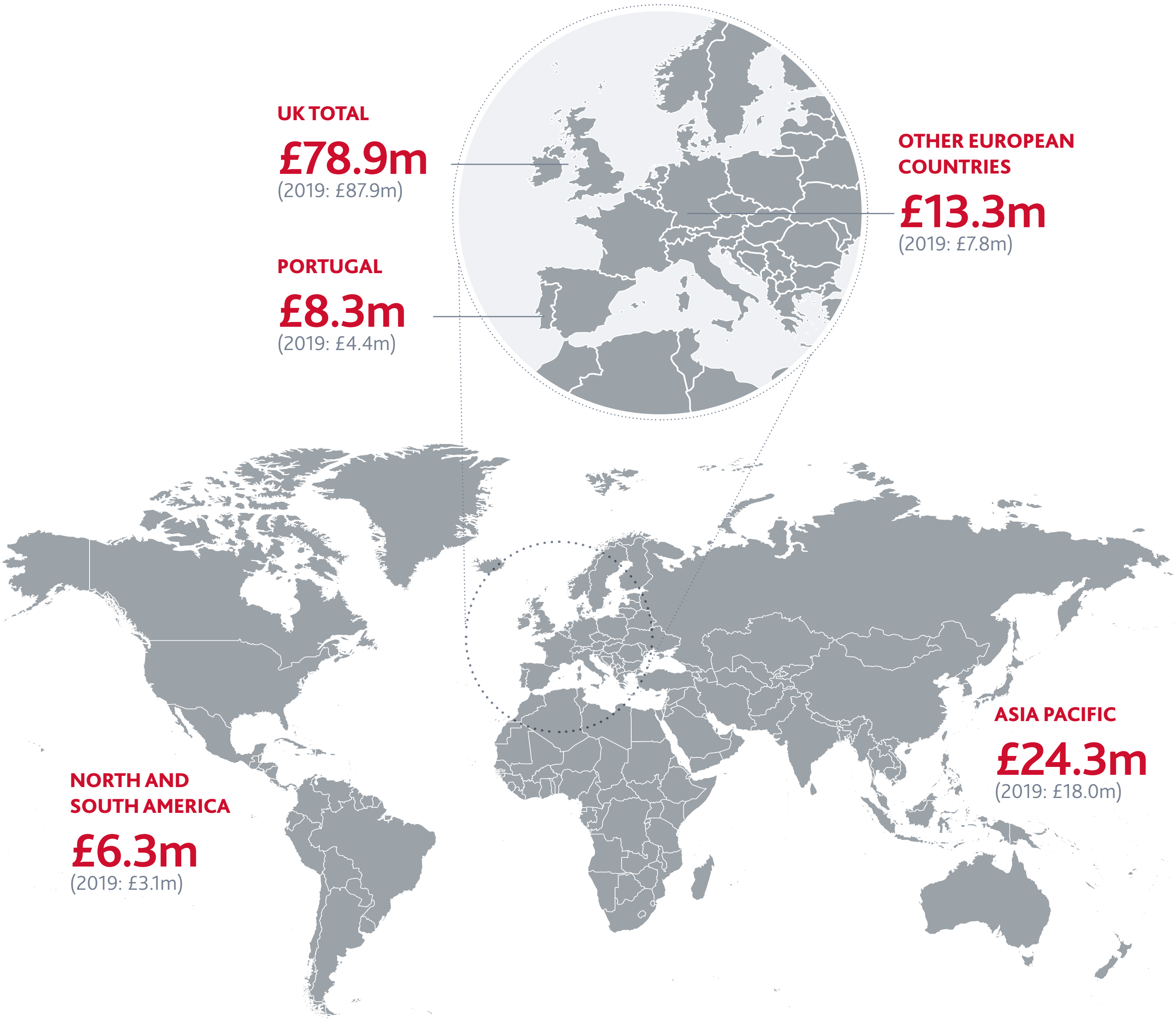
£41.1m

(2019: £38.9m)

FULL REVIEW ON PAGE 21

Revenue breakdown by region

Geographical analysis



FULL DETAIL IN THE FINANCIAL STATEMENTS ON PAGE 83

At a glance continued

Our markets explained

Defence and security

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

REVENUE

£118.1m

2019: 105.6m

Combat Systems

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

- Anti-submarine Warfare
- Platform and Force Protection

REVENUE

£18.0m

2019: £23.0m

C4ISTAR

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

- Communication Systems
- Hearing protection
- Surveillance and Target Acquisition Systems
- Electronic Warfare
- Sonar Systems

REVENUE

£63.1m

2019: £51.1m

Cyber Security & Secure Networks

We provide services to ensure critical and sensitive information infrastructure is protected and secure.

- Information Assurance Services
- Secure Networks
- Digital Forensics

REVENUE

£15.0m

2019: £15.5m

Training & Simulation

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

- Operational, Exercise and Training Support
- Individual and Team Training
- Procedural Training Solutions

REVENUE

£9.4m

2019: £6.4m

Research, Advice & Support

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

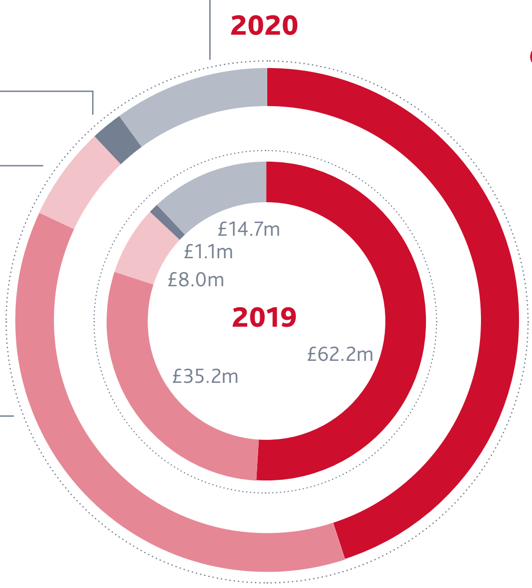
- Research Management
- Independent Technical Support and Advice
- Capability Development

REVENUE

£12.6m

2019: £10.5m

Revenue by destination



"Reliance on UK defence falls below 50% of revenue for first time."

Transport

We provide high-integrity software and systems development for complex engineering environments.

Our systems and products support transport organisations, operators and local authorities in the UK and North America markets.

- Traffic Enforcement.
- Rail Information Systems.

REVENUE

£7.6m

2019: 9.2m

Subsea

We provide solutions for the design, engineering, operational support and maintenance of subsea equipment.

Our customers operate in the oil and gas production control market primarily in the UK.

- Electrical.
- Decommissioning and Asset Obsolescence.

REVENUE

£2.9m

2019: 2.1m

Why invest in Cohort

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

Strong business model

Consistent dividend track record

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

Continued organic and acquisitive growth

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

Financial strength

Access to attractive growth markets

Visibility of future earnings provided by substantial order pipeline

- Order book at 30 April 2020 £183.3m (30 April 2019 – £190.9m).
- 62% of 2020/21 externally forecast revenue on contract at 30 April 2020 (55% equivalent for 2019/20).
- Order book extends out to 2027.

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

Chairman's statement

Good order cover for the coming year

Nick Prest CBE
Chairman

"Cohort achieved record adjusted operating profit."

Performance

Cohort continued to make good progress in 2020, achieving a record adjusted operating profit of £18.2m (2019: £16.2m) on revenue of £131.1m (2019: £121.2m). MASS and EID both posted an increase in profit and we benefited from a full year contribution (2019: five months) of Chess.

These positive movements were partly offset by weaker performances at MCL and SEA. MCL saw a drop-off in hearing protection activity and lower order intake than expected. SEA's result was disappointing and was a result of delayed orders, particularly from export customers for its naval defence products.

The COVID-19 pandemic and subsequent lockdowns across the world came in the last quarter of our financial year, typically our busiest period. This resulted in some restriction of our activities, particularly access to customer sites to complete various integration and test milestones, and the inability of certain customers to accept completed goods. We have estimated the impact of COVID-19 on our reported results as a fall in revenue of around £3m and adjusted operating profit of £1m. Our interaction with customers has also been restricted and this has, in some instances, led to a delay in the receipt of new orders. This is discussed further in the "Outlook" section on page 8.

The Group's operating profit of £10.7m (2019: £5.9m) is stated after recognising amortisation of intangible assets of £7.3m (2019: £9.5m), exceptional items of £0.8m (2019: £1.5m) and research and development expenditure credits of £0.8m (2019: £0.7m). Profit before tax was £10.0m (2019: £5.7m) and profit after tax was £9.7m (2019: £5.1m).

The closing net debt of £4.7m (2019: net debt of £6.4m) was better than our expectation. This was due to an improved operating cash flow, mainly a result of accelerated receipts from our single largest customer, the UK Ministry of Defence (MOD), in response to the COVID-19 pandemic in March and April.

Strategic initiatives

We signed a share purchase agreement to acquire 100% of Wärtsilä ELAC Nautik GmbH (ELAC) on 12 December 2019 for a consideration of €11.25m (£9.8m) on a cash free, debt free basis. ELAC, a leader in sonar systems technology for naval surface ships and submarines, will join the Group as Cohort's sixth standalone subsidiary. Completion of the transaction is subject to German Federal Government approval, so timing is dependent on the progress of discussions, but we currently expect this on or before 30 September 2020.

The ELAC transaction accords with our strategy of acquiring businesses, primarily in the defence and security sector, with a strong niche capability and market position. ELAC increases the Group's reach and potential in new international markets, and provides Germany as a new home market.

When we acquired Chess in December 2018, we agreed to pay further consideration depending on the performance of the business over the three years ending 30 April 2021. Our current view is that the further consideration payable, including earn-out, to take control of the whole of Chess in 2021 will now be £4.0m (2019: £5.5m).

Shareholder returns

Adjusted earnings per share (EPS) were 37.10 pence (2019: 33.60 pence). The adjusted EPS figure was based upon profit after tax, excluding amortisation of other intangible assets, net foreign exchange movements and exceptional items. Basic EPS were 23.47 pence (2019: 13.37 pence). The adjusted EPS benefited from a lower tax charge on adjusted earnings of 11% (2019: 15%). In the five years to 2020, the Group has had a cumulative average growth rate of 12.7% in adjusted operating profit and 12.5% in adjusted EPS.

The Board is recommending a final dividend of 6.90 pence per ordinary share (2019: 6.25 pence), making a total dividend of 10.10 pence per ordinary share (2019: 9.10 pence) for the year, an 11% increase. The dividend has been increased every year since the Group's IPO in 2006. It will be payable on 18 September 2020 to shareholders on the register at 14 August 2020, subject to approval at the Annual General Meeting on 15 September 2020.

Chairman's statement continued

Our people

As always, my thanks go to all employees within the Cohort businesses. Their hard work, skill and ability to deliver what our customers' needs are what continues to drive the performance of our Group.

I think this is particularly so this year, when the Group showed its agility and flexibility in response to COVID-19. Within a day of the commencement of the UK lockdown more than 70% of the Group's employees were able to work from home. Over 20% of our people were able to safely remain on site, mainly our production and support staff, observing necessary social distancing and introducing more flexible shift patterns. This enabled us to continue to deliver essential products and services to the UK and Portuguese militaries and our international customers. A team from MASS supported the UK's Joint Forces Command as part of the UK Government's response to COVID-19.

We are now in the phased process of returning colleagues to work and currently have nearly 50% of employees back on site on a part time or regular basis.

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

Governance and Board

After serving on the Cohort Board for over 14 years, Sir Robert Walmsley will retire from our Board on 31 December 2020. Rob joined the Cohort Board at our inception in early 2006, and has served in various capacities, including Chair of the Remuneration & Appointments Committee and Audit Committee. I would like to thank Rob on my and the Board's behalf for the major contribution he has made to Cohort's progress and wish him all the best for the future. When Ed Lowe joined the Board in 2019, it was partly in anticipation of Rob's retirement. There is therefore no need to recruit a direct successor, though we will keep the composition of the Board under review.

Outlook

The political and economic context within which Cohort operates has, as a result of the COVID-19 pandemic, changed markedly since last year. 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. On the other hand, the pressures on public expenditure are likely to be significant as a result of the economic effect of government responses to the pandemic. These are likely to have an impact on government expenditure in many of our markets, including the UK, but to what extent this feeds through to defence and security spending is hard to predict.

Although the UK defence market remains tight, the Cohort businesses have strong and relevant capabilities for both the current and evolving needs of our principal customer, established positions on some key long-term UK MOD programmes and a good pipeline of new opportunities. This was demonstrated by MASS's recent contract extension in support of the UK Joint Forces Command. Export prospects for the Group continue to develop and, since the year end, have been demonstrated by some encouraging wins at Chess. Our non-UK MOD business is now over 50% of revenue, the first time in Cohort's history.

Our business from the UK into EU countries remains small (£3.0m in 2020; £1.4m in 2019), and consequently we do not expect any direct effects upon Cohort from the Brexit process. In the longer term there could be indirect effects, resulting from the broad economic and political consequences of Brexit, and the future defence and security relationship that develops between the UK and the EU. Whether these will be favourable or unfavourable is not yet possible to say.

The responsibility of the Cohort Board is to manage our affairs so that our businesses prosper whatever the political and economic backdrop. Our collective experience of the defence business, our size and our decentralised management structure, which together enables us to make quick decisions, and our focus on niche product and service offerings, for which demand is increasing both domestically and internationally, are the keys to this.

We continue to look for opportunities to augment organic growth through targeted acquisitions, of which ELAC is the most recent example.

Our order intake for the year was £124.4m (2019: £189.9m). As expected, this was lower than last year, which included a large multi-year renewal of over £50m. The Group has significant new domestic and export opportunities, and extensions to existing contracts, across all our operating businesses.

The Group has entered the new financial year with a substantial long-term order book. The 30 April 2020 order book of £183.3m underpins over £84m (2019: £80m) of current financial year revenue, representing 62% of expected consensus revenue for the year. Following order wins since the start of the financial year of over £50m, including recent announcements, that cover now stands at 75%.

As we indicated in our statement of 21 May 2020, the potential impact of COVID-19 continues to make it more difficult than usual to provide guidance. At this stage, the Board expects that restrictions on international travel may result in short-term constraints on export activity, which represented over 30% of Cohort's revenues in the year just ended.

Overall, we continue to expect that our trading performance for 2020/21 will be in line with that achieved in the year ended 30 April 2020 and for our closing net debt to remain flat for the year, both before any impact from the acquisition of ELAC.

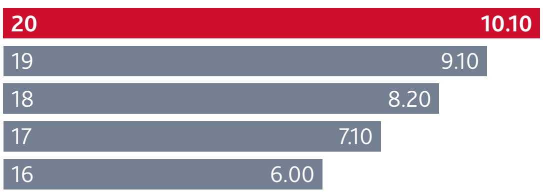
In the longer term, the Group expects to return to growth, as it recovers the orders and revenue delayed due to COVID-19.

Nick Prest CBE
Chairman

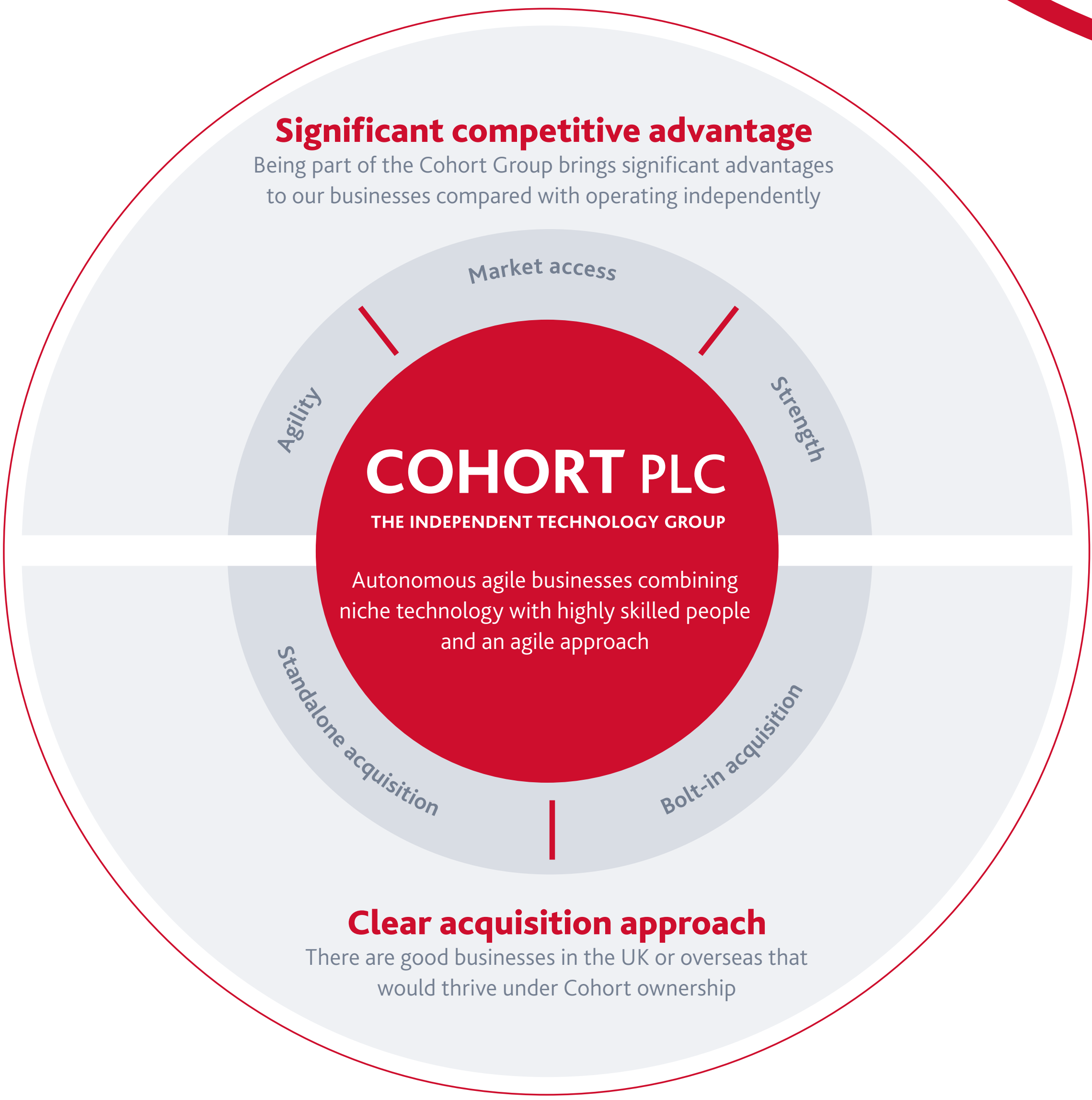
DIVIDEND (PENCE PER ORDINARY SHARE)

10.10p

+11%



Our business model



Our mission is clear:

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

Business model continued

How we create value

We create solutions to keep people safe. Acting with agility to find a better way, make smart decisions and meet customers' needs. Where independent subsidiaries are free to grow and deepen relationships with the support of a steady hand. Bringing the expertise of the Group to the ingenuity of our businesses. To deliver purposeful innovation that protects us all.

Our shareholders

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

Our customers

Our global customers depend on us to be their trusted partner of choice to deliver reliably and with agility. 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 ensure we maintain long-term and proactive relationships, and that they are paid promptly for the 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 the communities and supporting the environment in our local areas. We support our communities 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.

Our strategy

A clear strategy for growth

Three key objectives form our clear strategy for growth:

Organic growth

Consistently grow profits and cash generation organically through our subsidiaries.

Delivered through:

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

What we did in 2019/20

- Strong first full year at Chess. Growth at MASS and EID. Weaker performance at MCL and SEA.

Our priorities for 2020/21

- Improve long-term order book, especially at Chess, EID and SEA, and improve long-term pipeline at MCL.

Acquisition

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

Delivered through:

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

What we did in 2019/20

- Signed an agreement to acquire 100% of Wärtsilä ELAC Nautik GmbH (ELAC) and bank facility extended to enable acquisition to be completed.

Our priorities for 2020/21

- Complete acquisition of ELAC.

Maintaining confidence

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

Delivered through:

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

What we did in 2019/20

- Independent Non-executive Director added to the Board.
- Chess project control process implemented.

Our priorities for 2020/21

- Complete Chess project control process.

Key performance indicators

Measuring our progress

Change in revenue

Indicates the changes 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

8%

Comment on results

Of this growth, the annual impact of Chess added around £14.7m; excluding this the underlying Group revenue of £116.4m is 4% lower than in 2019, mainly due to falls at SEA and MCL.

Change in adjusted operating profit

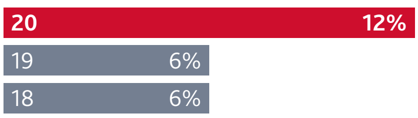
Change in Group operating profit before exceptional items, amortisation of other intangible assets, research and development expenditure credits and non-trading exchange differences, including marking forward exchange contracts to market.

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

12%



Comment on results

Of this growth, the annual impact of Chess added around £2.3m; excluding this the underlying Group adjusted operating profit of £15.9m is 2% lower than the 2019 equivalent figure with falls at SEA and MCL the main contributors. The 2020 figure also includes the impact of IFRS 16 (not in the 2019 figures) which added ~£0.2m to the adjusted operating profit, which would be another 1% reduction in the KPI on a like for like basis, £15.7m versus £16.2m or 3% lower.

Order book visibility

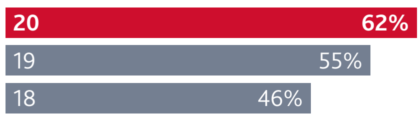
Orders for the next financial year expected to be delivered as revenue, presented as a percentage of consensus market revenue forecasts for the year.

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

62%



Comment on results

This is higher than the last two years and has already increased to 75% in early July 2020.

Change in adjusted earnings per share

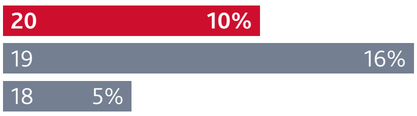
Annual change in earnings per share, before exceptional items, amortisation of other intangible assets and non-trading exchange differences including marking forward exchange contracts to market, all net of tax.

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

10%



Comment on results

The 11% increase compares to a 12% increase in the adjusted operating profit with the growth being mostly driven by earnings from our part owned subsidiaries (EID and Chess). The actual adjusted earnings only increased 5%, with a more significant interest charge (£0.5m higher) and the weaker (as a whole) 100% owned UK businesses partly offsetting the growth at EID and Chess.

Operating cash conversion

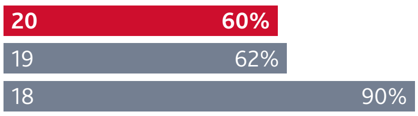
Net cash generated from operations (net of interest and net capital expenditure) before tax as compared to the profit before tax and interest, excluding amortisation of other intangible assets over a rolling four-year period.

Why is it important?

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

RESULTS

60%



Comment on results

The weaker conversion in the last two years reflects the weaker cash performances at SEA and Chess. Our expectation is that the conversion rate should increase in 2020/21. The 2018 figure is high due to the very good cash performance in 2015 still included in the four-year rolling forecast. In 2015 the conversion was 206% for the single year.

International revenue

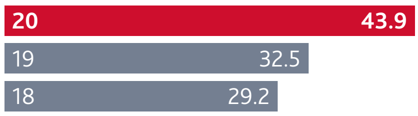
Total sales to markets outside the UK and Portugal.

Why is it important?

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

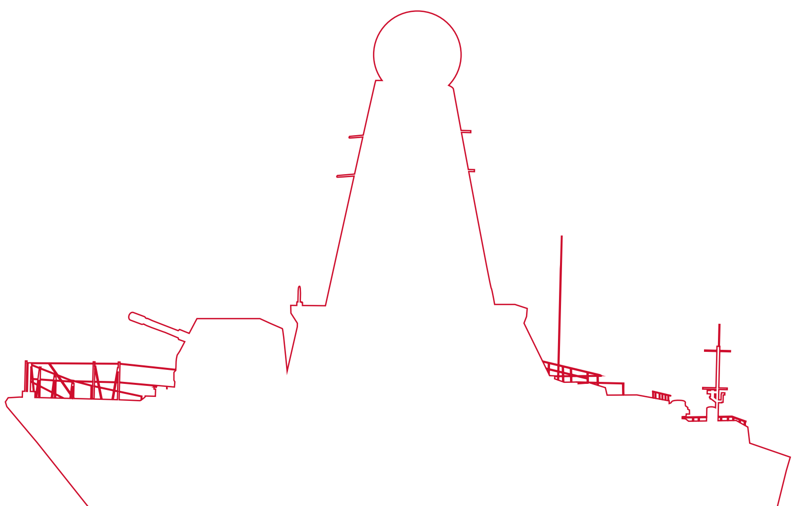
RESULTS

£43.9m



Comment on results

The increase in 2020 export revenue is driven by export sales at EID as well as a full year of Chess sales. Of particular note was an increase in sales to the USA and Europe, both of which we expect to continue to grow.



Operating review

Another year of good progress

Andrew Thomis
Chief Executive

"2020 has been another year of good progress for Cohort, with a record level of adjusted operating profit, despite the impact of COVID-19 related restrictions in the last two months of the financial year."

2020 highlights

- The Group's adjusted operating profit of £18.2m (2019: £16.2m) on revenue of £131.1m (2019: £121.2m) represented a net return of 13.9% (2019: 13.3%).
- MASS remains the strongest contributor to the Group's adjusted operating profit and saw continued growth.
- Chess, which was acquired in December 2018, made a full year contribution to this year's results.
- EID had a stronger year.
- MCL and SEA both had weaker performances.
- On 12 December 2019 the Group agreed to acquire Wärtsilä ELAC Nautik GmbH (ELAC), subject to the German Federal Government and other conditions.

Operating review

2019/20 has been another year of progress for Cohort, with a record level of revenue and adjusted operating profit. Revenue grew by 8% and adjusted operating profit by 12%. Both revenue and adjusted operating profit benefited from a full year contribution from Chess, which was part of the Group for only five months last year.

MASS achieved a record adjusted operating profit and EID returned to a better level of performance as a result of higher export sales. These improvements were offset by weaker performances at MCL and SEA. MCL's revenue was affected by changes to customer plans, orders slipping into 2020/21 and the timing of deliveries on other projects which peaked in 2018/19. SEA also saw projects slip, especially export orders, in part due to the impact of COVID-19. The impact of these delays has required the cost base of SEA to be adjusted to align with expected orders. An exercise to reduce the annual cost by £1.3m will be completed by the end of July 2020 and is expected to cost £0.7m. This will be recognised an exceptional cost in the first half of 2020/21.

The COVID-19 pandemic and resultant lockdowns impacted many of our markets, with some business restrictions remaining in place today. The impact arose in the final and busiest quarter of our financial year and resulted in delays to orders and deliveries, particularly at EID and SEA. Restrictions in movement affected our ability to access customer sites to complete integration and testing milestones, and prevented customers from accepting deliveries of completed goods. We estimate the effects on our reported results for the year ended 30 April 2020 are a reduction in revenue of around £3m and a reduction in adjusted operating profit of £1m. The impact of COVID-19 is not expected to affect the Group's ability to continue as a going concern, as is discussed in more detail below.

The Group's adjusted operating profit grew by 12% to £18.2m (2019: £16.2m) on revenue of £131.1m (2019: £121.2m), a net operating return of nearly 13.9% (2019: 13.3%). The Group's statutory operating profit of £10.7m (2019: £5.9m) is significantly impacted by the amortisation of other intangible assets, a £7.4m charge in 2020 (2019: £9.5m charge). In this review, therefore, the focus is on the adjusted operating profit of each business, which we consider to be a more appropriate measure of performance year on year. The adjusted operating profit is reconciled to the operating profit in the Consolidated Income Statement and by business in note 2.

Adjusted operating profit by subsidiary

	Adjusted operating profit			Adjusted operating margin	
	2020 £m	2019 £m	Change %	**2020 %**	2019 %
Chess	**3.9**	1.7	229	**15.6**	15.8
EID	**3.1**	1.3	238	**17.2**	11.8
MASS	**8.9**	8.2	9	**21.7**	21.0
MCL	**1.7**	2.3	(26)	**11.0**	10.5
SEA	**3.5**	5.5	(36)	**11.1**	14.3
Central costs	**(2.9)**	(2.8)	(4)	**—**	—
	18.2	16.2	12	**13.9**	13.3

Chess's first full year contribution was stronger than we expected, delivering a performance, on a straight-line basis, equivalent to what was a very good five months in 2018/19. The business saw strong growth in its naval system deliveries to export customers.

MASS achieved a record performance, with the growth in revenue mainly deriving from long-term support contracts to the UK MOD. Its Electronic Warfare Operational Support (EWOS) business, which is mostly export, was flat year on year, large multi-year orders having been secured in 2018/19.

EID had a welcome return to growth and net return, more in line with expectations. This came from delivering part of an export order secured in late 2018/19 and the initial batch of a large Portuguese Army order which will continue until 2027.

MCL retreated from what was a good result last year. The timing of deliveries on its hearing protection work accounted for most of the revenue and margin drop, although the lower bought-in content improved its net margin.

SEA had a disappointing result, with contract timing and delays in expected export orders for torpedo launcher systems resulting in a decrease in revenue. Some of this slippage was a result of the impact of COVID-19 and we have continued to see some delay in the early part of 2020/21. As a result, SEA has undertaken a programme to align its cost base more closely with its anticipated revenue sources and levels.

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. We would like to take this opportunity to express our thanks to all employees of Cohort and its businesses.

In the recent COVID-19 pandemic and resultant lockdown, our people, across the Group, demonstrated their agility and flexibility with over 70% moving to home-based working in less than 24 hours. Thanks to our ability to implement socially distanced working practices, some 20% of our colleagues remained on site to continue production and support our customers, many performing critical national defence and security roles. We would particularly like to thank our IT teams for supporting this sudden marked change in the working environment, enabling our employees to continue to perform their roles efficiently and securely. Since the end of June, following the successful implementation of infection prevention measures, we have seen a gradual return to site working. We currently have nearly 50% of our employees back on site and expect that proportion to rise over the coming months.

Operating strategy

Organic growth

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

Within our markets we have sought to use our agility and innovation to identify niches where prospects are attractive and where we have some sustainable competitive advantage. These can be for products, services or high-value one-off projects to design bespoke equipment or software. Examples include MASS's EWOS offerings, SEA's External Communication System (ECS) for submarines, MCL's range of hearing protection systems and Chess's counter-sUAV systems for military and civilian customers. We have also been active in finding new customers for the capabilities we have developed, both in export markets and for non-defence purposes. During the recent year we have continued to widen the customer base for our THURBON™ EW database, our torpedo launcher system and our small diameter sonar array (Krait).

Being part of the Cohort Group brings advantages to our businesses compared with operating independently. The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are well able to execute technically but which might otherwise be perceived as risky. One example is a £50m plus in-service support contract awarded to MASS last year, a renewal of a contract we have been performing for over 15 years. Others include approximately £85m of contracts awarded to SEA for ECS across the UK's submarine platforms, over £30m of orders won by MCL for supply and support of hearing protection systems across a range of UK military users, and a recent win by Chess of a £20m order to supply observation and targeting systems for a Northern European customer, its largest ever contract.

The Group's Directors have a long experience of operating in the defence sector and have contacts and working relationships with senior customers in the UK and internationally, which would be hard for independent smaller businesses to establish. Our current four UK operating businesses, while remaining operationally independent, have formed close working relationships and benefit from sharing technical capabilities, customer relationships and market knowledge. We have made further progress in the year on ensuring that EID participates in this collaborative approach. We will continue to work to promote the Group's services and products in wider markets, including through business development visits. In the past year, Andy Thomis led a combined UK and Portuguese team visit to Australia.

Cooperation between the Group businesses has extended to the sharing of technology. For example, SEA and Chess are also working together on a possible future decoy launcher solution for the UK Royal Navy. Last summer, SEA and EID collaborated on an important trial with the Portuguese Navy, demonstrating a new anti-submarine warfare system, based on the Krait array. Further trials of the system are expected in the coming year, including with the UK Royal Navy.

These strategies have generated long-term customer relationships and good opportunities that give us confidence that we can continue to prosper, despite the current difficult and unpredictable market conditions. Overall, the organic performance of the business in the year (i.e. excluding the effect of Chess's full year contribution) was slightly behind that achieved in 2018/19 with improved results at MASS and EID being offset by weaker performance at MCL and SEA.

Operating review continued

Operating strategy continued

Acquisitions

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

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

For standalone acquisitions we are looking for agile, innovative businesses that have reached a stage of development where there will be mutual benefit in joining Cohort. It is likely that candidates will be operating in the defence and security markets either in the UK or internationally, as that is where the Group can add most value. Growth prospects, sustainable competitive advantage and the ability to operate as part of a publicly quoted UK group will all be important.

On 12 December 2019, we announced that we had signed an agreement to acquire 100% of Wärtsilä ELAC Nautik GmbH (ELAC) for a consideration of €11.25m on a debt free, cash free basis. ELAC, a leader in sonar systems technology for naval surface ships and submarines, will join the Group as Cohort's sixth standalone subsidiary. The completion of the acquisition is subject to German Federal Government approval and, though the timing of this is hard to predict, we currently expect completion to be on or before 30 September 2020.

The acquisition of ELAC fits well with our acquisition strategy. Importantly, it increases the Group's exposure to scalable product and systems and export customers, particularly in the naval market. ELAC shares highly complementary expertise, capabilities and technologies with SEA, providing a significant cross-selling opportunity. It will increase the Group's reach and potential in new international markets and provides Germany as a new home market.

We acquired 81.84% of Chess in December 2018 for an initial consideration of just over £20.0m. The acquisition includes an earn-out clause and an option for acquiring the minority interest (18.16%), both based on Chess's performance for the three years ending 30 April 2021. These additional payments are capped at £12.7m and £9.1m respectively. We currently expect to pay £4.0m (2019: £5.5m) in total on or before 31 October 2021.

The acquisition model for Chess is very similar to that successfully used for the acquisition of MCL, where we initially acquired 50% in 2014 and the remainder in 2017.

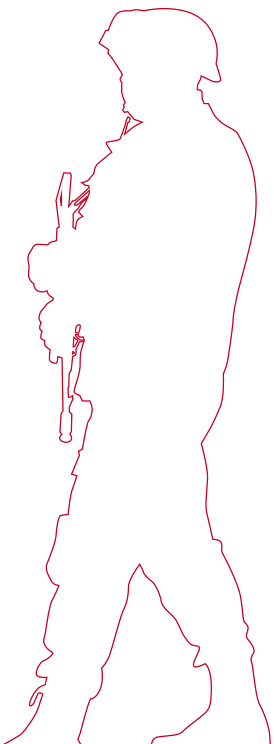
"The acquisition of ELAC fits well with our acquisition strategy. Importantly, it increases the Group's exposure to scalable product and systems and export customers, particularly in the naval market."

Maintain confidence

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

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

Andrew Thomis
Chief Executive



Subsidiary reviews

Graham Beall
Managing Director of Chess Technologies

REVENUE

£25.2m

2019: £10.7m (five months)

ADJUSTED OPERATING PROFIT

£3.9m

2019: £1.7m (five months)

OPERATING CASH FLOW

£(2.8)m

2019: £1.3m (five months)

CHESS

Overview

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

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

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

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

The company is a major developer and worldwide supplier of counter-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.

Vision4ce is a leading technology software house based in Wokingham. It designs, develops and supplies high-performance digital video trackers and operator interface control software for Chess Dynamics and other customers.

Founded in 1993 by its Group Managing Director Graham Beall, Chess Technologies, which is 82% owned by Cohort, joined the Cohort group in 2018.

CHESS-DYNAMICS.COM

"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."

Subsidiary reviews continued

CHESS

Chess has continued its good run of performance since its acquisition by Cohort. The result for this year was better than we expected, the five months for 2018/19 having been unusually strong as a result of deployment of counter-sUAV systems at two major UK airports in late 2018.

On a like for like basis, Chess showed growth on the full year ended 30 April 2019 with higher sales of naval systems, both to the UK and export customers. The contribution to profit from this sales growth was partly offset by investment in more staff, both direct and overhead, the latter to ensure Chess is well invested to manage its current and future growth potential.

Chess's revenue is dominated by export customers. This year they have included the US DoD and a first sale into Eastern Europe. It has also begun funded study work with a European prime contractor for a new fire control system.

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

Chess was only marginally impacted by the COVID-19 pandemic and lockdown with a few in-country activities being postponed. It continued to carry out production and support from its main site in Horsham with little disruption, whilst observing all the necessary safety requirements for its employees, customers and suppliers.

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

Chess's order book, recent wins and prospects, especially on some significant overseas naval programmes, give us optimism for Chess's future. For the coming year, our expectation is that Chess will perform in line with 2018/19 as a result of the timing of deliveries, but it has given itself better visibility for the years beyond 2020/21.

"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."

Subsidiary reviews continued

António Marcos Lopes
Managing Director of EID

REVENUE

£18.0m

2019: £11.5m

ADJUSTED OPERATING PROFIT

£3.1m

2019: £1.3m

OPERATING CASH FLOW

£3.6m

2019: £(1.7)m

EID

Overview

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

EID operates through two market-facing divisions:

- Naval Communications: integrated command C3 systems for warships and submarines; and
- Tactical Communications: tactical radio, vehicle intercoms, field communications and networking software and equipment.

These divisions are supported by an internal production and logistics unit.

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

EID operates from an engineering and production facility near Lisbon and is led by its Managing Director, António Marcos Lopes. EID is 80% owned by Cohort, with the remaining 20% of its shares held by the Portuguese Government. It joined the Group in 2016.

EID.PT

"The UK Royal Navy is amongst the customers for its naval communications systems and its products equip over 145 vessels worldwide including the navies of Portugal, the Netherlands, Spain and Belgium and many non-NATO export customers."

Subsidiary reviews continued

EID

After a disappointing 2018/19, EID has returned to much stronger performance with a net return in line with our long-term expectations for the business.

The increase in revenue of over 50% improved the gross margin whilst the overhead for the business remained flat. As a result, the net margin of EID rose from 11.8% to 17.2%.

This improvement derived from a near doubling of revenue from the Portuguese Ministry of National Defence and deliveries of intercom systems to an overseas customer. Both revenue streams were delivered from EID's Tactical division. Its Naval division saw a decline in revenue following completion of a number of programmes in 2018/19, in particular work on Portuguese offshore patrol vessels and Belgian frigates.

EID saw a relatively notable impact from COVID-19 with several in-country milestones being postponed by the customer and a delivery delayed into early 2020/21 due to local lockdown constraints. The overall impact was around £1.5m of revenue slipping into the new financial year. Portugal has seen a quicker return to pre-COVID conditions and EID has over 90% of its employees now back on site, again with the safety of employees and visitors of paramount importance.

As expected, EID had a better cash performance this year, unwinding some of the working capital arising from delivery delays at the end of last year.

The mix of work at EID is expected to continue to change in the coming few years with lower levels of naval support activity and increased deliveries of intercom and radio products. Overall, we expect the operating margin to remain at around the current level. We are expecting longer-term naval orders to progress this year, although the timing of the contract awards is unpredictable.

"Overall, we expect the operating margin to remain at around the current level. We are expecting longer-term naval orders to progress this year, although the timing of the contract awards is unpredictable."

Chris Stanley
Managing Director of MASS

REVENUE

£41.1m

2019: £39.0m

ADJUSTED OPERATING PROFIT

£8.9m

2019: £8.2m

OPERATING CASH FLOW

£11.6m

2019: £7.4m

MASS

Overview

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

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

MASS's core skill is enabling its customers to convert their own data, often of vast quantities, into information for operational and strategic application.

MASS operates through four divisions.

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

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

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

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

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

MASS.CO.UK

"MASS's core skill is enabling its customers to convert their own data, often of vast quantities, into information for operational and strategic application."

Subsidiary reviews continued

MASS

MASS had another year of good growth with adjusted operating profit rising 9% on revenue that grew 5% compared to 2018/19.

The main drivers of growth in revenue were two long-term support contracts to the UK MOD. One of these was renewed last year for eight years. The second, its support to the UK Joint Forces Command, was recently extended for another two years with three further one-year extension options. The renewal of these contracts speaks to the continued quality of service provided by the team at MASS to customers.

The EWOS business, which is mostly export, was flat in revenue terms but had a slight improvement in margin as a result of the mix of work.

MASS's net margin increased to 21.7% (2019: 21.0%). Higher revenue and the improved mix in EWOS increased its gross margins and more than offset the growth in overheads.

MASS's operating cash flow this year was very strong and was boosted by its primary customer, the UK MOD, accelerating payments in the final month of the financial year in response to COVID-19. We do not expect this timing advantage to be repeated in 2020/21. Other than this positive cash flow effect, MASS saw minimal impact on its operations from COVID-19 and now has over 50% of its employees back on its own or customer sites.

MASS continues to demonstrate its strength in its core markets of EWOS and niche technical support to key government capabilities. Its order book of £90m gives good visibility beyond 2023.

"MASS continues to demonstrate its strength in its core markets of EWOS and niche technical support to key government capabilities. Its order book of £90m gives good visibility beyond 2023."

Shane Knight
Managing Director of MCL

REVENUE

£15.1m

2019: £21.7m

ADJUSTED OPERATING PROFIT

£1.7m

2019: £2.3m

OPERATING CASH FLOW

£(2.3)m

2019: £4.4m

"MCL starts 2020/21 with improved visibility and some good prospects for the coming year."

MCL

Overview

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

MCL utilises an unparalleled and 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 C4IS and ISTAR capabilities that transform its customers' ability to deliver effective operations.

The company's specialist C4IS portfolio includes hearing protection, communication headsets and radios, while its ISTAR capabilities include signals intelligence, electronic warfare and UAV and UGV technologies. With 35 employees, the company supplies customers including the UK MOD, other UK Government departments and defence prime contractors. 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, this year sees MCL celebrate 40 years' experience in supporting the UK's ISTAR programmes. MCL is led by Managing Director Shane Knight and has been part of the Cohort group since 2014.

MARLBOROUGHCOMMS.COM

After several years of growth, MCL had a disappointing year following completion of some larger deliveries of hearing protection systems in 2018/19. These fell back to more normal levels in 2019/20 and MCL has not yet secured replacement programmes. The result was a fall in sales by 30% and adjusted operating profit by 26%.

MCL saw little impact from COVID-19. The small team is flexible and at present around half are on site with the remainder working from home.

When we acquired MCL, back in July 2014, one of the primary objectives was to support it in building an order book and business with greater longevity and visibility. This year saw the order book fall back from £14.6m (April 2019) to £8.6m (April 2020) and the visibility of MCL's revenue remains, on average, in the three to six-month range. However, MCL now sees some substantial opportunities in long-term UK naval support programmes. Success in these would enable MCL to improve its revenue visibility significantly. More immediately, MCL starts 2020/21 with improved visibility and some good prospects for the coming year.

The cash outflow this year was as expected, with a large supplier payment having slipped from 2018/19 into 2019/20.

Subsidiary reviews continued

Stephen Hill
Managing Director of SEA

REVENUE

£31.7m

2019: £38.3m

ADJUSTED OPERATING PROFIT

£3.5m

2019: £5.5m

OPERATING CASH FLOW

£3.6m

2019: £0.8m

SEA

Overview

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

In the maritime domain, SEA's engineering capabilities cover a wide range of maritime mission systems requirements, including communications, torpedo and decoy launching systems, sonar systems, infrastructure and training. Using its systems engineering skills, combined with in-depth knowledge and understanding of dismounted soldier operations, SEA provides independent advice and research into future dismounted soldier systems and applications.

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

SEA manages its business through three divisions:

- Complex Systems, based at Beckington;
- Integrated Electronic Systems, based at Barnstaple; and
- Subsea, based at Aberdeen.

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

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

SEA.CO.UK

"A recent submarine communications order for an export customer and new UK orders underpin expectation that this revenue stream will begin to grow again."

SEA

SEA had a disappointing year with revenue falling by 17% and its adjusted operating profit by 36%, the drop mostly driven by the slippage of export orders.

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

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

The submarine systems and research activities have historically been for the UK MOD.

The above table shows that UK submarine systems activity at SEA has continued to decline since its peak in 2016. Recent order wins in this area, both for the UK and export, should see this grow in the coming year.

SEA's research activity has also continued to show growth and we expect the proportion of naval research within this to continue to progress.

Export revenue at SEA fell significantly. In 2018/19, SEA completed deliveries of Torpedo Launcher Systems (TLS) to several overseas customers. Expected order wins from new and existing customers slipped, and one customer requested a delay on a current programme, on which work will recommence in 2021/22. We expect some of the delayed orders to be secured in the coming year although timing remains unpredictable.

SEA's transport business saw a 17% fall in revenue following delivery of a large initial batch of Red-Light ROADflow systems to Network Rail in 2018/19. Underlying UK and export ROADflow sales increased slightly with the revenue from annual support and maintenance for the existing installed base of systems now worth over £1.5m of revenue per annum.

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's opening order book as at 1 May 2020 does provide higher cover for 2020/21 with over £18m of revenue on order compared with last year's cover of just over £12m. However, revenue visibility for SEA is shorter-term than we have seen historically, and we expect this situation to continue until longer term naval programmes (UK and export) are secured for submarine communications and TLS products.

A recent submarine communications order for an export customer and new UK orders including more substantial work on the Dreadnought class underpin our expectation that this revenue stream will begin to grow again. For TLS, a number of overseas navies are regenerating their fleets and this provides good opportunities for long-term significant work for SEA. Nevertheless, the timing of export orders remains unpredictable and slippage of specific opportunities for TLS negatively impacted SEA's revenue in 2019/20.

During the year SEA trialled its new Anti-Submarine Warfare (ASW) system based upon its 16mm diameter towed sonar array (Krait) with the Portuguese Navy. This activity was supported by EID in country. The system successfully detected and tracked a submarine in a live environment. Further trials are now required and we are working with the UK Royal Navy to test the system on a Type 23 Frigate in the coming year.

SEA's Subsea division saw revenue grow by nearly 40% with increased support activity offshore. As a result of the recent sharp fall in the oil price, the current market for this division is challenging and strategic options for the Subsea division are under review.

A restructuring exercise was completed in late 2018 to integrate back-office services at SEA at its Barnstaple site and make a small reduction in direct costs. The weak performance during 2019/20, including a disproportionate fall in adjusted operating profit when compared to revenue, and the current shorter-term nature of SEA's order book indicate that a further cost reduction is required. This exercise has begun and will be largely complete by the end of July 2020, realising an annual saving of £1.3m at a cost of £0.7m. These changes are intended to shape SEA's cost base to its current level of activity, while ensuring it is ready to deliver when longer-term orders are secured.

During 2019/20, SEA completed the integration of J+S, the latter now being dormant. A new management and reporting system, the same as that used by MASS, went live in February 2020.

Financial review

Net debt better than expected

Simon Walther
Finance Director and Company Secretary

"Revenue from the UK MOD has fallen below 50% of the total for the first time, reflecting both the reduced sales at MCL and also the increase at EID and Chess, where a much greater proportion of sales are to export markets."

Revenue analysis

The segmental breakdown of sales in 2019/20 continued the trend we have seen in recent years with rising C4ISTAR revenue, driven by a full year of sales from Chess and increased intercoms and radio deliveries from EID. Our research work, which is mostly at SEA, has also continued to recover from what was a low point back in 2017/18 (£4.9m). The increase in simulation and training was a result of higher exercise activity by the Joint Forces Command. The most marked reduction was in combat systems where the SEA export activity for TLS fell following completion of deliveries in 2018/19 and slippage of expected orders.

The Group saw a fall in revenue from the UK MOD, both in absolute terms and as a proportion of the total. The absolute reduction was primarily a result of lower sales of hearing protection and other equipment at MCL. Revenue from the UK MOD has fallen below 50% of the total for the first time, reflecting both the reduced sales at MCL and also the increase at EID and Chess, where a much greater proportion of sales are to export markets.

As expected, sales to the Portuguese MOD increased, a result of deliveries on land system orders secured last year. We expect sales to this customer to fall back again in the coming year with EID increasing its export activity.

Both security and export sales saw growth again. This was mostly due to a full year contribution of Chess (2019: five months) and increased sales by EID, outweighing lower export sales of TLS at SEA.

The Group's defence and security business is, and is expected to remain, the largest part of our business, supplying 90% of revenue this year (2019: 88%). The Group's non-defence revenue was down by 12% compared to last year, with SEA's transport business seeing reduced revenue following a large delivery of ROADflow systems to Network Rail in 2019/20. Underlying ROADflow sales continued to rise, including export sales. SEA's offshore energy business saw some growth, but the market has since weakened following the sharp fall in the oil price in March.

Revenue by sector and business

	Chess		EID		MASS		MCL		SEA		Group			
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	**%**	2019 £m	%
Defence and security	**25.2**	10.7	**18.0**	11.4	**38.7**	35.8	**15.1**	21.7	**21.1**	26.9	**118.1**	**90**	106.5	88
Transport	**—**	—	**—**	—	**—**	—	**—**	—	**7.6**	9.2	**7.6**	**6**	9.2	7
Offshore energy	**—**	—	**—**	—	**—**	—	**—**	—	**2.9**	2.1	**2.9**	**2**	2.1	2
Other commercial	**—**	—	**—**	0.1	**2.4**	3.2	**—**	—	**0.1**	0.1	**2.5**	**2**	3.4	3
	25.2	10.7	**18.0**	11.5	**41.1**	39.0	**15.1**	21.7	**31.7**	38.3	**131.1**	**100**	121.2	100

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

	Chess		EID		MASS		MCL		SEA		Group			
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	**%**	2019 £m	%
Direct to UK MOD	**—**	—	**—**	—	**19.8**	18.1	**12.9**	20.2	**8.5**	7.8	**41.2**	**32**	46.1	38
Indirect to UK MOD where the Group acts as a sub-contractor or partner	**2.2**	1.2	**0.1**	0.2	**4.3**	3.6	**1.1**	0.3	**11.0**	10.9	**18.7**	**14**	16.2	13
Total to UK MOD	**2.2**	1.2	**0.1**	0.2	**24.1**	21.7	**14.0**	20.5	**19.5**	18.7	**59.9**	**46**	62.3	51
Portuguese MOD	**—**	—	**8.3**	4.4	**—**	—	**—**	—	**—**	—	**8.3**	**6**	4.4	4
Security	**4.8**	4.8	**—**	—	**4.2**	3.2	**1.1**	1.0	**—**	—	**10.1**	**8**	9.0	7
Export defence	**18.2**	4.7	**9.6**	6.8	**10.4**	10.9	**—**	0.2	**1.6**	8.2	**39.8**	**30**	30.8	26
	23.0	9.5	**17.9**	11.2	**14.6**	14.1	**1.1**	1.2	**1.6**	8.2	**58.2**	**44**	44.2	37
	25.2	10.7	**18.0**	11.4	**38.7**	35.8	**15.1**	21.7	**21.1**	26.9	**118.1**	**90**	106.5	88

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

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

	Year ended 30 April 2020		Year ended 30 April 2019	
	£m	**%**	£m	%
By market segment				
Combat systems	**18.0**	**14**	22.9	19
C4ISTAR	**63.1**	**48**	51.1	42
Cyber security and secure networks	**15.0**	**11**	15.5	13
Simulation and training	**9.4**	**7**	6.5	5
Research, advice and support	**12.0**	**9**	9.3	8
Other	**0.6**	**1**	1.2	1
Total defence and security revenue	**118.1**	**90**	106.5	88

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

	Year ended 30 April 2020 Unaudited		Year ended 30 April 2019 Unaudited	
	£m	**%**	£m	%
Product	**74.8**	**57**	65.2	54
Services	**56.3**	**43**	56.0	46
Total revenue	**131.1**	**100**	121.2	100

Financial review continued

Operational outlook
Order intake and order book

	Order intake		Order book	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Chess	**17.8**	11.3	**13.4**	20.8
EID	**29.3**	18.9	**36.5**	25.6
MASS	**33.5**	97.0	**91.2**	98.8
MCL	**9.1**	26.0	**8.6**	14.6
SEA	**34.7**	36.7	**33.6**	31.1
	124.4	189.9	**183.3**	190.9

The 2019 order book includes £20.1m of order book acquired with Chess in December 2018.

The decrease in the Group's order book reflects the unwind of some our longer-term orders, especially at MASS. These are typically renewed on a multi-year cycle and, with MASS having secured a number of these renewals in 2018/19, we expect a negative effect on our order book as deliveries take place.

The 2019/20 order intake was 95% (2019: 157%) of the Group's revenue for the year ended 30 April 2020. This was, as expected, lower than last year, which included an eight-year renewal at MASS of over £50m.

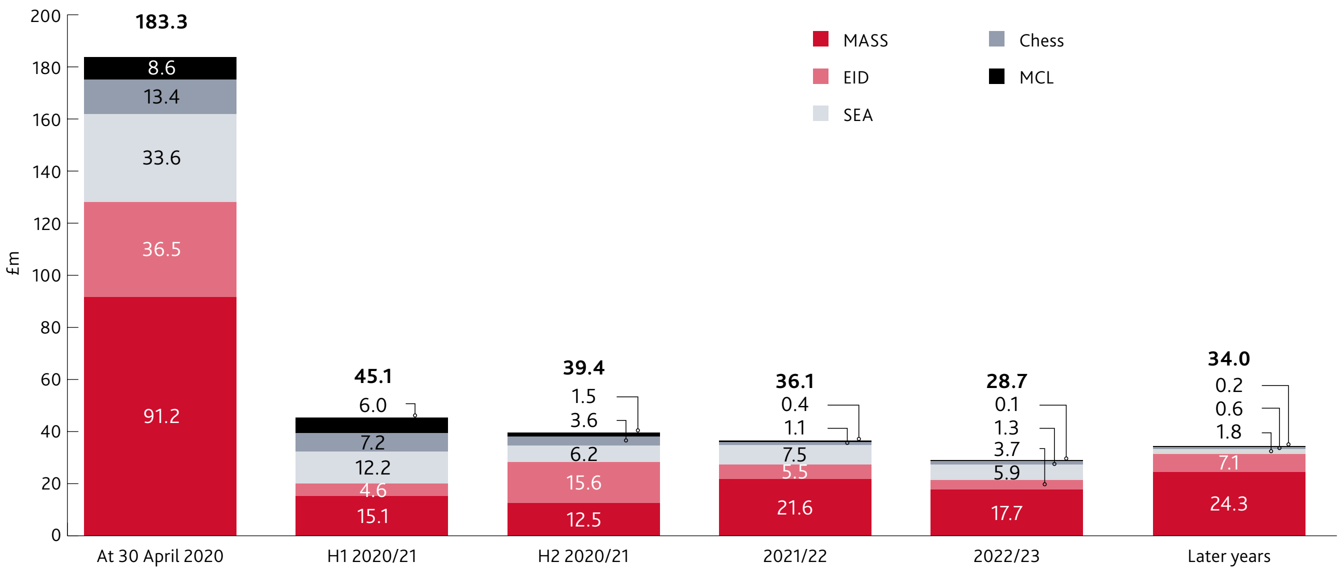
The revenue on order (order cover) for the coming year was 62% (2019: 55%) as at 30 April 2020, based on external revenue forecasts. This had risen to 75% in early July.

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

Chess's order intake of £17.8m included follow-on orders for its C-UAV systems for the US DoD and other customers. Chess also secured a further order for its naval systems from an overseas customer. Chess's closing order book was £13.4m, to which has been added recent orders secured and announced of over £26m. The closing order book included £10.8m for delivery in 2020/21. Chess is also well positioned for further naval and land programmes which we hope will convert to orders in the coming year. Chess performed better than we expected in 2019/20 and we expect a similar performance for the coming year as it lays down a longer-term order book.

EID's order intake for this year was much stronger at £29.3m (2019: £18.9m). The main items of order intake for EID in 2019/20 were in its Tactical division, securing an order of nearly £15m to deliver radios to the Portuguese Army out to 2027 and an important follow-on export order for vehicle intercoms. EID's order book of £36.5m gives very good underpinning for the year ahead, especially in its Tactical division. It will be important in 2020/21 for EID to secure certain domestic naval programmes and extend, again, its current export order for vehicle intercoms. Due to the timing of deliveries on its key export orders, we expect EID to deliver a slightly weaker performance compared to 2019/20.

Delivery of the Group's order book into revenue



MASS's order intake of £33.5m was, as expected, markedly lower than last year's £97.0m, which included contract renewals of over £50m as well as long-awaited export EWOS orders. This year saw around £15m of further export EWOS orders secured. MASS's closing order book of over £91m includes nearly £28m of revenue to be delivered in 2020/21. Its provision of support to the UK's Joint Forces Command, a service the Group has provided for over 15 years, was recently renewed for a further two years with an option to extend to five years under the UK MOD's Single Source regime. We expect MASS to fall back slightly in the coming year from what was a record performance in 2019/20.

At MCL, order intake of £9.1m was lower than last year's £26m, which included a large multi-year submarine system order. MCL's closing order book of £8.6m includes £7.5m to be delivered in 2020/21. Our long-term strategy remains to try and strengthen MCL's order book and prospects to give it more visibility of future workflows. With some key prospects in UK naval programmes, MCL should return to modest growth in the coming year.

SEA's order intake at £34.7m was slightly below last year's £36.7m and included nearly £9m of research and technical support activity for the UK MOD and just over £5m of extension and change orders for submarine communication systems. Various support orders for existing SEA equipment on UK naval platforms totalled £4m, lower than last year (2019: £12m) when some multi-year orders were secured. SEA's Transport division order intake was just over £8m. SEA also secured a small initial order for its communication systems for an export customer. SEA's order book of £33.6m includes £18.4m (2019: £12.3m) for delivery in 2020/21, a higher level than last year. This time last year we indicated that SEA had an important year ahead to secure longer-term positions on domestic and overseas naval programmes. It made some progress, but some of its export opportunities, especially for TLS and the low-profile sonar array (Krait), were delayed. We are expecting some of these to be secured in 2020/21, but timing is always unpredictable. SEA should perform better in the coming year, in part as a result of cost reduction measures taken in early 2020/21.

A significant proportion of Cohort's business will continue to be derived from the UK MOD, either directly or indirectly. The UK Government is due to present another Strategic Defence and Security Review in the coming year, the last version having been published in November 2015. That Review gave high priority to a number of current and future capabilities where the Group's offerings are strong, including submarines, special forces, cyber and secure communications and from which we derived revenue of £37.5m this year (2019: £34.4m). We cannot at this stage predict what the new review will say, but we do not expect the UK to step back from its position of strong international influence underpinned by capable armed forces. The recent UK MOD environment has seen some tightening of expenditure but during the COVID-19 lockdown we have seen a continued flow of orders for important services and capability and in some cases an acceleration.

The coming year is not dependent upon a few significant orders to deliver the in-year performance. However, order infill is required, as always, across the Group, notably at MCL and SEA. 2020/21 will be important for longer-term orders at Chess and SEA.

Funding resource and policy

At the time of approval of this statement (22 July 2020), the outbreak of COVID-19 and resultant lockdown measures have given rise to additional risk and uncertainty. The Cohort Board has considered these risks and taken appropriate steps and actions to manage them. These steps have included cost mitigations across the Group and regular monitoring and forecasting of the Group's liquid assets and banking covenants. At 30 April 2020, the Group's cash and readily available credit was £25.5m and the extension of the facility in May has increased this available credit to £35.5m. 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. The Group's cash flows are therefore robust. Over 62% of our revenue for 2020/21 is on contract at 30 April 2020 providing further assurance. 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 its banking facility provide it with the resources to conduct its acquisition strategy.

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

The Group currently benefits from a four-year revolving credit facility (expiring November 2022) with an option to extend for one year (to November 2023). The facility is provided by NatWest and Lloyds. The maximum value of the facility at 30 April 2020 was £30m with an option to extend by a further £10m to £40m. This option was exercised on 20 May 2020, the additional facility being intended for the acquisition of ELAC.

The facility itself provides the Group with a flexible arrangement to draw down for acquisitions and overdraft. As at 30 April 2020, £25.1m of the facility was drawn, leaving £4.9m available to be drawn down. With the exercise of the extension option this had increased to £14.9m as at 22 July 2020. The Group's banking covenants were all passed for the year ended 30 April 2020. Looking forward, they are all expected to be passed for at least the next 12 months.

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

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

Financial review continued

Funding resource and policy continued

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

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

EID provides no security over its assets and its wide range of banks enable it to be well supported in executing export business.

During the year, EID agreed a local overdraft facility of €2.5m with Santander which is available to EID only. This was undrawn at 30 April 2020.

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

The Group's return on net funds during the period was 0.00% to 0.15% (2019: 0.00% to 0.15%).

The Group's net debt as 30 April 2020 was £4.7m. Looking forward, we expect the Group's net debt at 30 April 2021 to be at a similar level, with the Group moving back into net funds by 30 April 2022, if there is no further corporate activity. However, we currently expect the acquisition of ELAC to complete by 30 September 2020 and based on our estimates this would add around £2m to the Group's net funds.

In addition to its cash resources, the Group has in issue 41.0m ordinary shares of 10 pence each. Of these shares 0.2m (2019: 0.1m) 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 1.5m at 30 April 2020 (2019: 1.6m).

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

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

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 (EID) 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 likelihood of the transaction to be certain, usually on contract award. We do not hedge account and mark these forward contracts to market at each reporting date, recognising any gain or loss in the income statement.

The Group, as in the past, has maintained its progressive dividend policy, increasing its dividend this year by 11% to a total dividend paid and payable of 10.10 pence per share (2019: 9.10 pence).

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

Year ended 30 April	Dividend Pence	Growth over previous year %	Earnings cover (based upon adjusted earnings per share)	Cash cover (based upon net cash inflow from operations)
2020	**10.1**	**11**	**3.7**	**2.8**
2019	9.1	11	3.8	2.3
2018	8.2	15	3.5	4.0
2017	7.1	18	3.9	0.2
2016	6.0	20	4.5	2.8
2015	5.0	19	4.1	9.2

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

The Group's cash generation in 2020 was stronger than the expected flat performance for the year. In summary, the Group's cash performance was as follows:

	2020 £m	2019 £m
Adjusted operating profit	**18.2**	16.2
Depreciation and other non-cash operating movements	**1.8**	1.4
Working capital movement	**(7.4)**	(5.0)
	12.6	12.6
Acquisition of 81.84% of Chess	**—**	(22.0)
Costs paid in respect of acquiring ELAC	**(0.5)**	—
Costs paid in respect of MASS relocation	**(0.3)**	—
Restructuring of SEA	**—**	(0.5)
Reorganisation of SCS	**—**	(0.5)
Tax, dividends, capital expenditure, interest, loans and other investments	**(10.1)**	(7.3)
Increase/(decrease) in funds	**1.7**	(17.7)

The slightly higher cash outflow in tax, and dividends, etc. was mostly due to a net investment in own shares (Employee Benefit Trust) of £2.2m (2019: net receipt of £0.1m). 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 37 days (2019: 22 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 in debtor days reflects delays to invoicing and receipts in the final quarter, especially with export customers, much of this due to the COVID-19 lockdown. This was partly mitigated by accelerated payments by our largest customer, the UK MOD, in response to the pandemic.

Tax

The Group's tax charge for the year ended 30 April 2020 of £295,000 (2019: charge of £584,000) was at a rate of 3.0% (2019: rate of 10.3%) of profit before tax. This includes a current year corporation tax charge of £2,325,000 (2019: £2,350,000), a prior year corporation tax credit of £770,000 (2019: credit of £9,000) and a deferred tax credit of £1,260,000 (2019: £1,757,000).

The Group's overall tax rate was below the standard corporation tax rate of 19.00% (2019: 19.00%). The reduction is due to an R&D tax credit in Portugal of £0.6m in respect of expenditure incurred in this and prior years in developing an enhanced vehicle intercoms system by EID and prior year tax credits in our UK businesses where previously prudent positions in respect of R&D tax credits and other estimates were unwound as the actual liabilities were confirmed.

The Group has reported research and development expenditure credits (RDEC) for the UK in accordance with IAS 20 and shown the credit of £784,000 (2019: £744,000) 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 both 2020/21 is estimated at 16%. This assumes that the R&D tax credit regime remains unchanged from its current level and scope, offset by an increased proportion of profit before tax from EID at higher Portuguese tax rates. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2018/19 and 2019/20.

Exceptional items

The exceptional items this year are just under £0.8m in respect of acquisition costs of ELAC, which is yet to complete, and £0.6m for relocating MASS's Lincoln office during the year, much of the cost being impairment of a right of use asset, where the business no longer occupies that facility. This would have previously been an onerous lease provision under IAS 17. These two costs were partly offset by an exceptional gain on reducing the estimated earn-out payable to the shareholders of Chess on or before 31 October 2021 by just over £0.7m.

Adjusted earnings per share

The adjusted earnings per share (EPS) of 37.10 pence (2019: 33.60 pence) is reported in addition to the basic earnings per share and excludes the effect of exceptional items, amortisation of intangible assets and exchange movement on marking forward exchange contracts to market, all net of tax.

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

The reconciliation is as follows:

	Adjusted operating profit £m	Adjusted earnings per share Pence
Year ended 30 April 2019	16.2	33.60
Contribution from Chess for a full year (at 81.84% for adjusted earnings per share), five months in 2019	2.2	4.36
100% owned businesses throughout the year ended 30 April 2020	(2.0)	(4.87)
EID (80% owned)	1.8	3.44
Impact of higher interest cost	—	(1.19)
Change in tax rate 11.1% (2019: 15.3%)	—	1.74
Dilution from higher weighted average number of shares (due to option exercises)	—	0.02
Year ended 30 April 2020	**18.2**	**37.10**
Increase from 2019 to 2020	12%	10%

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

The 2020 figures include the impact of adopting IFRS 16 'Leases' from 1 May 2019. The Group has, as permitted by the standard, not adjusted the reported results for the year ended 30 April 2019. The impact of adopting IFRS 16 is explained in note 24 but, in summary, it has added £0.2m to the adjusted operating profit for 2020 when compared with 2019, and additionally, at the profit before tax level, a slight reduction (less than £0.1m). The addition to the Group's assets of £6.9m, reported as right of use assets and Group liabilities of £7.5m (lease liability), is more marked at 30 April 2020. This lease liability is not included in the Group's net debt as shown in the Consolidated statement of cash flows (page 80) or the debt for the purposes of bank covenant tests.

Simon Walther
Financial Officer

Risk management

Risk management

The key risks and the management thereof are set out on pages 32 to 37. In addition to these risks, other risks facing the Group are explained elsewhere in the Annual Report and these should be read together to give a complete picture of our risks and their management and control.

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

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

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

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

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

Risk management framework

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Business risk		
Capacity to grow the Group		
As an AIM-listed group, Cohort's strategy is to grow, both organically and by acquisition. This gives rise to the risk of the Group not having the capacity to grow in line with our strategic objectives. Specific elements of this risk include our ability to win new business and design new and competitive products and solutions, whilst ensuring that we meet our obligations to our customers and identify and execute suitable value-adding acquisitions.	The elements of this broad business risk are addressed below, especially the risks in respect of customers, operations, acquisitions and treasury. At a higher level, our federated model of relatively small, independent businesses enables us to respond more quickly to changing market and business conditions. Through this independence, each business is able to retain a good degree of innovation and responsiveness. This model also allows our businesses to keep close to customer requirements and technical changes to enable them to identify the need for new products and solutions and how best to achieve this, whether through our own development or utilising third-party technologies. To ensure that the business growth opportunities are value adding, whether new business, products, services or acquisitions, appropriate controls are in place in our subsidiaries' businesses and at Group level to lessen the risks of such undertakings.	Unchanged
Market risk		
Customers		
The Group's single most important customer remains the UK MOD. £41.2m of revenue came directly from this source in 2020 (2019: £46.0m), 32% (2019: 38%) of Group revenue. In addition, £18.7m (2019: £16.2m) of Group revenue, 14% (2019: 13%), was sourced ultimately from the UK MOD but received via other contractors. The impact of the COVID-19 pandemic on the UK and Portuguese Government's financial robustness is likely to be significant. Additionally, the UK's trading arrangements with the EU are still to be determined. The impact on our overseas markets of COVID-19 is also uncertain and in the short to medium term our markets may come under budgetary pressure. Any event which effects the Group's reputation with the UK MOD could also put this revenue at risk.	The decrease in the proportion of the Group's revenue to its ultimate primary customer in 2020 compared with 2019 reflects the full year effect of the acquisition of Chess, which had a low level of sales with the UK MOD in the current year. The drop in direct sales was mostly at MCL. The indirect revenue to the UK MOD increased slightly due to a full year of deliveries by Chess on the Type 26 frigate. Looking ahead, we expect UK MOD sales as a proportion of total revenue to continue to decline as the Group's exports grow. The Portuguese MOD, which is also a home market for the Group was, as expected, higher at £8.3m (6%) in 2020 (2019: £4.4m; 4%). We expect revenue to the Portuguese MOD to increase further in the coming year with new naval programmes coming on stream. Non-defence sales (which include security) decreased to £23.1m (18%) from £23.7m (20%). The decrease was due to a drop in transport revenue, falling slightly from last year's peak of £9.2m to £7.6m. This was due to last year's significant rollout of Red Light systems to Network Rail not being repeated this year, partly offset by growth in underlying ROADflow sales from £3.6m to £4.0m and higher security revenue. In our defence and security export markets, £42.2m of revenue (32%) was delivered this year compared with £32.0m (26%) in 2019. This growth was expected with EID delivering to a Middle East customer and a full year of Chess revenue, much of which is export. SEA's export revenue was down due to delayed orders for torpedo launcher systems. £37.5m (2019: £34.4m), 29% (2019: 28%) of Group revenue, representing 63% (2019: 55%) of revenue derived from the UK MOD, was in relation to the Astute and other submarine programmes, nuclear deterrent programmes and operational support to the Royal Navy, Royal Air Force and Joint Forces, all of which have been confirmed as high priority areas following the Government's last Strategic Defence and Security Review.	Unchanged

Risk management and principal risks continued

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 "Our people" (pages 40 and 41), 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, who provide a primary source of domain experts for our businesses. We, in return, are keen to support people initiatives for and within those organisations, including the UK MOD's Armed Forces Covenant. We maintain close links with academic institutions in our neighbourhoods and further afield where appropriate skills exist. We have apprenticeship and graduate recruitment schemes which ensure the Group is able to develop its own people to ensure skills are maintained into the future, especially in light of shrinking military establishments. The flexibility of our workforce was demonstrated with around 70% of our employees being able to successfully work from home within a day of the announcement of the COVID-19 lockdown in the UK and Portugal.	
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 seen some suppliers struggling to meet delivery schedules as a result of COVID-19. This has been particularly noticeable where the level of a supplier's output to the defence sector is low and the supplier is more dependent upon on the commercial aerospace and automotive markets.	
Operations (Chess, EID, MASS and SEA)		
The subsidiary trading and business risks are similar in the cases of Chess, EID, 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, MASS and SEA all have a fixed level of core software and hardware engineering and technical expertise.	This is typical in defence and is managed through bid/no bid reviews at the appropriate level using experienced personnel, including the Cohort Executive and Board. These projects are managed by dedicated project management teams, monthly reviews by the subsidiary board and regular interaction with the customer and key suppliers. Revenue and costs are recognised taking account of risk and the estimated cost at completion (including any contingency). This cost base is carefully monitored at budget time and by rolling quarterly forecasts to identify any potential risk of low utilisation and thus under-recovery of cost, or over-utilisation leading to the inability to meet customer commitments. The risk is mitigated, in the short term, by the use of sub-contractor staff. In the long term, a programme of skills assessment and training is in place to ensure continued flexibility of the Group's engineering and technical resources. Chess was acquired in December 2018. Chess brought with it more production, including machining, than seen elsewhere in the Group. During our due diligence and in our first few months of ownership, we observed weaknesses in Chess's project control process with potential implications for delivery and cost control. We have taken action to address this and an improved project control process is now in place. Further improvements will be made in the coming year. We are also addressing key management roles in respect of technical and engineering. An Operations Director has been put in place.	

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
Operations (MCL)		
MCL's revenue visibility is short at typically three to six months. This carries risk to employee utilisation and predictability of revenue and profit.	MCL's employee levels are low, 2020: 33 (2019: 30), and their 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 2020/21 is higher than last year's at 37% (2019: 34%). MCL's significant exposure to the UK MOD (over 90% of its revenue) has provided some stability in the recent COVID-19 pandemic. In the medium to long term, its performance will be dependent upon the UK MOD's level of expenditure, although MCL primarily addresses special forces and other niche users where budgetary pressure is generally lower.	Unchanged
Managed service contracts		
The Group (through its subsidiaries, MASS, MCL and SEA) operates a number of off-site managed service contracts. These contracts are long term in nature (typically five years at commencement) and have dedicated project managers. The contracts are fixed price in terms of revenue with opportunities for additional tasks enhancing volume and return.	The Group carefully manages the partnership with its customer and supplier base in all these cases to ensure the customer receives value for money, with skilled Group staff providing a dedicated, flexible and responsive approach. The primary risk to these managed service contracts is termination or loss through competition. We mitigate this risk through the partnering approach adopted by the Group and our close engagement with customers to ensure their needs are met. We expect to renew a key long-term support contract with the UK MOD under the Single Source regime after a competitive process stalled.	Decreased
Export contracts		
The Group's subsidiaries seek to win and deliver solutions and services outside its geographical home markets, the UK 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 2020 represented 33% (2019: 27%) of the Group's revenue. Revenue derived from the UK and Portuguese defence ministries represent 46% (2019: 51%) and 6% (2019: 4%) of the Group total respectively. Our commercial employees are highly experienced at dealing with the various regulatory processes associated with the export of defence goods and services, including export licence applications and information security requirements. In particular we have a strong Group-wide anti-bribery policy to ensure compliance with the UK's 2010 Bribery Act. The Group has experienced a very low level of bad debts, including from export contracts. We take a case-by-case approach to payment risk, making use of various treasury and commercial arrangements where necessary to ensure payment. We regularly monitor any potential political risk to any of our export markets, and we do not commit resources to markets where export licences might be difficult to obtain. As in our domestic markets, COVID-19 may impact our export markets with individual customer defence budgets coming under pressure. We may also see more positive drivers as a result of changes in regional security stances and disputes. The unpredictability of some export contracts, especially in terms of timing, has been seen this year at SEA with orders slipping out of year, in part due to COVID-19.	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 a partner business.	The Group takes an active part in these arrangements and, through regular (usually monthly) project review meetings and other communication, ensures that the team (including our partners) delivers as a whole to the customer and to the needs of the individual team members.	Unchanged

Risk management and principal risks continued

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 on page 9. During the year ended 30 April 2020, the Group reached agreement by signing a Sale and Purchase Agreement to acquire 100% of Wärtsilä ELAC Nautik GmbH (ELAC). The completion of this acquisition is subject to German Federal Government approval and we currently expect to complete this acquisition on or before 30 September 2020. Due diligence was conducted by an internal team, many of whom had worked on the acquisitions of Chess, EID, J+S and MCL. External due diligence utilised teams we had worked with previously for insurance but were new for legal and financial due diligence.	
Financial risks		
Treasury		
Over the last 12 months, the credit ratings of most of our banks (see note 15) have remained steady. In November 2018, the Group completed a new bank facility with Lloyds and NatWest. NatWest remains the Group's primary bank, especially for clearing purposes and day-to-day transactions. The facility is a revolving credit facility for four years with an option to extend for one year. The facility was increased from £30m to £40m on 20 May 2020 by exercising an accordion. Of this facility, £25.1m was drawn at 30 April 2020. The accordion was exercised to provide funds (in euros) to acquire ELAC. The facility itself provides the Group with a flexible arrangement to draw down for acquisitions and overdrafts. This facility is available to all of the Group's entities (excluding EID) through an offset arrangement. The current facility expires in November 2022, although the Group has an option to extend it for one year. The facility is secured against all of the Group's UK 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. A risk for the Group is that its pools of cash and facilities, both in the UK and Portugal, are insufficient for local needs. Under the facility agreement with its banks, the Group is required to meet certain covenants every quarter. There is a risk that the Group does not meet some or all of the covenants and that the facility is amended or cancelled as a consequence.	The Group takes a very prudent approach to the management of its financial instruments, which are described in note 18. The Group's cash (see note 15) is usually held with at least Baa3-rated institutions (including Portugal) and on deposits usually not exceeding three months. This ensures a very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits. The Group regularly reviews the ratings and other relevant factors in respect of the banks with which it deposits its cash and on each and every occasion that a short-term deposit is placed. The Group prepares a monthly cash forecast to ensure that cash in the UK and Portugal is sufficient for local needs over the following three-month period. The shareholder agreement in respect of EID enables dividends to be paid from EID to the UK. The Group regularly monitors its covenant position and considers the impact of proposed transactions upon our banking covenants to ensure that they are not breached. It also has regular (no less than twice yearly) meetings with its banking providers to ensure that any potential issues or risks are identified and communicated early and that any implications for covenants can be addressed. Since the start of the COVID-19 pandemic, the Group has increased its monitoring of cash (daily) and liaisons with its banks. The Group has remained in compliance with its banking covenants in 2020 and expects to continue to do so. The impact of IFRS 16 'Leases' is ignored for the purpose of our banking covenants.	

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 Portugal). The Group's exposure to credit risk at 30 April 2020 in respect of financial derivatives (forward foreign exchange contracts) was £4.6m of payable and £0.1m of receivable (2019: £9.6m of payable and £0.4m of receivable). The financial derivatives at 30 April 2020 were held with NatWest, Lloyds and Investec Bank (30 April 2019: NatWest, Lloyds and Investec Bank). These are disclosed in detail in note 18 to the financial statements.	The Group manages its exposure to currency risk by using forward foreign currency exchange contracts. The level of forward cover is determined on an individual contract basis, taking into account the net currency exposure to receipts and purchases. Forward contracts are only put in place when the award of customer contracts has taken place or is considered highly probable. The Group does not enter into speculative forward exchange contracts. The Group's primary exposure is to the US dollar through MCL, which purchases a number of products in the US, and Chess and SEA, which both sell products to US customers. We expect our euro exposure to increase in the year to come. The Group does not hedge the exposure to euro/sterling fluctuations that arise from its ownership of EID.	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 (page 72) and critical accounting judgements (page 112) and as such may from time to time have a degree of risk. The 2020 net bad debt charge was £0.1m (2019: £Nil) on Group revenue of £131.1m (2019: £121.2m). Financial assets exposed to credit risk at 30 April:	The Group takes a prudent approach to revenue and credit risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis. The Group uses project control processes and regularly reviews project progress to ensure recognition of revenue takes account of external milestones and customer acceptance as well as the internal costs incurred. The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing ensure minimal bad debts. The Group also uses letters of credit and other methods of payment guarantee, including customer advances, especially in respect of overseas customers, to ensure any export debt risk is minimised. Significant debt receivable in foreign currency is hedged using forward exchange contracts. The credit risk of the major debtor of the Group, the UK MOD, is considered very low. The Group's risk to trade receivables is higher in some of our non-defence markets where our customers are not all government bodies. The Group also has a risk, even for government business, where we contract via a prime contractor. This risk has been low historically, especially in the defence sector, but collapses such as Carillion in the past highlight that prime contractor risk needs to be monitored.	Unchanged

	2020 £m	2019 £m
Trade receivables	**23.3**	19.9
Other receivables including contract assets	**24.1**	23.1
Cash and bank deposits	**20.6**	18.8

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.

In September 2019, the Group showcased its latest innovations at the prestigious London DSEI event. During the five-day event we met with many of our current customers and discussed potential opportunities with buyers and delegations from across 114 countries. Here are some examples of the work done throughout 2019/20.

Anti-Submarine Warfare

SEA has teamed up to integrate its KraitArray™ low-profile sonar towed array and the DRIX™ autonomous surface vessel from iXblue, the innovative navigation provider. SEADrix will deliver a powerful long range, long endurance high-sensitivity submarine hunter capability. Working as a hunting pack, up to ten SEADrix can deploy a sonar sensor with the same range and area coverage as a nuclear submarine providing a force multiplier out of all proportion to its cost.

SEA successfully completed sea trials of its Anti-Submarine Warfare (ASW) system with the Portuguese Navy as part of Exercise REPMUS (Maritime Unmanned Systems) 19. The **KraitSense™** low-profile passive sonar system detected, tracked and classified a submarine whilst deployed from a Portuguese Navy offshore patrol vessel.

Surveillance and target acquisition

Chess's new **Modular Integrated Pod System (MIPS)**, which was uniquely demonstrated live at DSEI, is a self-contained, vehicle-mounted platform enabling quick and easy changeover of different surveillance and target acquisition payloads. It integrates radar, electro-optical tracking systems and counter-unmanned aerial systems (C-UAS), providing ground forces with a flexible, modular solution that enables quick and easy modification of vehicles for specific tactical deployment. An ISO container-based version is available if a fixed or semi-permanent base is required.

In the commercial sector, Chess responded to the increased threat and sophistication of drone attacks on airports with its **AirGuard** and **AirShield** automated drone protection systems. The systems utilise Chess's military-proven technology, have been deployed as part of the security solution at London Gatwick Airport, and are available to airports globally.

MCL has introduced a new **TM-K9 canine camera and video transmitter system** that is mounted onto the back of a dog. The innovative new surveillance capability provides a video link from the dog's back to its handler and the handler can deliver directions to the dog, based on the live video feed. The camera is mounted on a spring-loaded arm in a robust casing, so the dog can travel through confined spaces without damaging the system.

Collaboration

SEA has partnered with Chess and MASS to introduce a new **Trainable Decoy Launcher System** to protect surface platforms from missile and torpedo threats. The system is capable of a wide range of movement, rapidly delivering complex patterns of mixed decoys around platforms. It offers a sophisticated threat processing engine, which can recommend and enact responses to a wide range of threats much more quickly than traditional systems, minimising the need to manoeuvre the ship, improving its effectiveness.

Communications

DSEI 2019 was the launchpad for the new **ICC-401 intercom** family from EID. This is a cost effective, high-end, IP-based solution enabling an integrated end-to-end information and communication network, giving situational awareness between crew in a vehicle and troops on the ground via radio equipment. A key benefit of the system is that it offers compatibility with legacy and new radio systems from all major suppliers, reducing overall costs.

EID also launched the **TWH-110 radio**, an upgraded version of its soldier radio series, providing secure and reliable voice and data communications for teams and commanders in dismounted, vehicle, naval and amphibious operations. Operating at a higher UHF frequency band the radios now have an extended range of up to 4 kilometres.

Awards

SEA was named as the national winner of Innovation of the Year at the 2019 Make UK Manufacturing Awards South for its **KraitArray™** underwater submarine detection technology. It was commended for making the technology as slimline and lightweight as possible, reducing the size by 90% with improved performance over a standard towed array.

SEA also won the Parking Technology Award for its **ROAD*flow* Attended** solution, which was developed in collaboration with Derby City Council to improve school safety. It is aimed at changing driver behaviour and prevent parking in School Keep Clear zones to improve safety outside schools. The system had a positive impact on the environment around the school where the solution was installed, while improving the health and road safety of school children.

Unmanned Systems

MCL has responded to a UK MOD's Future Capability Group project, the Remote Patrol Vehicle (RPV) Experimentation Programme. It has partnered with Australian defence technology company Praesidium Global Pty to provide **Unmanned ground systems (UGS)** to the UK and Europe. MCL is also developing payload solutions and user training for the Mission Adaptable Platform System (MAPS) vehicle for the vital role of casualty evacuation.

Our people

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

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

NUMBER OF PERMANENT EMPLOYEES

906

Training and development

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

Many training schemes operate at subsidiary level, including the use of online solutions such as LinkedIn Learning. At Group level, our Leadership Development programmes are designed to equip our current and future leaders with the skills to effectively deliver the strategic priorities of the business and respond to the competitive and changing environment we operate within. In 2019 we ran a further Leadership Development Alumni programme to ensure the networks formed from the original training are maintained and to encourage collaboration across the Group.

Our values

Our brand values describe the culture within the Group and act as our guiding principles, improving how we work together, driving our focus on understanding the needs of our customers, and creating innovative technology and delivering services to support them.

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 are 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.

Our people continued

Recognition

Every year we host the Cohort Business Excellence Awards where we acknowledge the 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 worthy recipients of this year's top award were the team from Chess Dynamics who supported London Gatwick Airport to install and operate C-UAV capability to get the airport operational after the UAV attack over Christmas 2018. Having only been part of the Cohort Group for a matter of days, the team gave up leave over Christmas and adapted a proven military solution for use in a civilian environment, proving that they really did Play their Part.

ARMED FORCES COVENANT
EMPLOYER RECOGNITION SCHEME
SILVER AWARD
2017

Our communities

CHARITY DONATIONS IN 2020 BY THE GROUP:

£44,000
(2019: £26,000)

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

The Group and its subsidiaries are corporate members of SSAFA and participate in events it runs. Our subsidiaries are active participants in their local communities, engaging in local initiatives and providing charitable support.

SEA was delighted to be a sponsor of the Avon and Somerset Police and Crime Commissioner's Be Proud Awards 2019 which celebrate the men, women and teams who go above and beyond to keep our communities safe through their outstanding work and dedication. SEA sponsored the Response Officer of the Year Award, which was presented by Managing Director Steve Hill.

MASS sponsored the UK Armed Forces Men's and Women's Volleyball League this season.

From sponsoring the HMS Oardacious submariners rowing unsupported across the Atlantic to supporting colleagues running marathons and organising local cake baking sales, Cohort is pleased to contribute to these charitable initiatives either directly or through match-funding employee efforts.

STEM

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

MASS is sponsoring two STEM programmes with local schools including an entire Year 7 group designing rocket cars and racing them on a showcase day at the end of term.

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

COVID-19

The safety and wellbeing of our employees and their families was our primary concern during the 2020 pandemic. The majority of our colleagues were able to work from home during this time, with only core manufacturing and support staff on site working safely within government guidelines to keep our business operating.

Many of our colleagues were involved in community activities and we are very proud to support and recognise the valuable contribution these Local Community Heroes gave during this time. An example of this is:

Mel Adams, a Systems Support Technician at MASS, who is also a volunteer with Yeovil Freewheeler Blood Bikes. As an advanced motorcyclist, he was able to help the NHS by couriering blood and COVID-19 samples between medical establishments.

Stakeholder engagement

We maintain strong relationships across all our stakeholder groups.

Shareholder engagement

The Board engages regularly with our shareholders though face to face meetings with institutional shareholders, the Annual Report and Accounts, the AGM, the Interim Report, the website (cohortplc.com), social media, webcasts and email for RNS alerts. All Directors attend our AGM and shareholders meet the Board and discuss business matters after the conclusion of the meeting. The Chairman, together with the Deputy Company Secretary, responds to any written enquiries received from investors.

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

Engagement with UK employees

The Group organises employee communications locally through its subsidiary undertakings as well as delivering an annual strategy presentation and Q&A session to all the Group's employees at the main sites of employment. The channels used for organised communications include the Group intranet, regular update presentations, direct all-employee emails and distribution of news releases. The Group Intranet features regular blog posts from the Chief Executive and updates at key times of the reporting calendar. This, together with the annual strategy presentation to all employees, ensures that UK employees have a good awareness of the financial and economic factors affecting the Group's performance.

In addition, each subsidiary has its own internal communications programme, including local intranets, in-house magazines or staff bulletins, and notices are published containing information about matters of interest within the Group. They also hold regular town hall meetings and more informal employee briefings where employees' questions can be answered. Our larger subsidiaries conduct regular employee engagement surveys and the key outcomes are reported to the Cohort plc Board.

Throughout the year, Non-executive Directors undertook visits to sites and events where there was an opportunity to meet and engage directly with a range of stakeholders in person. The relevant Directors provided verbal updates to the rest of the Board at the following Board meeting. Board meetings were also held at various locations enabling senior management from the subsidiaries to attend and present to the Board. The Board believes that having this face to face engagement is important to enable the Directors to understand the priorities for local management so that they can have regard to its interests in decision making.

Representatives from the Board also attended the annual Cohort Business Excellence Awards, where key achievements of employees from across the Group are recognised and rewarded; and the alumni event for graduates of our Leadership Development Programmes, where the Board can engage with the individuals who are being developed to grow the Group in the future. Examples of key achievements are shown in the "Our people" and "Innovation and technology" sections on pages 38 to 41.

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

Stakeholder engagement continued

"The Group organises staff communications locally through its subsidiary undertakings as well as delivering an annual strategy presentation and Q&A session to all the Group's employees at the main sites of employment."

Shareholders

- Individual Directors met with institutional shareholders during the year.
- The Chairman also responded to written enquiries by individual investors.

FURTHER DETAILS ARE SET OUT ON PAGE 42 AND IN THE CORPORATE GOVERNANCE REPORT ON PAGE 50

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.

People

- Throughout the year, Non-executive Directors met with employees through site visits.
- The Board received monthly health and safety reports which included updates on safety incidents involving employees.

FURTHER DETAILS ARE SET OUT IN "OUR PEOPLE" ON PAGE 40

Communities

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

Customers

- The Board received regular updates on key customers through the monthly reporting mechanism, Managing Director attendance at Board meetings and Managing Director input into the strategy planning.
- Our Group engagement principles show our customers how we will work with them.
- A wide variety of our customers attended the Group social event held in London in January.

Section 172 statement

Section 172 (s172) of the Companies Act 2006 requires Directors to act in the way 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:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Company.

This statement describes how the Directors have considered the matters set out in s172.

How the Board has discharged its s172 duties

Each of our five subsidiaries has its own board which meets regularly. Four of these are UK companies which are also subject to s172. Both our Chief Executive and Finance Director sit on each of the subsidiary boards and the Cohort plc Board. Together with monthly reporting by the subsidiaries, this facilitates good oversight and communication and enables a continuous exchange of information on engagement with stakeholders and other s172 considerations at both Group and subsidiary level. When making a decision, the Board takes into consideration the Company's mission and core values, together with its strategic priorities. This is reflected in our business model (see pages 9 and 10).

Key activities which support s172

In addition to our activities engaging with stakeholders outlined above, the following key activities undertaken by the Board support it in fulfilling its duties under s172:

Strategy planning

The Board conducts a detailed review of the strategy of each of our subsidiary businesses together with that of Cohort plc. As part of this exercise, the Board considers the long-term opportunities and risks for each business and how best to manage these for the benefit of all stakeholders.

Investment in our people

Ensuring that we have a culture which attracts, retains and develops talented individuals is of utmost importance to the Board. The success of our business depends on our ability to deliver innovative solutions to our customers. We 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.

Further information on our people and initiatives we have in place to attract, retain and develop talented individuals can be found in the "Our People" section on pages 40 and 41.

Focus on delivering long-term value

We are committed to delivering value to shareholders and ensuring that they benefit from our success. This is achieved through our business model and strategic plan, which are set out on pages 9 to 11. Our strategy for achieving outstanding value creation is clearly defined and communicated across our businesses.

We engage in a proactive acquisition programme led by our acquisition team which seek access to new markets and increased profitability through selective acquisitions.

Managing risk

Our effective risk management framework (see page 32) enables the Board to take risk-based decisions which are well understood and managed within our strategic guidelines to deliver growth above target market and to protect shareholder value.

Building strong relationships with our customers

Our global customers depend on us to be their trusted partner to deliver reliably and on time.

We have also developed a set of Group engagement principles which are our guide to show our customers how we will work with them (see cohortplc.com/about-us/how-we-work). The Board including the Chief Executive and Finance Director is frequently called upon to visit key customers to discuss current and future programmes and opportunities.

Our principal customer remains the UK MOD and we build good relations with it through regular update meetings and involvement in group activities through government organisations such as the UK MOD's Department of Equipment and Support.

Section 172 statement continued

The Chief Executive and senior executives hold roadshow events in target export markets, recently South East Asia and Australia, working with the UK Department for International Trade and local embassies to host informative receptions for senior defence personnel. They also visit potential customers and partners in the region to showcase the Group's capabilities.

We also host an informal social event each January where our customers, and other stakeholders can meet senior executives, our subsidiary employees and the Board, and gain a better understanding of capabilities across the Group.

Working as a team with our suppliers and other partners

Our suppliers are critical to our business, as we rely on them for specific elements of our technical and product offering. We often secure business through teaming and partnering with other suppliers. We ensure there is an appropriate framework for managing these arrangements. This includes close liaison and regular review meetings, good project management and ensuring suppliers are paid promptly for the goods and services received.

We work with agents and in-country representatives to facilitate the export of our products and services. We conduct rigorous due diligence on these partners to ensure that they comply with our ethical and legal requirements and liaise with them frequently to maintain contact.

Supporting our communities

Detail of how we actively promote STEM opportunities locally and at a Group level can be found in "Our people" on pages 40 and 41 together with details of our charitable support.

Caring for the environment

The Board considers the impact of our operations on the community and environment. We comply with reporting requirements under the Streamlined Energy and Carbon Reporting (SECR). Further details are set out on page 46.

Ethical conduct

The Board places great emphasis on maintaining high standards of business conduct and our culture encourages our people to act with the highest ethical standards and integrity at all times. This is supported by the policies and processes we have implemented including our anti-bribery and corruption policy and modern slavery policy. We ensure clear communication of our policies through our employee induction and handbook, training, management briefings and our Group and local intranets. Our policies are reviewed regularly to ensure they are in line with best practice.

Further details on key actions in this regard are also contained within the Corporate governance report on pages 50 to 54 and are incorporated into this statement by cross-reference.

Environmental report

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

Performance – energy and greenhouse gas report

Working alongside Carbon Footprint Ltd, we completed an Energy Savings Opportunity Scheme assessment in November 2019 which highlighted cost and carbon reduction strategies. From this year, the Group is required to report on all of the emission sources of UK entities that fall within its consolidated financial statements, as specified under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Cohort appointed Carbon Footprint Ltd to independently assess our Greenhouse Gas (GHG) emissions. This is in accordance with the UK Government's environmental reporting guidelines including Streamlined Energy and Carbon Reporting requirements.

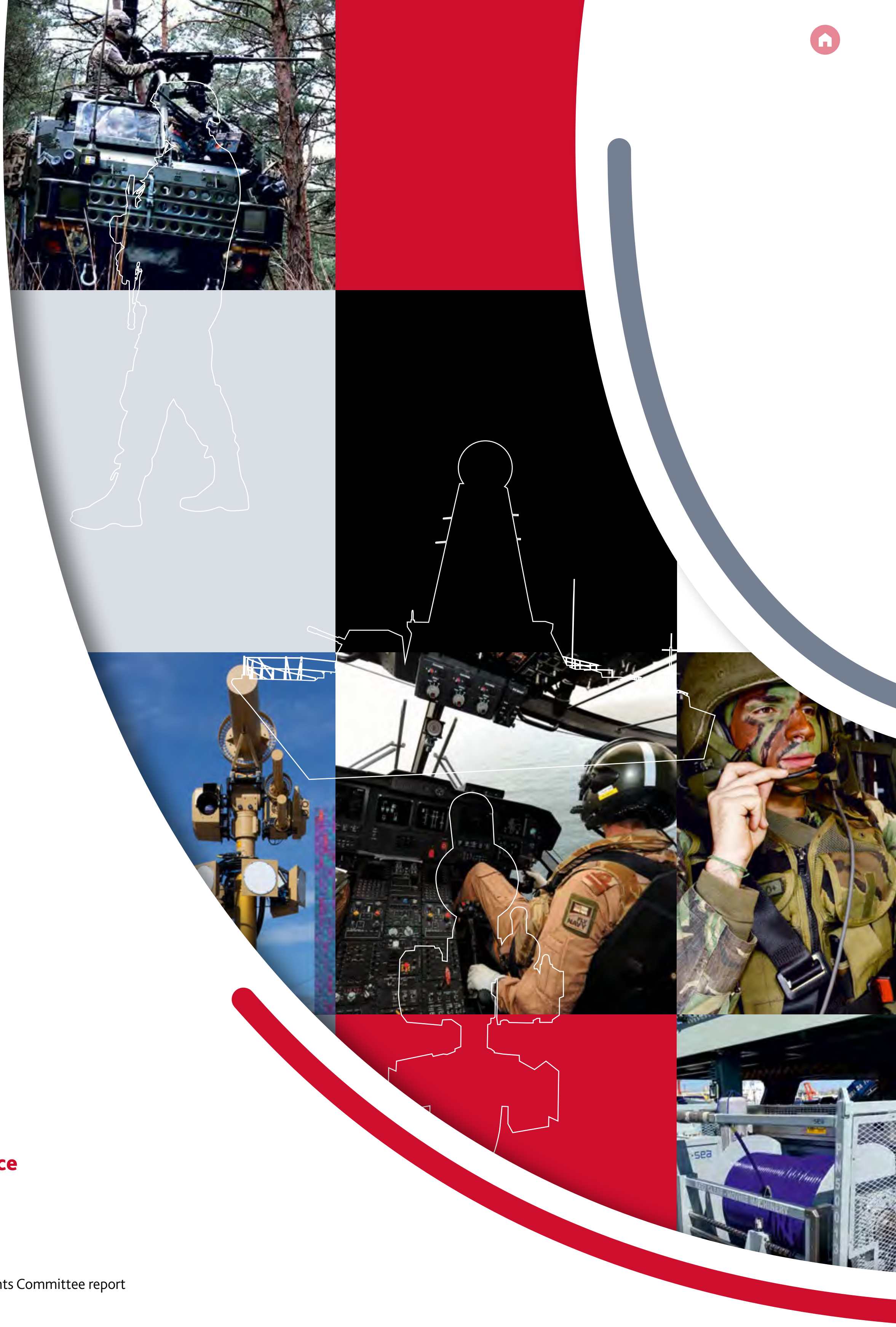
The methodology for this assessment has used the 2019 emission conversion factors published by Department for Environment, Food and Rural Affairs and the Department for Business, Energy & Industrial Strategy. The assessment follows the location-based approach for assessing emissions from electricity usage and has used the UK electricity emissions factors (for generation and transmission and distribution). The Cohort Group has six entities in our financial statements, five of which have been included in the assessment, covering a total of 642 employees who are based on our own sites. Our Portuguese subsidiary, EID, has been excluded as it would not qualify on its own and is not a UK entity.

The table below summarises our GHG emissions for the reporting year 1 May 2019 to 30 April 2020.

As this is the first year that we have undertaken a GHG emissions assessment to comply with SECR, no energy efficiency actions have yet been taken. Carbon Footprint Ltd's report on our GHG emissions has suggested a number of actions that could be taken in the coming year to reduce overall energy usage and we will consider these recommendations.

Scope	Activity	Tonnes CO_2e
Scope 1	Site gas	128.19
	Company car travel	70.63
	Van travel and distribution	67.19
	Site gas oil	38.74
	Refrigeration & A/C	0.84
Scope 1 Subtotal		305.59
Scope 2	Electricity generation	536.47
Scope 2 Subtotal		536.47
Scope 3	Flights	1,725.18
	Employee owned car travel (grey fleet)	138.24
	Hire cars	39.60
	Electricity transmission & distribution	45.55
	Rail travel	23.08
	Taxi travel	4.88
	Bus travel	<0.01
Scope 3 Subtotal		1,976.52
Total tonnes of CO_2e		2,818.58
Tonnes of CO_2e per employee (all scopes)		4.39
Tonnes of CO_2e per £m turnover (all scopes)		23.26
Gross total[1]		842.06
Intensity metric: gross[1] tonnes of CO_2e per employee		1.31
Intensity metric: gross[1] tonnes of CO_2e per £m turnover		6.95
Total energy consumption (kWh)[2]		3,579,196

1. Gross total includes global electricity, global site gas and company owned vehicles (Scope 1 and 2).
2. Total energy consumption includes global electricity, global site gas and company owned vehicles (Scope 1 and 2).



Corporate governance

Board of Directors

● Member of the Board of Directors
● Member of the Remuneration & Appointments Committee
● Member of the Audit Committee

Nick Prest CBE
Chairman

Nick became Chairman of Cohort on flotation in March 2006.

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

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

Andrew Thomis
Chief Executive

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

Andrew graduated with an M Eng degree in Electrical and Electronic Engineering from Imperial College London in 1987. He spent nine years in science, technology and policy roles as a fast stream civil servant in the UK MOD. After a period working with public and private sector clients at Capita's management consultancy arm, in 1997 he joined Alvis plc in a role covering strategy, M&A and business development. Following the acquisition of Alvis by BAE Systems in 2004, Andrew worked with Nick Prest and Stanley Carter on the creation of Cohort plc, acting as Finance Director during the flotation and subsequently Corporate Development Director. From 2007 to 2009 he was Managing Director of MASS. Andrew is a Fellow of the Institution of Engineering and Technology.

Simon Walther
Finance Director and Company Secretary

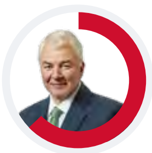
Simon joined Cohort as Finance Director in May 2006.

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

Stanley Carter
Non-executive Director

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

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



Edward Lowe
Independent Non-executive Director

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

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

Jeff Perrin
Independent Non-executive Director and Senior Independent Director

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

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

Sir Robert Walmsley KCB, FREng
Non-executive Director

Sir Robert joined the Board of Cohort on flotation in March 2006. He was Chairman of the Remuneration & Appointments Committee until 23 July 2019.

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

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

Executive Management Team

Graham Beall
Managing Director of Chess

Graham has held the role of Managing Director of Chess since its foundation in 1993.

Graham is the founder and Group Managing Director of Chess Dynamics. He began his career as an apprentice at Philips Electronics, becoming its youngest Mechanical Design Engineer, moving into the defence industry in 1984. As Senior Mechanical Engineer, Graham managed the development of new generation servo controlled, high-accuracy stabilised radar platforms and positioning and tracking systems for the UK and European defence markets. His subsequent roles have included Manufacturing Manager and then Lead Engineer for all new development projects.

Graham set up Chess in 1993, initially focusing on high-precision automation products and solutions for the electronics, medical and aerospace sectors. Under his direction it has evolved into a leading provider of surveillance and tracking systems for defence and security customers worldwide.

Chris Stanley
Managing Director of MASS

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

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

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

Stephen Hill
Managing Director of SEA

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

Stephen has held senior managerial positions, predominantly in the international aerospace and defence sector, since the mid-1990s. He began his career in 1983 at GEC-Marconi as an Electronics Engineer, eventually becoming Business Director, with responsibility for the Land Systems electro-optics business at Basildon. In 2000, he moved to Thales, where his roles included Managing Director of the Air Operations business at Wells and Vice President with responsibility for the UK Air Systems division. Prior to joining the Cohort Group, he was Chief Executive of CircleBath, a venture capital-backed private hospital in Bath. Stephen has a first class honours degree in Electrical and Electronic Engineering and a master's in Engineering Project Management, and is a qualified Chartered Director.

António Marcos Lopes
Managing Director of EID

António was appointed as Managing Director of EID in July 2016.

António graduated from the University of Lisbon as an Electronics and Telecommunications Engineer in 1977, immediately joining the Portuguese Navy as an officer. At the same time, he was Assistant Professor of Mathematics at the University of Economics in Lisbon. António joined EID 35 years ago, as a Research and Development Engineer. He assumed the leadership of the Naval Communications division in 1996 and was appointed to the board of directors in 2000 as an Executive Director of the company. He was appointed Managing Director in July 2016 following Cohort's acquisition of EID.

From 2001 to 2003 António was a Non-executive Director of STE, Serviços de Telecomunicações e Electrónica, S.A. and from 2001 to 2010 he was a member of the board of directors of NEC Portugal – Telecomunicações e Sistemas S.A.

Shane Knight
Managing Director of MCL

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

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

Corporate governance report

Nick Priest CBE
Chairman

Introduction

Cohort has placed a great importance on corporate governance since its flotation in 2006 and has, as far as practicable, modelled its corporate governance structure on a recommended corporate governance code. Since 2018 Cohort has applied the QCA Corporate Governance Code (the QCA Code), being appropriate for a company with the size and structure of Cohort, and our Corporate governance report for the year ended 30 April 2020 is based upon the QCA Code.

The principal means of communicating our application of the QCA Code are this Annual Report and our website (cohortplc.com). In the remainder of this report, I have set out the Group's application of the QCA Code, including, where appropriate, cross-references to other sections of the Annual Report.

Where our practices depart from the expectations of the QCA Code, I have clearly highlighted these and given an explanation as to why, at this time, it is appropriate for the Group to depart from the QCA Code.

Governance structure

Corporate structure

The Board

Audit Committee

Jeff Perrin (Chairman)

Sir Robert Walmsley[1]

Edward Lowe[2]

Remuneration & Appointments Committee

Edward Lowe[2] (Chairman)

Sir Robert Walmsley[1]

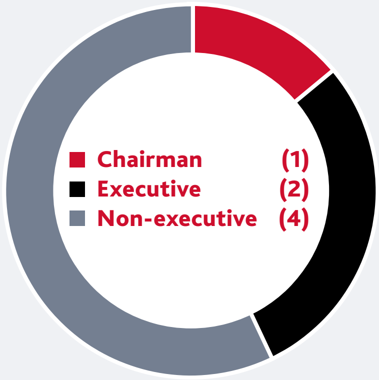
Stanley Carter

Jeff Perrin

Nick Prest CBE

1. Sir Robert Walmsley stepped down from the Audit Committee and from the Remuneration & Appointments Committee on 23 July 2019.
2. Edward Lowe joined the Audit Committee and the Remuneration & Appointments Committee on 23 July 2019, and became Chairman of the Remuneration & Appointments Committee on 23 July 2019.

Board composition



The QCA Code sets out ten principles in three broad categories, as follows:

Deliver growth

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

The Group's Business model is set out on pages 9 and 10 with our strategy alongside on page 11. We believe this promotes long-term value for our shareholders as demonstrated by our five years' financial performance (see page 114) and our key performance indicators on pages 12 and 13 which are shown for the last three years.

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

The Board conducts an in-depth annual review of strategy and the business plans of Cohort and its subsidiaries in its off-site annual strategy day, and in between these formal reviews strategic issues are frequently discussed by the Board.

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

Some of the key activities which we have undertaken to promote long-term value are set out in our Section 172 statement on pages 44 and 45.

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

Cohort places a great deal of importance on communication with all shareholders and details of how we achieve this are set out in the "Stakeholder engagement" section on page 42. The Company also meets with its institutional shareholders and analysts and receives regular feedback from its institutional shareholders, either directly or via its Nomad, Investec. We also carefully consider any voting guidance reports received from organisations such as the Association of British Pension Funds.

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

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

Stakeholders other than shareholders include our employees, customers, partners, suppliers and neighbours. Consideration of all of the Group's stakeholders is an integral part of the Board's discussions and decision making.

Our employees (see pages 40 and 41) are the key to our success. We are not a capital intensive business but depend upon the skills, capabilities and flexibility of our employees, and our business model depends upon us being agile and responsive.

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

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

Further details of our stakeholder engagement activities are set out on pages 42 and 43.

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

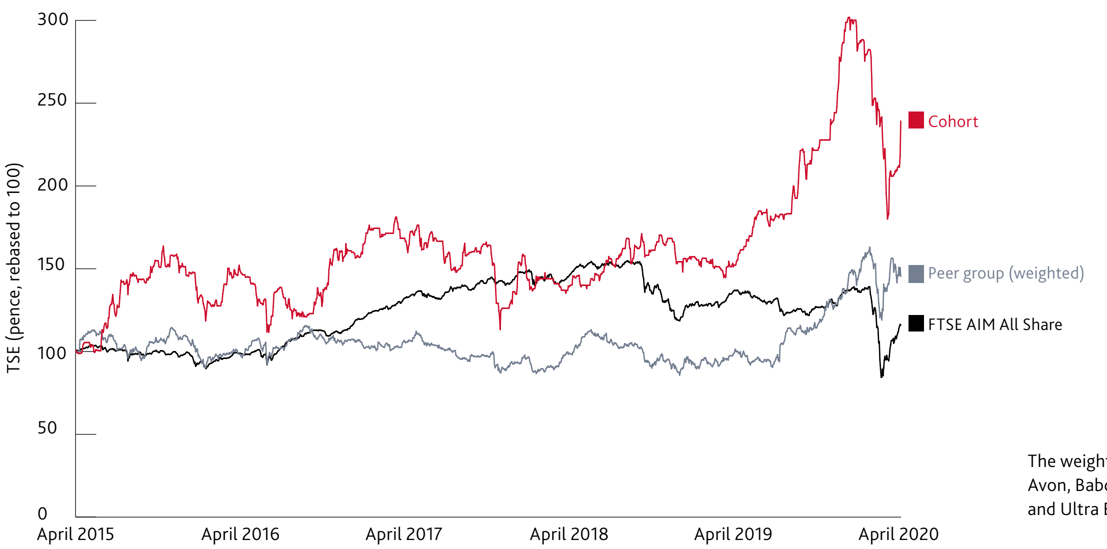
The Board and Group approach to risk is set out in the Audit Committee report on pages 55 and 56 and in the "Risk management" section on page 32.

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

The Audit Committee, on behalf of the Board, reviews the risk environment faced by the Group on a regular basis and how the Group manages and mitigates these risks.

The key risks of the Group are presented on pages 33 to 37.

Total Shareholder Return Five Year Performance



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

Corporate governance report continued

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

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

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

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

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

Maintain a dynamic management framework

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

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

The Board

As at 30 April 2020, the Board of Directors comprised of myself, two Executive Directors, Andrew Thomis and Simon Walther, and four Non-executive Directors, Stanley Carter, Jeff Perrin, Sir Robert Walmsley and Edward Lowe. Edward Lowe joined the Board as a Non-executive Director on 1 July 2019.

The Board considers that Jeff Perrin and Edward Lowe are independent.

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

Board Committees

The Board has established two committees: Audit and Remuneration & Appointments, each having written terms of reference, which can be viewed on the Company's website.

The reports of the two Committees are reported separately on pages 55 and 56 for the Audit Committee and pages 57 to 66 for the Remuneration & Appointments Committee.

Audit Committee

At the start of the financial year ended 30 April 2020, the Audit Committee comprised Sir Robert Walmsley and Jeff Perrin. On 23 July 2019, Edward Lowe joined the Committee and on the same day Sir Robert stepped off the Committee, so that the Audit Committee now comprises two Independent Non-executive Directors in accordance with the QCA Code. The Audit Committee's role is set out on page 55 of the Audit Committee report.

Remuneration & Appointments Committee

From 1 May 2019 until 23 July 2019, the Remuneration & Appointments Committee comprised Sir Robert Walmsley (Chair), Jeff Perrin, Stanley Carter and me. On 23 July 2019, Edward Lowe joined the Remuneration & Appointments Committee and became its Chairman in succession to Sir Robert Walmsley, who stepped down on the same date. The Remuneration & Appointments Committee therefore now includes two Independent Non-executive Directors as members, one serving as Chairman, in addition to Stanley Carter and me. Both Edward Lowe and Jeff Perrin have considerable experience of managing remuneration schemes for senior executives in public and private companies, both large and small.

Nevertheless, the composition of the Remuneration & Appointments Committee is not in accordance with the QCA Code, which requires that only Independent Non-executive Directors should sit on it. Cohort is not a large company and we want to make the best use of the skills we have. Both Stanley Carter and I have considerable experience in dealing with remuneration matters, as well as substantial shareholdings in the Company, and the collective view of the Board is that the present composition of the Committee benefits the Company and its shareholders. The Remuneration & Appointments Committee's role is set out on page 62.

At present, the formal role of Company Secretary is undertaken by Simon Walther, the Finance Director of Cohort plc. In practice the majority of the work is undertaken by the Deputy Company Secretary, who acts as secretary to the Board and its Committees and in this capacity deals directly with me and Board and Committee members as required. It may be appropriate at some time in the future to separate the Company Secretary role from the Executive, and we keep this under review. The Company Secretarial department supports the Board, ensuring good information flows and advising on all corporate governance matters.

Attendance at Board and Committee meetings

Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary including meetings with subsidiary Managing Directors to review strategic and financial plans and, as mentioned above, the Board also holds a strategy day in addition to the scheduled meetings. The scheduled Board and Committee meetings and attendance of the members during the year ended 30 April 2020 were as follows:

	Board (9 scheduled meetings)	Audit Committee (3 meetings)	Remuneration & Appointments Committee (2 meetings)	AGM attendance
N Prest CBE (Chairman)	■■■■■■■■■	—	—	■
S Carter (Non-executive Director)	■■■■■■■■■	—	—	■
Sir R Walmsley (Non-executive Director)[1]	■■■■■■■■■	■	■■	■
J Perrin (Independent Non-executive Director and Senior Independent Director)	■■■■■■■■■	■■■	■■	■
E Lowe (Independent Non-executive Director)[2]	■■■■■■■	■■	■	■
A Thomis (Chief Executive)	■■■■■■■■■	—	—	■
S Walther (Finance Director and Company Secretary)	■■■■■■■■■	—	—	■

1. Sir Robert Walmsley stepped down from the Audit Committee and from the Remuneration & Appointments Committee on 23 July 2019.
2. Edward Lowe joined Cohort plc on 1 July 2019 and became Chairman of the Remuneration & Appointments Committee and a member of the Audit Committee on 23 July 2019.

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

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

The Non-executive Directors have commitments outside Cohort. These are summarised in the Board biographies on page 48. All the Non-executive Directors give adequate time to fulfil thoroughly their responsibilities to Cohort and, as Chairman, I monitor this.

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

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

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

The Board biographies (page 48) give an indication of the breadth of skills and experience.

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

Each member of the Board takes responsibility for maintaining his skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars. We also commission tailored executive coaching for our senior executives from time to time.

I am fully aware that a Board comprising seven men and no women does not reflect current views of best practice and carries some risks in terms of the breadth of capability and views brought to the table. An issue in the defence industrial sector is that, for a variety of reasons, there are not many women in senior positions and our policy so far has been to appoint Board members who have, alongside their other skills, defence experience. We continue to keep the issue under review.

The Deputy Company Secretary, a qualified solicitor, is responsible within the Company for advising the Board on its legal and regulatory responsibilities and on corporate governance matters. The Deputy Company Secretary and the Cohort Group Head of Human Resources also advise the Non-executive Directors independently of the Executive Directors on any matter in which the Executive Directors are personally interested, for example their own remuneration.

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

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

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

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

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

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

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

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

Anti-bribery

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

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

Corporate governance report continued

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

Cyber risk

As mentioned last year, the Group introduced, in January 2019, a new Information Security Policy (ISP), replacing its previous Security Policy Framework.

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

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

Each business within the Group reports annually to the Board on its compliance with the ISP and this compliance is currently audited by an internal team of information assurance and cyber experts from MASS. MASS's own ISP is audited externally. Audits for the year ended 30 April 2020 were undertaken in May 2020.

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

Modern slavery

The Group has an anti-slavery policy to address the aspects of modern slavery as set out in the Modern Slavery Act 2015 (MSA). In accordance with the requirements of the MSA, the Group and each UK member of the Group have published a statement on their respective websites setting out the steps the Group and they have taken to ensure that slavery and human trafficking are not taking place in their respective businesses and supply chains. A copy of the statement can be found on the Corporate governance page of the our website (cohortplc.com). The Group's Portuguese subsidiary, EID, has in place an anti-slavery policy which is aligned with the Group's policy.

The Group's anti-slavery policy was first adopted in April 2016 and is regularly reviewed.

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

The Board discharges its duties through the following management structure:

Group management

The Cohort Board meets at least seven times per calendar year, in addition to business and strategic reviews which are not recorded as formal Board meetings. The Board also holds regular ad-hoc discussions to consider particular issues. We aim as a Board to visit each of the subsidiaries at least once a year, and individual Non-executive Directors and I also make visits to keep up to date with business issues at the subsidiaries. This is important in a decentralised group like Cohort. The Non-executive Directors and I meet at least once a year without the Executive Directors present.

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

Subsidiary management

There are monthly Executive Management meetings involving the senior management of each subsidiary. Cohort Executive Directors attend subsidiary Executive Management meetings on a regular basis and sit on the Board of each subsidiary. The Non-executive Directors and I occasionally attend subsidiary Executive Management meetings. There is a formal delegation of authority policy which is approved by the Board and provides a framework for effective decision making at the subsidiary level together with appropriate Board oversight.

Build trust

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

The Board communicates how the Company is governed and how it is performing by maintaining a dialogue with shareholders and other stakeholders through the mechanisms described on pages 42 and 43.

Board Committees

The reports to shareholders of the Audit and Remuneration & Appointments Committees are on pages 55 and 56, and 57 to 66 respectively.

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

Nick Prest CBE
Chairman

Audit Committee report

Jeff Perrin
Independent Non-executive Director and Senior Independent Director

Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**55**	109
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**192**	242
Total audit fees	**247**	351
Interim review fee	**12**	20
Other non-audit fees	**—**	129
Total non-audit fees	**12**	149
Total fees paid to the auditor and its associates	**259**	500
Charged to profit for the year	**259**	500

Introduction

From 23 July 2019, the Audit Committee comprised two independent Non-executive Directors for the year ended 30 April 2020. The Audit Committee is scheduled to meet at least three times a year. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply financial reporting under IFRS, the Companies Act 2006, risk and the internal control requirements of the QCA Corporate Governance Code and maintaining an appropriate relationship with the independent auditor of the Group.

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

Jeff Perrin is Chairman of the Audit Committee being a qualified Chartered Certified Accountant and having experience of the defence industry in previous and current roles. The current terms of reference of the Audit Committee were reviewed and updated in October 2019.

Consideration of the financial statements

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

Areas of judgement

Revenue and profit recognition on fixed-price contracts

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

Recoverability of trade and other receivables

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

Goodwill

The Group has recognised goodwill and other intangible assets in respect of the acquisitions of Chess, MASS, SEA (including J+S), MCL and EID. The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and in each case are amortised over the expected life of the earnings associated with the other intangible assets acquired. The goodwill, which is not subject to amortisation but to at least annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived. This includes, but is not limited to, reputation, customer relations, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of Chess, MASS, SEA (including J+S), MCL and EID has been tested for impairment as at 30 April 2020; this is an area of judgement. In each case there was no impairment. The Group's 2020 post-tax WACC of 7.1% is lower than the 2019 equivalent of 7.9%, which reflects lower interest rates and equity risk partly offset by higher volatility, both of the latter in respect of Cohort plc's shares. These post-tax WACC amounts are equivalent to a pre-tax WACC of 9.2% (2019: 12.5%).

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

Provisions

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

Accounting policies

IFRS 16 'Leases' has been applied from 1 May 2019 and its impact is shown in note 24.

Audit Committee report continued

Consideration of the financial statements continued

Areas of judgement continued

Alternative performance measures (APMs)

The Group reports a number of APMs which are not in accordance with the reporting requirements of IFRS. The Audit Committee has reviewed these during the year ended 30 April 2020 to ensure they are appropriate and that in each case:

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

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

Adjusted operating profit

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

The reconciliation of operating profit (IFRS) to adjusted operating profit is shown in the Consolidated income statement (page 75) for the Group and in note 1 on page 81 for the Group's subsidiaries. The following table shows the Group's adjusted operating profit compared with operating profit for the last five years:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Adjusted operating profit	**18.2**	16.2	15.2	14.4	11.7
Operating profit	**10.7**	5.9	10.3	0.9	5.1

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

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

Adjusted earnings per share

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

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

Independent auditor

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

The independent auditor presented its audit plan to the Audit Committee prior to the Audit Committee meeting held in March 2020. The plan was reviewed and approved at that meeting with specific areas of focus by the independent auditor discussed in detail for the ensuing audit.

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

The analysis of RSM UK AUDIT LLP (2019: KPMG LLP) remuneration is shown in the table on page 55.

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

Jeff Perrin
Chair of the Audit Committee

Remuneration & Appointments Committee report

Letter from the Chair of the Remuneration & Appointments Committee

Edward Lowe
Independent Non-executive Director

I am pleased to present the Remuneration & Appointments Committee (the Committee) report for the year ended 30 April 2020.

As reported in the 2019 Annual Report and Accounts, I succeeded Sir Robert Walmsley on 23 July 2019 as Chair of the Committee. Since then I have become familiar with the Company's current remuneration policy, the particular roles and responsibilities of the Executive Directors (the Group Chief Executive and Finance Director) and the Group Executive Management (the Managing Directors of the subsidiary businesses), the terms of their service contracts, their shareholdings, and their pay, benefits, pensions, retirement allowances and bonus structures. At my request, a benchmarking of the remuneration of the Executive Directors and the Group Executive Management team was undertaken.

Based on this work, the view of the Committee is that the levels of remuneration are in line with industry peers and the remuneration policy has, as intended, supported delivery of the strategy and focused the management team on delivering strong financial and operational performance. In what has been a challenging year it is pleasing to see that this is reflected in both the trading results for 2019/20 and the achievement of longer-term strategic objectives. The Committee will continue to keep the policy under review to ensure that it remains optimal as the strategy and shape of the business evolve.

This report is in a different format to previous years in order to better comply with the QCA's Remuneration Committee Guide for small and mid-size quoted companies and is now split into three sections:

- this Annual Statement summarising the work of the Committee in 2019/20;
- a summary of the Directors' Remuneration Policy (the Policy); and
- the Annual Report on Remuneration, which provides details of the remuneration earned by Executive Directors and the Non-executive Directors in the year ended 30 April 2020 and some guidance on how we intend to implement the Policy in 2020/21.

New pay regulations for large UK listed companies came into force at the start of 2019. Whilst we, as an AIM-listed company, are not required to adhere to these regulations, the Committee felt it important to provide additional disclosure to enable comparison of the Chief Executive's remuneration. These disclosures are reported in the Annual Report on Remuneration.

Outcomes for 2019/20

The Executive Directors and the Group Executive Management have continued to drive the Group's strategy and delivered another strong performance in 2019/20 despite the challenges presented by COVID-19. The key highlights are discussed in the "Operating review" pages 14 to 25.

The Committee has given careful consideration as to how to respond to the uncertainties surrounding the effects of the COVID-19 pandemic, and its decision making regarding remuneration has been closely connected to decisions taken by the Board to safeguard the financial health of the Group and the payment of dividends to shareholders.

Performance related pay

Cohort's Executive Remuneration Policy is weighted heavily towards incentivising the long-term performance and growth of the Group. Maximum bonus opportunity based on in-year performance is set at 15% of salary and long-term performance award opportunity at 50% of salary plus tax and National Insurance on Restricted Share Awards, which is paid on the Executive's behalf by the Company. There is also a share option award of a maximum number of shares calculated as 20% of basic salary divided by exercise price. Long-term performance awards are accordingly delivered in a mix of cash, shares and share options.

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

Long-Term Performance awards are based on the historic compound annual growth rate per share of the Group over a four-year performance period preceding the award.

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

The Group's financial performance for the year resulted in in-year bonus awards for the Executive Directors at 33% of maximum and long-term performance awards at the maximum level. Full details can be found on pages 62 to 66.

The Committee considers that within the broader context of the overall performance of the Group and the individual performance of Executive Directors, the bonuses payable under the Cohort Executive Bonus Plan are appropriate and has not applied any discretionary adjustment to these outcomes.

Implementation of the Remuneration Policy in 2020/21

In response to the COVID-19 pandemic, the Committee considered the salaries for the Executive Directors and the fees of the Non-executive Directors and has decided to leave them unchanged for the year ending 30 April 2021. This will be reviewed at the half year.

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

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

During 2020/21, the Committee will continue to keep the remuneration arrangements across the Group under review, and will not hesitate to exercise its discretionary powers if the business context changes adversely.

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

Edward Lowe
Chair of the Remuneration & Appointments Committee

22 July 2020

Remuneration & Appointments Committee report continued

Cohort plc Executive Directors' Remuneration Policy

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Basic salary	To provide competitive fixed remuneration. To attract and retain Executive Directors of a calibre required to deliver growth for the business. Intended to reflect that paid to senior management of comparable companies. Reflects individual experience and role.	Normally reviewed annually by the Committee considering remuneration levels for comparable companies of a similar size and complexity, industry sector or location. Individual salary adjustments take into account each Executive Director's performance against agreed challenging objectives and the Group's financial circumstances, with significant adjustments infrequent and normally reserved for material changes in role, a significant increase in the size or complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance.	No prescribed maximum salary or maximum increase in salary. Increases are awarded having given consideration to those awarded across the wider workforce. Decision taken to freeze Executive Directors' salaries at 2019/20 levels for 2020/21 in response to COVID-19 impact. This will be reviewed at the half year.	Not applicable.
Benefits	As above.	Executive Directors are entitled to benefits such as family private health insurance, income protection during periods of long-term illness absence and life insurance. Executive Directors are eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with emerging market practice.	A maximum is not pre-determined. The maximum level of participation in all-employee share plans is subject to the limits imposed by the Inland Revenue from time to time.	Not applicable.
Retirement allowance	To reward sustained contribution by providing retirement benefits.	The Company pays a retirement allowance in lieu of pension contributions. Where this is operated via salary sacrifice the Company passes on the National Insurance saving of 10% of the sacrificed salary back to the Executive as additional retirement allowance.	For Cohort Executive Directors the retirement allowance is set at 4% of basic salary in line with the current general workforce contribution level. National Insurance saving on allowance delivered via salary sacrifice is set at 10% of the salary sacrificed.	Not applicable.

Cohort plc Executive Directors' Remuneration Policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
In-year performance bonus	Rewards the achievement of annual financial business performance targets.	Paid annually in cash. 0% to 10% of salary payable based on full year adjusted operating profit performance against budget calculated as follows: ▶ Zero if performance below 95% of budget. ▶ linear increase from 0% to 5% as performance goes from 95% to 100% of budget. ▶ linear increase from 5% to 10% as performance goes from 100% to 110% of budget. Plus 0% or 5% of salary payable based on full year operating cash flow performance against budget calculated as follows: ▶ Zero if performance is below budget. ▶ 5% if performance is at or exceeds budget. Recovery provisions apply in cases of restatement of financial results for the relevant financial year.	15% of salary.	Actual performance compared to budget for the financial year for adjusted operating profit and operating cash flow (both excluding the impact of any in-year acquisitions and disposals). Both adjusted operating profit and operating cash flow shall be calculated after deducting the costs of all bonus payments, including the cost of Restricted Shares. Financial measures determine 100% of the bonus calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances.
Long-term performance awards	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable growth and the interests of shareholders. Encourages long-term shareholding and discourages excessive risk taking.	Annual award based on the historic annualised profit growth of the Group over a (up to[1]) four-year performance period prior to award comprised of: 1. Up to 50% of basic salary split: ▶ two fifths as a cash bonus; ▶ two fifths as Restricted Shares; and ▶ one fifth in either cash or Restricted Shares at the Executive's discretion. The award increases from 0 to 50% of salary on a linear basis as achievement against the performance measure increases from 0 to 10%. 2. An award of share options with market value exercise price at the discretion of the Remuneration Committee. Restricted Shares vest in four equal tranches, 25% on award and 25% on each of the following three anniversaries of award, subject to continued employment. No dividends are paid on Restricted Shares before vesting. Tax and National Insurance (employee and employer) are borne on awards of Restricted Shares by the Company on behalf of the Executive. Recovery provisions for both cash and Restricted Shares apply in cases of restatement of financial results for the relevant financial year.	Cash and Restricted Shares valued at up to 50% of basic salary. In addition, the income tax and National Insurance (employee and employer) arising from the award of Restricted Shares is settled by the Company on the Executive's behalf. An option award over a maximum number of shares calculated as 20% of basic salary divided by exercise price.	Compound annualised growth rate per share[2] in adjusted profit before interest and tax (after excluding non-controlling interests) between the year ended 30 April 2016 and the year ended 30 April 2020. For the avoidance of doubt, amortisation of other intangible items, marking forward exchange contracts to market at the period end and such exceptional items as the Committee, in its absolute discretion, decides shall be excluded from the calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances. The level of award of share options is discretionary and is based on the Remuneration Committee's overall assessment of both the individual performance of each Executive Director and the financial performance of the Group.

Remuneration & Appointments Committee report continued

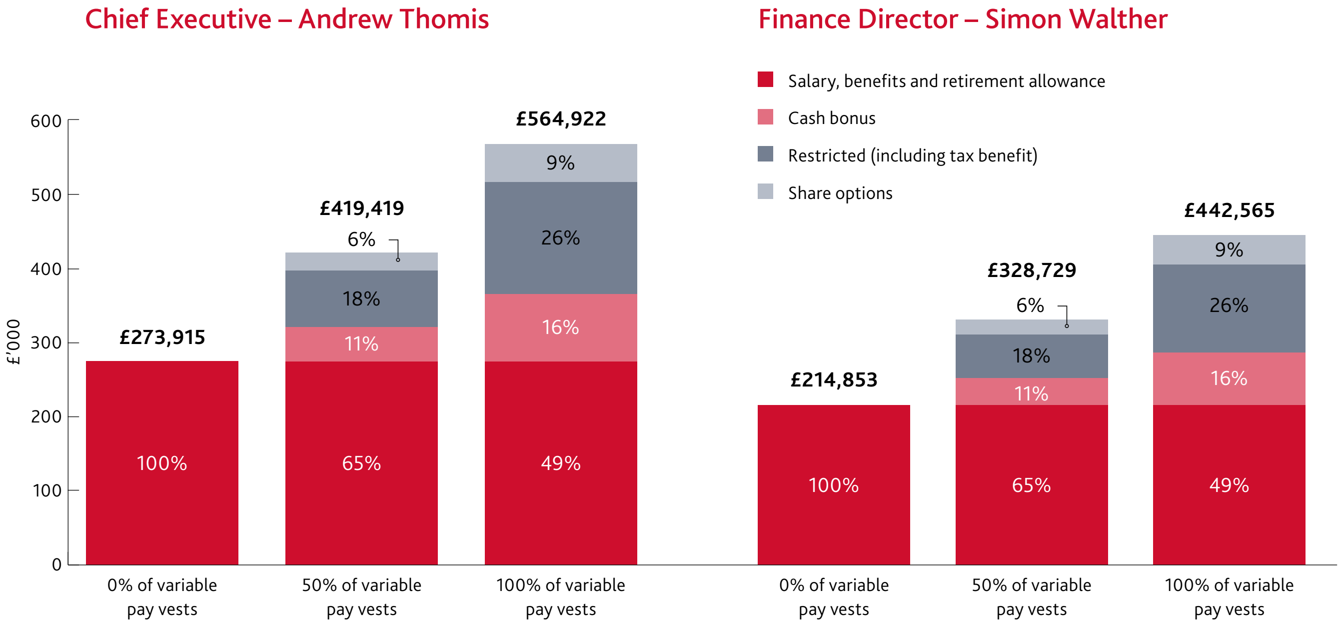
Cohort plc Executive Directors' Remuneration Policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Share ownership levels	To increase alignment between Executives and shareholders.	Executive Directors are encouraged to build a holding of shares in the Company during their tenure with the Company. The Committee keeps the level of the Executive Directors' shareholding under review. Sale of shares in the Company by an Executive Director is only allowed with the approval of the Chairman.	No formal required level but kept under annual review by the Committee.	Not applicable.
Chairman and Non-executive Directors' fees	To provide compensation in line with the demands of the roles at a level that attracts high-calibre individuals and reflects their experience and knowledge.	Base fee for Chairman and Non-executive Directors. Normally reviewed annually. The Company reimburses any reasonable expenses that a Non-executive Director incurs in carrying out their duties as a Director, including travel, hospitality related and other modest benefits, if appropriate. If there is a temporary material increase in the time commitments for Non-executive Directors, the Board may pay extra fees to recognise the additional workload. The Non-executive Directors are entitled to participate in the Company private health insurance scheme at their own expense should they wish to do so.	No maximum. Fees are set taking into account internal benchmarks such as the salary increase for the general workforce and external benchmarks of fees paid by companies of a similar size and complexity. Decision taken to freeze fee levels at 2019/20 levels for 2020/21. This will be reviewed at the half year.	Not applicable.
Service contracts		The Executive Directors have service agreements with the Company which can be cancelled by either party giving six months' notice at any time or 12 months' notice in the event of losing office following a change of control arising as a result of any person or persons acquiring more than 50% of the voting rights at a general meeting of the Company.	Not applicable.	Not applicable.

1. On appointment and until the participant has been in position for a period of four financial years, the long-term performance period will increase in line with increasing tenure up to the maximum performance period of four years.
2. Being the weighted average number of Cohort plc shares in issue.

Illustration of the application of the Remuneration Policy

The charts below illustrate how the Policy would function for minimum, 50% of maximum performance and maximum performance for each Executive Director.



Assumptions for charts above:

1) Salary levels are based on those applying from 1 May 2020. The retirement allowance is 4% of annual basic salary. Other benefits relate to private health insurance and executive medical.

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

The actual application of the Remuneration Policy for the Executive Directors for the year ended 30 April 2020 was as follows:

	Salary £	Bonus £	Restricted Share awards £	Benefits in kind £	Retirement allowance £	Emoluments £	Pension contributions £	Total £
A Thomis	260,750	65,188	147,594	1,829	10,430	485,791	906	486,697
S Walther	204,000	51,000	115,472	1,829	8,160	380,461	864	381,325

Remuneration & Appointments Committee report continued

Annual Report on Remuneration

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

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

Remuneration summary

The key elements of the Executive Directors' Remuneration Policy as it applied in 2019/20 and to apply in 2020/21 are summarised below:

Remuneration 2019/20		
Fixed pay	Salary	CEO: £260,750 FD: £204,000 No change for 2020/21 (This will be reviewed at the half year.)
	Retirement allowance	4% of salary.
	Benefits	Includes private health insurance, annual medicals and life assurance.
In year performance bonus	Maximum opportunity	15% of salary.
	Operation	Up to 10% based on performance against budget of adjusted operating profit. Up to 5% based on performance against budget of operating cash flow.
Long-term performance awards	Maximum opportunity	50% of salary, plus tax and National Insurance paid on Executive's behalf in respect of Restricted Shares awarded only. In addition, an award of a maximum number of shares of up to 20% of salary divided by exercise price in market value share options.
	Operation	a. Up to 50% of salary based on a compound annual growth rate in performance, per share, between the beginning and end years of a four-year performance period ending on 30 April 2020, split as follows: ▶ two fifths in cash; ▶ two fifths in Restricted Shares; and ▶ one fifth in either cash or Restricted Shares at the Executive's discretion. Restricted Shares vest in four equal tranches, 25% on award and a further 25% on each of the three following annual anniversaries of award. Tax is paid on award by the company on the Executive's behalf in respect of the Restricted Shares. b. An award of up to 20% of salary divided by exercise price in share options. These are awarded under the Cohort plc 2016 Company Share Option Plan and become exercisable between three and ten years from date of grant. There are no future performance conditions other than share price growth. Malus and clawback provisions apply. All awards can be reduced to zero at the discretion of the Committee.

Retirement allowance

For the period from 1 May 2018 to 31 March 2019, the Group made contributions to a stakeholder pension scheme (a defined contribution scheme) at a rate of 3% of the Executive Director's salary per annum plus 10% of any Executive Director's contribution to the same scheme. From 1 April 2019, the Company has paid (and will continue to pay) to the Executive Director 4% of annual salary as a retirement allowance. This payment does not count towards the Executive Director's determination of bonus. This is a result of the impact of HMRC tax regulations in respect of a cap on annual pension contributions of £10,000 (£4,000 from April 2020). This is in line with pension contribution rates to the wider workforce.

Annual Report on Remuneration continued

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

	At 30 April 2020 Number of 10p ordinary shares	At 30 April 2019 Number of 10p ordinary shares
S Carter	**9,096,154**	9,099,802
N Prest CBE	**2,076,738**	2,076,738
J Perrin	**4,000**	4,000
A Thomis	**197,106**	169,702
Sir Robert Walmsley	**30,000**	30,000
S Walther	**193,707**	173,292

The Directors in office during the year under review and their interests in the equity of the Company are shown in the table above. The changes in the Executive Directors' equity interests in the Company between 30 April 2019 and 30 April 2020 are analysed as follows:

	A Thomis	S Walther
At 30 April 2019	169,702	173,292
Shares awarded under Restricted Share Scheme	19,274	15,082
Shares acquired under Cohort plc Share Incentive Plan	433	433
Cohort plc shares purchased through Cohort plc SAYE scheme	1,176	1,287
Shares acquired under Cohort plc 2006 share options scheme	3,753	2,500
Automatic dividend reinvestment in shares (within an ISA and/or a SIPP)	2,768	1,113
At 30 April 2020	**197,106**	**193,707**

The Executives' shareholdings at 30 April 2020 represent 435% of Andrew Thomis' and 546% of Simon Walther's annual salaries respectively (at 30 April 2019 the respective levels were 257% and 335%) and are based upon the market price of Cohort plc shares at those respective dates: £5.750 at 30 April 2020 and £3.725 at 30 April 2019.

Of the above shareholdings at 30 April 2020, 28,406 (2019: 26,211) of Andrew Thomis' and 22,228 (2019: 20,541) of Simon Walther's are held on trust by the EBT as part of the Restricted Share Scheme and do not receive a dividend.

There was no change in the interests of the other Directors, with the exception of Stanley Carter, whose interests were reduced by 3,648 shares in the year by transfer to non-dependent family members. None of the Chairman's or the Non-executive Directors' shareholdings are held as part of the Restricted Share Scheme (2019: £Nil).

Performance incentives (unaudited)

The Cohort Executive Directors' bonus scheme was agreed by the Board on 19 June 2013 following a recommendation from the Committee. This scheme has applied for the year ended 30 April 2020 and will also apply for the year ending 30 April 2021.

The Committee has reviewed the scheme of the Executive Directors and other members of the Group Executive Management during the financial year and considered that it remains appropriate to incentivise and reward delivery of the business strategy and superior financial and operational performance.

At the Committee meeting held on 21 May 2020, the following awards were made to the Executive Directors:

i. In-year and long-term cash bonuses totalling £116,188 for the year ended 30 April 2020 (2019: £109,624).

ii. Restricted Share awards were approved as follows:

	In respect of the year ended 30 April 2020		In respect of the year ended 30 April 2019	
	Actual number of shares	**Estimated value of shares £**	Actual number of shares	Actual value of shares £
A Thomis	**14,771**	**78,225**	19,274	86,251
S Walther	**11,556**	**61,200**	15,082	67,492
	26,327	**139,425**	34,356	153,743

Remuneration & Appointments Committee report continued

Annual Report on Remuneration continued

Performance incentives (unaudited) continued

The in-year performance achieved resulted in 5% of salary being awarded as an in-year bonus for the year ended 30 April 2020 (5% for the year ended 30 April 2019). The long-term performance achieved was at the maximum over the performance period resulting in cash bonus payments of 20% of salary and Restricted Share Awards with a value of 30% of salary, together 50% of salary, for the year ended 30 April 2020 (50% for the year ended 30 April 2019).

The total estimated value received by the Executive Directors in respect of the Restricted Share awards, including income tax and employee National Insurance, was £263,066 in respect of the year ended 30 April 2020 (2019: £248,205). The Restricted Share awards in respect of the year ended 30 April 2019 were approved at the Committee meeting of 22 July 2019 and were awarded on 9 August 2019. The Restricted Share awards in respect of the year ended 30 April 2020 are expected to be awarded in August 2020. The actual number of shares awarded was calculated using the average mid-market share price for the year ended 30 April 2020 of 529.6 pence (2019: 382.9 pence). The total estimated Restricted Share award value is based on the Executive's marginal tax and national insurance rates prevailing at time of award.

Ordinary shares under option granted during the year ended 30 April 2020 and outstanding at 30 April 2020 were as shown in Table 1 below.

The mid-market price of Cohort plc 10 pence ordinary shares at 30 April 2020 was 575.0 pence (2019: 372.5 pence); the lowest and highest market prices in the year were 729.0 pence and 372.5 pence respectively.

No bonuses are payable or share options awardable to the Non-executive Directors. Cash and share bonus schemes for the Group Executive Management have been established for the year ended 30 April 2021, with a similar framework to that of the Cohort Executive Directors, with varying levels of percentage of salary, none exceeding those set out above for the Executive Directors, subject to the discretion of the Committee.

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

Chairman and Non-executive Directors (unaudited)

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

Jeff Perrin and Simon Walther are due to retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM on 15 September 2020.

Directors' remuneration

Details of Directors' remuneration are set out in Table 2 on page 66.

Table 1: Directors' share options (audited)

	At 1 May 2019 or date of appointment Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2020 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
Cohort plc 2016 share option scheme (approved)								
– Option price of £3.760 per share	7,978	—	—	—	**7,978**	25 Aug 2017	26 Aug 2020	7
Cohort plc 2006 share option scheme (unapproved)								
– Option price of £1.675 per share	24,250	—	(24,250)	—	**—**	9 Aug 2013	10 Aug 2016	7
– Option price of £1.975 per share	4,153	—	(4,153)	—	**—**	11 Aug 2014	12 Aug 2017	7
– Option price of £3.725 per share	10,470	—	(10,470)	—	**—**	20 Aug 2015	21 Aug 2018	7
Cohort plc 2016 share option scheme (unapproved)								
– Option price of £3.400 per share	12,471	—	(12,471)	—	**—**	15 Aug 2016	16 Aug 2019	7
– Option price of £3.760 per share	1,809	—	—	—	**1,809**	25 Aug 2017	26 Aug 2020	7
– Option price of £3.900 per share	9,846	—	—	—	**9,846**	10 Aug 2018	11 Aug 2021	7
– Option price of £4.425 per share	—	7,569	—	—	**7,569**	28 Aug 2019	29 Aug 2022	7
Save As You Earn (SAYE) scheme								
– Option price of £3.550 per share	1,176	—	(1,176)	—	**—**	29 Aug 2016	1 Sep 2019	
– Option price of £4.085 per share	1,480	—	—	—	**1,480**	1 Sep 2017	2 Sep 2020	
– Option price of £3.900 per share	1,993	—	—	—	**1,993**	1 Sep 2018	2 Sep 2021	
– Option price of £4.475 per share	—	933	—	—	**933**	6 Sep 2019	7 Sep 2022	
	75,626	8,502	(52,520)	—	**31,608**			

Annual Report on Remuneration continued

Directors' remuneration continued

Table 1: Directors' share options (audited) continued

	At 1 May 2018 or date of appointment Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	At 30 April 2019 Number	Date of grant	Date from which option can be exercised	Exercise period Years
S Walther								
Cohort plc 2016 share option scheme (approved)								
Option price of £3.760 per share	7,660	—	—	—	7,660	25 Aug 2017	26 Aug 2020	7
Option price of £3.900 per share	307	—	—	—	307	10 Aug 2018	11 Aug 2021	7
Cohort plc 2006 share option scheme (unapproved)								
– Option price of £3.725 per share	8,483	—	(8,483)	—	—	20 Aug 2015	21 Aug 2018	7
Cohort plc 2016 share option scheme (unapproved)								
– Option price of £3.400 per share	9,882	—	(9,882)	—	—	15 Aug 2016	16 Aug 2019	7
– Option price of £3.900 per share	7,397	—	—	—	7,397	10 Aug 2018	11 Aug 2021	7
– Option price of £4.425 per share	—	5,922	—	—	5,992	28 Aug 2019	29 Aug 2022	7
Save As You Earn (SAYE) scheme								
– Option price of £3.550 per share	1,287	—	(1,287)	—	—	29 Aug 2016	1 Sep 2019	
– Option price of £4.085 per share	440	—	—	—	440	1 Sep 2017	2 Sep 2020	
– Option price of £4.900 per share	673	—	—	—	673	1 Sep 2018	2 Sep 2020	
– Option price of £4.475 per share	—	1,021	—	—	1,021	6 Sep 2019	7 Sep 2022	
	36,129	6,943	(19,652)	—	23,420			

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

Both Andrew Thomis and Simon Walther have participated in the Cohort plc Share Incentive Plan (SIP) which was launched on 1 September 2018. As at 30 April 2020, contributions were made by each of £1,200. This would convert to 208 Cohort plc ordinary shares as at 30 April 2020 based on the closing share price of £575.0 pence per share. On 1 September 2019, contributions of £1,800 each were converted to 433 ordinary shares each at 415.0 pence per share.

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

As announced on 9 January 2020, Andrew Thomis exercised 51,344 Cohort plc 2006 and 2016 unapproved share options when the market price of Cohort plc ordinary shares was 729.0 pence per share. Andrew Thomis disposed of sufficient shares to fund the option exercise, paying all necessary tax and National Insurance and realising cash proceeds of £102,000. The balance of 3,753 shares being retained at 30 April 2020.

On the same day, Simon Walther exercised 18,365 Cohort plc 2006 and 2016 unapproved share options when the market price of Cohort plc ordinary shares was 729.0 pence per share. Simon Walther disposed of sufficient shares to fund the option exercise, paying all necessary tax and national insurance and realising cash proceeds of £18,177. The balance of 2,500 shares being retained at 30 April 2020.

Andrew Thomis exercised 1,176 share options held under the Cohort plc SAYE scheme on 9 March 2020 when the mid-market price of Cohort plc ordinary shares was 570.0 pence per share. All shares were retained.

Simon Walther exercised 1,287 share options held under the Cohort plc SAYE scheme on 1 October 2019 when the mid-market price of Cohort plc ordinary shares was 514.0 pence per share. All shares were retained.

The aggregate amount of gains made by the Directors as a result of exercising share options during the year was £317,322 (2019: £445,409).

Remuneration & Appointments Committee report continued

Annual Report on Remuneration continued

Directors' remuneration continued

Table 2: Directors' remuneration (audited)

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

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

	Salary 2019 £	Bonus 2019 £	Restricted Share awards 2019 £	Benefits in kind 2019 £	Retirement allowance 2019 £	Emoluments 2019 £	Pension contributions 2019 £	Total 2019 £
Executive Directors								
A Thomis	246,000	61,500	139,245	1,841	820	449,406	7,638	457,044
S Walther	192,495	48,124	108,960	1,841	642	352,062	7,545	359,607
Non-executive Directors								
N Prest	90,000	—	—	—	—	90,000	—	90,000
S Carter	45,000	—	—	—	—	45,000	—	45,000
J Perrin	51,000	—	—	—	—	51,000	—	51,000
Sir Robert Walmsley	45,000	—	—	—	—	45,000	—	45,000
Total	**669,495**	**109,624**	**248,205**	**3,682**	**1,462**	**1,032,468**	**15,183**	**1,047,651**

Jeff Perrin was paid £6,000 above his usual salary (of £45,000) for supporting the integration of Chess into the Group. This additional work ceased in February 2019.

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

	2018	2019	**2020**
Salary	4.75	4.87	**5.20**
Total remuneration	8.54	8.69	**9.24**

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

The increase in the ratio from 2019 to 2020 reflects the increase in the size of the Group following the addition of Chess.

Relative spend on pay (unaudited)

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

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

The total shareholder return performance graph is shown on page 51 of the Corporate governance report.

Directors' report

Introduction

The Directors present their report and the audited financial statements (pages 75 to 114) of Cohort plc for the year ended 30 April 2020. Cohort plc is a company incorporated in and operating from England. Its registered address is One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW. The Corporate governance report (including Board Committee reports) is set out on pages 50 to 66 and forms part of this report.

As permitted by Section 414 C(11) of the Companies Act 2006, some matters required to be included in the Directors' report have instead been included in the Strategic report. These disclosures are incorporated by reference in the Directors' report. The Strategic report can be found on pages 2 to 46.

Principal activities

The principal activity of the Company is that of a holding company. The principal activities of the Group are described in our Operating review on pages 14 to 25.

The Chairman's statement is included in the Strategic report section on pages 7 and 8.

Dividends

The Directors recommend a final dividend of 6.90 pence (2019: 6.25 pence) per 10 pence ordinary share which, subject to shareholder approval, is due to be paid on 18 September 2020 to ordinary shareholders on the register on 14 August 2020. Together with the interim dividend of 3.20 pence paid on 26 February 2020, the full dividend for the year will be 10.10 pence (2019: 9.10 pence), an increase of 11% over last year.

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

Disclosure	Report	Pages
Directors who served throughout the year	Remuneration & Appointments Committee report	57 to 66
Directors retiring by rotation	Remuneration & Appointments Committee report	57 to 66
Directors' biographies	Board of Directors and Executive Management	48 and 49
Directors' interests	Remuneration & Appointments Committee report	57 to 66
Directors' share options	Remuneration & Appointments Committee report	57 to 66

Table 2: Substantial shareholdings and voting rights

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
S Carter	22.21	9,096,154	Direct
Schroders	15.26	6,250,218	Direct
Canaccord Genuity Wealth Management	10.90	4,462,859	Direct
Liontrust Asset Management	7.89	3,230,448	Direct
N Prest CBE	5.07	2,076,738	Direct

Research and development

During the year ended 30 April 2020 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure, was £9.7m (2019: £8.8m).

Going concern

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

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

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

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

Directors' report continued

Capital structure

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

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

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

At 30 April 2020, the EBT held 231,048 Cohort plc ordinary shares, 0.56% of the issued share capital (2019: 98,053; 0.24%). The maximum number of shares held at any time in the year ended 30 April 2020 was 491,129, 1.20% of the issued share capital. Shares in Cohort plc are acquired and disposed of by the EBT for the purposes of satisfying employee share option, Share Incentive and Restricted Share Schemes, details of which are shown in note 21.

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

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the QCA Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Corporate governance report on pages 50 to 54.

Under its Articles of Association, the Company has authority to issue up to half of its issued shares as new ordinary shares. This approximates to 20.5m shares at 30 April 2020.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as: commercial contracts; bank facility agreements; property lease arrangements; and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, other than those disclosed in the Remuneration & Appointments Committee report on pages 57 to 66.

International Financial Reporting Standards (IFRS)

The Group and parent company's reported results for the year ended 30 April 2020 are prepared in accordance with IFRS as adopted by the European Union.

Directors

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

Details of information in respect of the Directors of the Company are referenced in Table 1 on pages 64 and 65.

Fixed assets

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

Employee consultation

Details of our engagement with employees and how the Directors have considered their interests throughout the year are set out in our Stakeholder Engagement summary on pages 42 and 43.

Disabled employees

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

Donations

During the year ended 30 April 2020 the Group made charitable donations of £44,153 (2019: £26,185), mainly in respect of military and local charities. The Group made no political donations during the year (2019: £Nil).

Environment

The Company is required to disclose its UK energy use and associated greenhouse gas emissions (GHG) under the Streamlined Energy and Carbon Reporting (SECR) Regulations, which came into force on 1 April 2019. Details of our report are set out on page 46 of the Strategic report. As this is the first year that the Company has had to undertake a GHG emissions assessment to comply with SECR, no specific measurable energy efficiency actions have yet been undertaken.

Substantial shareholdings

The Company has been notified as at 6 July 2020, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the voting rights of substantial shareholders of the Company as shown in Table 2 on page 66.

Appointment of auditor

A resolution to appoint RSM UK AUDIT LLP as auditor will be proposed at the AGM.

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

Approved by the Board of Directors on 22 July 2020 and signed on its behalf by:

Simon Walther
Company Secretary

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

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

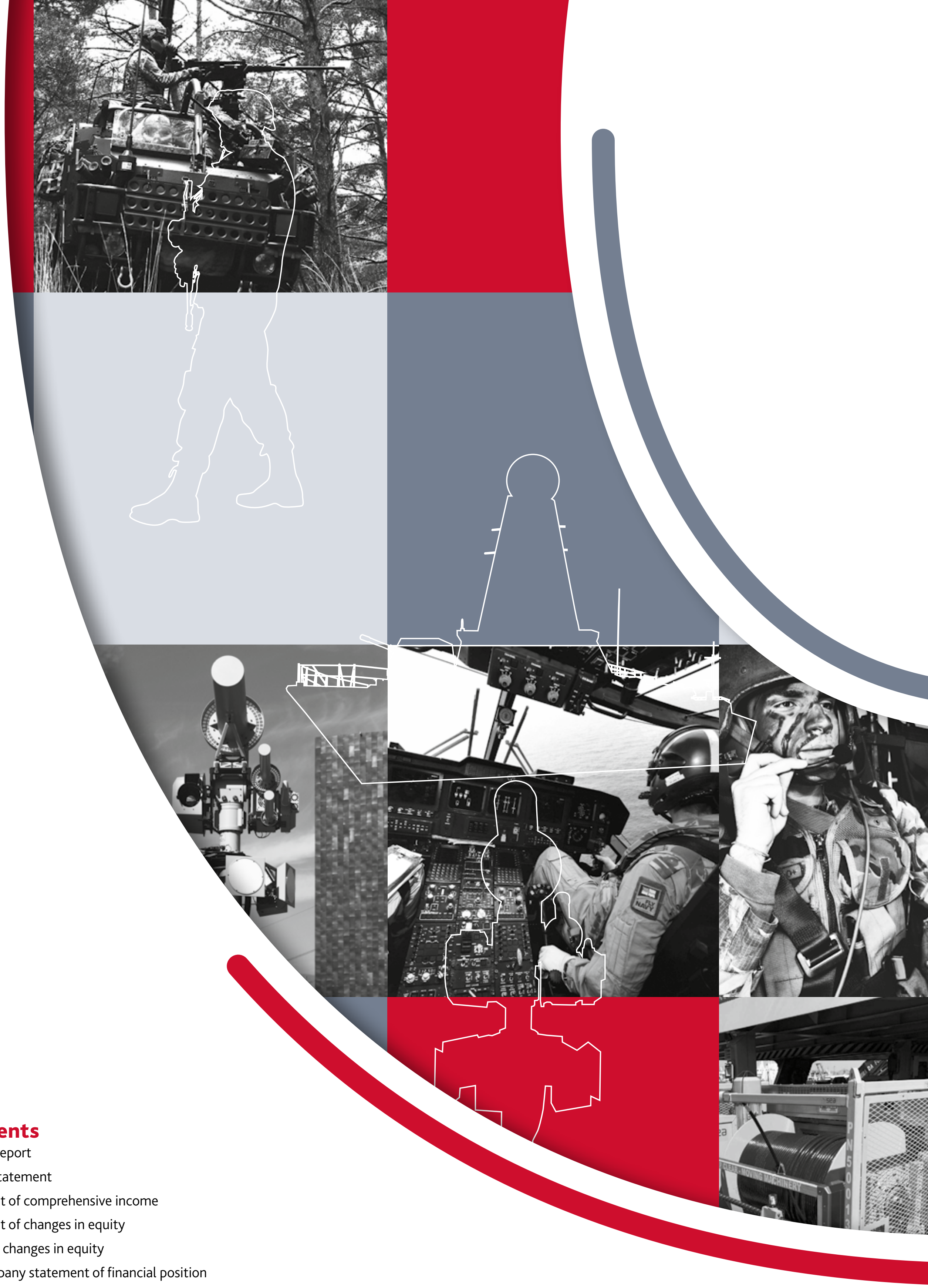
Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and a Directors' report that complies with that law and those regulations.

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

By order of the Board on 22 July 2020.

Andy Thomis
Chief Executive

Simon Walther
Finance Director



Financial statements

Independent auditor's report
to the members of Cohort plc

Opinion

We have audited the financial statements of Cohort plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statement of Financial Position, Consolidated and Company Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Summary of our audit approach

Key audit matters	
Group	**Parent Company**
▶ Revenue recognition	▶ Carrying value of investments
▶ Carrying value of goodwill and intangibles	
▶ Impact of COVID-19	
▶ Recoverability of receivables and contract assets	

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

Key audit matters

Revenue recognition (Group)

Risk

The Group derives revenue from a range of contract types including those where control passes at a point in time, support contracts and licence revenue as well as complex contracts that are operated on an input model as described below. The application of the appropriate revenue recognition criteria is key to the recognition of revenue within the accounts and has been deemed a key audit matter due to the judgemental nature of assigning the revenue recognition type. The Group has set out its accounting policies for the recognition of revenue on pages 109 and 110.

The Group recognises revenue on a number of fixed-price contracts by reference to the degree of completion of each contract. The degree of completion is measured by reference to costs incurred at the reporting date as a percentage of the total estimated costs to complete the project. The assumptions underlying the cost to complete estimates involve judgement, and any changes in the assumptions could have a material impact on the revenue recognised in relation to these contracts. The effect of these matters is that, as part of our risk assessment, we determined that the cost to complete estimates have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and revenue recognition has been deemed a key audit matter due to the estimate uncertainty and the allocation of audit resources. The Group has set out the critical accounting judgements in relation to revenue recognition on page 112. Contract receivables and payables arising under IFRS 15 are set out in notes 13 and 14.

Our response to the risks included:

- Audit of revenue recognition policies and discussion of the policies with management to check that they are appropriate based on the service supplied, contractual terms and relevant accounting standards.
- Review of management's assessment of the performance obligations and transaction price in the contracts sampled to check this is in accordance with IFRS 15.
- Performance of tests of detail on a sample of accrued revenue and deferred revenue items to check the items are accounted for in accordance with the revenue recognition policy as well as specific cut off testing for revenue recorded either side of the year end.
- Recalculation of the revenue recognised on a sample of contracts, including significant new contracts entered into during the year, corroborating the details to the underlying contracts and anticipated margin to project managers' assessment of costs to complete.
- Challenge of project managers' estimations to complete thorough assessment of historical accuracy of budgets and interviews with project managers on the projects tested in detail.

Carrying value of goodwill and intangibles (Group) and Investments (Parent company only)

Risk

The Group has a Goodwill balance of £42.1m (2019: £41.4m) and other intangibles of £13.2m (2019: £20.6m) relating to historic acquisitions as shown in note 9 in the consolidated financial statements. Management assess goodwill, other intangibles and investments for impairment using discounted cash flow ("DCF") models to estimate the value in use of the group's cash generating units ("CGUs") and compare this to the goodwill, acquisition intangibles and other assets of the relevant CGU. The use of a DCF model requires management to make estimates involving judgement, including forecasts of revenue and profitability and application of appropriate discount rates and as a result the matter was considered to be one of most significance in the Group and Parent company audits and therefore determined to be a key audit matter.

Our response to the risk included:

- Audit of management's sensitivity analysis and check of arithmetic accuracy.
- Corroboration of inputs to the DCF models to relevant external and internal financial information and challenge of management assumptions.
- Comparison of forecast financial performance to post year end trading to assess reliability of forecasting.
- Comparison of growth and discount rate assumptions to comparable companies.
- Challenge of forecasts focused on CGU for which the DCF models showed lowest headroom.
- Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness.

Impact of COVID-19 – Going Concern (Group)

Risk

The impact of COVID-19 (Coronavirus) is having an adverse effect on the trading performance and profitability of companies as well as the wider economy. This is expected to impact accounting estimates and judgements in the financial statements. It is also expected to affect the associated disclosures in the financial statements and accompanying documents, in particular, principal risks and uncertainties in the strategic report, liquidity and credit risk disclosures in the directors' report, critical accounting estimates and judgements in the notes to the accounts and the subsequent event disclosures.

The Group has set out its analysis of the potential impact on its operations and financial position of the COVID-19 pandemic with funding resource and policy review on page 29 and in the going concern reviews on pages 67 and 105. The assessment of these risks in an uncertain economic environment requires judgement, and a risk of material misstatement arises in respect of an incorrect application of the going concern basis of preparation or the failure to disclose a material uncertainty and therefore was considered a key audit matter.

Our response to the risk included:

- Review of management's forecasts for a period of at least 12 months from the anticipated date of approval of the financial statements including management's analysis of the potential impact of the Coronavirus outbreak on the Group's business model and strategies.
- Assessment of the impact of any significant staff illness upon the ongoing ability to continue to operate and gain an understanding of each subsidiary's business continuity plans including risks such as lack of access to secure systems or loss of key personnel both within the business and at customer operations.
- Assess the adequacy of any additional disclosure in the financial statements in relation to the impact and uncertainty of COVID-19.
- Review of management's assessment of covenant compliance and audit of the calculations and headroom computed.

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

Key audit matters continued

Recoverability of receivables and contract assets (Group)

Risk

As disclosed in note 13 of the consolidated financial statements, the group has £23.3m (2019: £19.9m) of trade receivables and £16.5m (2019: £13.0m) of contract assets at 30 April 2020. Due to the nature of the Group's global customer base and the long-term contracts that it performs, these balances can be significant in size and recoverable over a long period of time. The recoverability of these assets was considered to be a key audit matter due to the level of judgement and estimation involved alongside the material nature of the balances.

Our response to the risk included

- Review of the receivables ledger at each entity to identify any material balances that remain unpaid as at the year-end date.
- Confirmation of payment of a sample of receivable balances to post year end cash receipt.
- Interview of project managers to discuss recoverability of unbilled revenue and overdue receivables on a sample of projects.
- Review of management's provisions for irrecoverable assets.
- Confirm invoicing of contract assets to post year end invoice.
- For significant older balances against which no provision was made, we challenged management on their judgement and performed detailed testing over these balances, including assessment of the current contract status. We obtained management representations in respect of specific judgements where appropriate.

Our application of materiality

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

	Group	Parent company
Overall materiality	£874,000 (2019: £700,000)	£874,000 (2019: £700,000)
Basis for determining overall materiality	5% of adjusted operating profit	0.4% of net assets – capped at Group materiality
Rationale for benchmark applied	Adjusted operating materiality is the key benchmark against which the business is assessed by management and investors.	The holding company is primarily focused on the investments that it holds.
Performance materiality	£655,000 (2019: £500,000)	£655,000 (2019: £500,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £44,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £44,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

For the purposes of scoping our group audit we determined that the group comprises seven components, six of which are based in the UK and one which is located in Portugal.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	7	100%	100%	100%
Specific audit procedures	—	—	—	—
Total	7	100%	100%	100%

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

Other information

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 69, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

22 July 2020

Consolidated income statement
for the year ended 30 April 2020

	Notes	2020 £'000	2019 £'000
Revenue	1	**131,059**	121,182
Cost of sales		**(80,016)**	(78,143)
Gross profit		**51,043**	43,039
Administrative expenses		**(40,312)**	(37,095)
Operating profit	1	**10,731**	5,944
Comprising:			
Adjusted operating profit	1	**18,223**	16,164
Amortisation of other intangible assets (included in administrative expenses)	9	**(7,354)**	(9,514)
Research and development expenditure credits (RDEC) (included in cost of sales)		**784**	744
(Charge)/credit on marking forward exchange contracts to market value at the year end (included in cost of sales)	18	**(132)**	33
Exceptional items (included in administrative expenses)			
Cost of acquisition of ELAC – transaction yet to complete	30	**(950)**	—
Cost of relocation of MASS's Lincoln facility		**(590)**	—
Adjustment to earn-out on acquisition of Chess	29	**750**	—
Cost of acquisition of EID		**—**	17
Cost of acquisition of Chess		**—**	(1,000)
Cost of restructuring at SEA		**—**	(500)
		10,731	5,944
Finance income	4	**27**	27
Finance costs	5	**(779)**	(296)
Profit before tax		**9,979**	5,675
Income tax charge	6	**(295)**	(584)
Profit for the year	3	**9,684**	5,091
Attributable to:			
Equity shareholders of the parent		**9,559**	5,447
Non-controlling interests		**125**	(356)
		9,684	5,091

Earnings per share		Pence	Pence
Basic	8	**23.47**	13.37
Diluted	8	**23.24**	13.29

All profit for the year is derived from continuing operations.

The accompanying notes form part of the financial statements.

Consolidated statement of comprehensive income
for the year ended 30 April 2020

	2020 £'000	2019 £'000
Profit for the year	**9,684**	5,091
Items which may be subsequently reclassified to profit or loss:		
Foreign currency translation differences on net assets of EID, net of loan used to acquire EID	**32**	(21)
Other comprehensive income for the period, net of tax	**32**	(21)
Total comprehensive income for the year	**9,716**	5,070
Attributable to:		
Equity shareholders of the parent	**9,586**	5,559
Non-controlling interests	**130**	(489)
	9,716	5,070

Consolidated statement of changes in equity
for the year ended 30 April 2020

Group	Attributable to the equity shareholders of the parent: Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 May 2018	4,096	29,657	(1,190)	626	—	39,253	72,442	2,554	74,996
Profit for the year	—	—	—	—	—	5,447	5,447	(356)	5,091
Other comprehensive income for the year	—	—	—	—	—	112	112	(133)	(21)
Total comprehensive income for the year	—	—	—	—	—	5,559	5,559	(489)	5,070
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(3,464)	(3,464)	—	(3,464)
Vesting of Restricted Shares	—	—	—	—	—	178	178	—	178
Own shares purchased	—	—	(631)	—	—	—	(631)	—	(631)
Own shares sold	—	—	743	—	—	—	743	—	743
Net loss on selling own shares	—	—	730	—	—	(730)	—	—	—
Share-based payments	—	—	—	291	—	—	291	—	291
Deferred tax adjustment in respect of share-based payments	—	—	—	(76)	—	—	(76)	—	(76)
Transfer of share option reserve on vesting of options	—	—	—	(238)	—	238	—	—	—
Acquisition of 81.84% of Chess	—	—	—	—	(4,350)	—	(4,350)	4,214	(136)
At 30 April 2019	4,096	29,657	(348)	603	(4,350)	41,034	70,692	6,279	76,971
Impact of IFRS 16 'Leases' as at 1 May 2019	—	—	—	—	—	(148)	(148)	—	(148)
Restated as at 1 May 2019	4,096	29,657	(348)	603	(4,350)	40,886	70,544	6,279	76,823
Profit for the year	—	—	—	—	—	9,559	9,559	125	9,684
Other comprehensive income for the year	—	—	—	—	—	27	27	5	32
Total comprehensive income for the year	—	—	—	—	—	9,586	9,586	130	9,716
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(3,853)	(3,853)	—	(3,853)
Vesting of Restricted Shares	—	—	—	—	—	210	210	—	210
Own shares purchased	—	—	(3,677)	—	—	—	(3,677)	—	(3,677)
Own shares sold	—	—	1,472	—	—	—	1,472	—	1,472
Net loss on selling own shares	—	—	989	—	—	(989)	—	—	—
Share-based payments	—	—	—	318	—	—	318	—	318
Deferred tax adjustment in respect of share-based payments	—	—	—	193	—	—	193	—	193
Transfer of share option reserve on vesting of options	—	—	—	(268)	—	268	—	—	—
Change in fair value of Chess's net assets acquired (note 29)	—	—	—	—	—	—	—	(163)	(163)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	750	—	750	—	750
At 30 April 2020	**4,096**	**29,657**	**(1,564)**	**846**	**(3,600)**	**46,108**	**75,543**	**6,246**	**81,789**

The accompanying notes form part of the financial statements.

Company statement of changes in equity
for the year ended 30 April 2020

Company	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2018	4,096	29,657	(1,190)	626	—	14,052	47,241
Profit for the year	—	—	—	—	—	8,724	8,724
Transactions with owners of the Company, recognised directly in equity							
Equity dividends	—	—	—	—	—	(3,464)	(3,464)
Vesting of Restricted Shares	—	—	—	—	—	178	178
Own shares purchased	—	—	(631)	—	—	—	(631)
Own shares sold	—	—	743	—	—	—	743
Net loss on selling own shares	—	—	730	—	—	(730)	—
Share-based payments	—	—	—	291	—	—	291
Deferred tax adjustment in respect of share-based payments	—	—	—	(76)	—	—	(76)
Transfer of share option reserve on vesting of options	—	—	—	(238)	—	47	(191)
Acquisition of 81.84% of Chess	—	—	—	—	(4,350)	—	(4,350)
Total contributions by and distributions to owners of the Company	—	—	842	(23)	(4,350)	4,755	1,224
At 30 April 2019	4,096	29,657	(348)	603	(4,350)	18,807	48,465
Impact of IFRS 16 'Leases' as at 1 May 2019	—	—	—	—	—	(29)	(29)
Restated as at 1 May 2019	4,096	29,657	(348)	603	(4,350)	18,778	48,436
Profit for the year	—	—	—	—	—	6,681	6,681
Transactions with owners of the Company, recognised directly in equity							
Equity dividends	—	—	—	—	—	(3,853)	(3,853)
Vesting of Restricted Shares	—	—	—	—	—	210	210
Own shares purchased	—	—	(3,677)	—	—	—	(3,677)
Own shares sold	—	—	1,472	—	—	—	1,472
Net loss on selling own shares	—	—	989	—	—	(989)	—
Share-based payments	—	—	—	318	—	—	318
Deferred tax adjustment in respect of share-based payments	—	—	—	193	—	—	193
Transfer of share option reserve on vesting of options	—	—	—	(268)	—	51	(217)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	750	—	750
Total contributions by and distributions to owners of the Company	—	—	(1,216)	243	750	2,100	1,877
At 30 April 2020	**4,096**	**29,657**	**(1,564)**	**846**	**(3,600)**	**20,878**	**50,313**

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

The accompanying notes form part of the financial statements.

Consolidated and Company statement of financial position
as at 30 April 2020

		Group		Company	
	Notes	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Assets					
Non-current assets					
Goodwill	9	**42,091**	41,354	**—**	—
Other intangible assets	9	**13,234**	20,588	**—**	—
Right of use asset	24a	**6,900**	—	**250**	—
Property, plant and equipment	10	**12,121**	10,956	**250**	263
Investment in subsidiaries	11	**—**	—	**90,970**	90,725
Deferred tax asset	17	**598**	365	**56**	39
		74,944	73,263	**91,526**	91,027
Current assets					
Inventories	12	**11,478**	13,452	**—**	—
Trade and other receivables	13	**47,423**	42,971	**3,516**	2,776
Derivative financial instruments	18	**—**	—	**—**	—
Cash and cash equivalents	15	**20,567**	18,763	**—**	—
		79,468	75,186	**3,516**	2,776
Total assets		**154,412**	148,449	**95,042**	93,803
Liabilities					
Current liabilities					
Trade and other payables	14	**(30,985)**	(35,225)	**(3,476)**	(3,868)
Derivative financial instruments	18	**(231)**	(99)	**—**	—
Lease liability	24a	**(1,257)**	—	**(80)**	—
Bank borrowings	15	**(85)**	(61)	**(11,882)**	(10,888)
Provisions	16	**(1,546)**	(818)	**—**	—
		(34,104)	(36,203)	**(15,438)**	(14,756)
Non-current liabilities					
Deferred tax liability	17	**(2,820)**	(4,041)	**—**	—
Lease liability	24a	**(6,240)**	—	**(196)**	—
Bank borrowings	15	**(25,189)**	(25,126)	**(25,095)**	(25,082)
Provisions	16	**(270)**	(608)	**—**	—
Other payables	29	**(4,000)**	(5,500)	**(4,000)**	(5,500)
		(38,519)	(35,275)	**(29,291)**	(30,582)
Total liabilities		**(72,623)**	(71,478)	**(44,729)**	(45,338)
Net assets		**81,789**	76,971	**50,313**	48,465
Equity					
Share capital	19	**4,096**	4,096	**4,096**	4,096
Share premium account		**29,657**	29,657	**29,657**	29,657
Own shares	21	**(1,564)**	(348)	**(1,564)**	(348)
Share option reserve		**846**	603	**846**	603
Other reserves	29	**(3,600)**	(4,350)	**(3,600)**	(4,350)
Retained earnings		**46,108**	41,034	**20,878**	18,807
Total equity attributable to the equity shareholders of the parent		**75,543**	70,692	**50,313**	48,465
Non-controlling interests		**6,246**	6,279	**—**	—
Total equity		**81,789**	76,971	**50,313**	48,465

The accompanying notes form part of the financial statements.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit after tax was £6,681,000 (2019: £8,724,000).

The financial statements on pages 75 to 114 were approved by the Board of Directors and authorised for issue on 22 July 2020 and are signed on its behalf by:

Andy Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Consolidated and Company cash flow statements
for the year ended 30 April 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Net cash from operating activities	23	**11,597**	8,635	**5,265**	12,362
Cash flow from investing activities					
Interest received		**27**	27	**23**	16
Purchases of property, plant and equipment	10	**(2,662)**	(2,058)	**(93)**	(275)
Acquisition of Chess (including net debt acquired)	29	**—**	(20,885)	**—**	(20,041)
Net cash used in investing activities		**(2,635)**	(22,916)	**(70)**	(20,300)
Cash flow from financing activities					
Dividends paid	7	**(3,853)**	(3,464)	**(3,853)**	(3,464)
Purchase of own shares	21	**(3,677)**	(631)	**(3,677)**	(631)
Sale of own shares	21	**1,472**	743	**1,472**	743
Drawdown of borrowings	15	**98**	18,017	**—**	18,000
Repayment of borrowings	15	**(78)**	(2,027)	**—**	(2,000)
Repayment of lease liabilities	24a	**(1,114)**	—	**(77)**	—
Net cash (used in)/generated from financing activities		**(7,152)**	12,638	**(6,135)**	12,648
Net increase/(decrease) in cash and cash equivalents		**1,810**	(1,643)	**(940)**	4,710
Represented by:					
Cash and cash equivalents and short-term borrowings brought forward		**18,763**	20,511	**(10,942)**	(15,652)
Cash flow		**1,810**	(1,643)	**(940)**	4,710
Exchange		**(6)**	(105)	**—**	—
Cash and cash equivalents and short-term borrowings carried forward		**20,567**	18,763	**(11,882)**	(10,942)

	At 1 May 2019 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	At 30 April 2020 £'000
Net debt reconciliation				
Group				
Cash and bank	18,763	(6)	1,810	**20,567**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	18,763	(6)	1,810	**20,567**
Loan	(25,028)	(67)	—	**(25,095)**
Finance lease	(159)	—	(20)	**(179)**
Debt	(25,187)	(67)	(20)	**(25,274)**
Net debt	(6,424)	(73)	1,790	**(4,707)**
Company				
Cash and bank	—	—	—	**—**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	—	—	—	**—**
Loan	(25,028)	(67)	—	**(25,095)**
Overdraft debt	(10,942)	—	(940)	**(11,882)**
	(35,970)	(67)	(940)	**(36,977)**
Net debt	(35,970)	(67)	(940)	**(36,977)**

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

The accompanying notes form part of the financial statements.

Notes to the financial statements
for the year ended 30 April 2020

1. Segmental analysis

For management and reporting purposes, the Group, during the year ended 30 April 2020, operated through its five trading subsidiaries: Chess, EID, MASS, MCL and SEA. These subsidiaries are the basis on which the Company reports its primary business segment information in accordance with IFRS 8. Whilst each subsidiary internally reports by reference to the sectors it sells to, these are considered by the Board to have similar economic characteristics in terms of the nature of the services and their customer base and therefore disaggregated information is not regularly reported to the Board. On this basis, the Board, which is deemed to be the chief operating decision maker, considers each trading subsidiary a separate operating segment.

The principal activities of the trading subsidiaries are described in the Strategic report (pages 17 to 25).

Business segment information about these subsidiaries is presented below:

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

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

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

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

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

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

Notes to the financial statements continued
for the year ended 30 April 2020

1. Segmental analysis continued

2019	Chess £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue							
External revenue	10,674	11,530	38,936	21,715	38,327	—	121,182
Inter-segment revenue	—	—	15	—	404	(419)	—
	10,674	11,530	38,951	21,715	38,731	(419)	121,182
Segment adjusted operating profit	1,682	1,357	8,175	2,282	5,492	—	18,988
Unallocated corporate expenses	—	—	—	—	—	—	(2,824)
Adjusted operating profit	1,682	1,357	8,175	2,282	5,492	—	16,164
Credit/(charge) on marking forward exchange contracts to market value at the year end	—	—	—	(53)	86	—	33
Costs of acquisition of EID	—	—	—	—	—	—	17
Costs of acquisition of Chess	—	—	—	—	—	—	(1,000)
Costs of restructuring at SEA	—	—	—	—	(500)	—	(500)
Amortisation of other intangible assets	(4,870)	(990)	—	(2,430)	(1,224)	—	(9,514)
Research and development expenditure credits (RDEC)	59	—	34	—	577	—	744
Operating profit/(loss)	(3,129)	367	8,209	(201)	4,431	—	5,944
Finance cost (net of income)	(9)	—	5	—	5	—	(269)
Profit/(loss) before tax	(3,138)	367	8,214	(201)	4,436	—	5,675
Income tax charge							(584)
Profit after tax							5,091

For Chess, the period of reporting was for approximately five months, from 12 December 2018 to 30 April 2019.

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

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

Other information	Chess (5 months only) £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Central £'000	Group £'000
Capital additions	55	85	336	139	1,168	275	2,058
Depreciation of tangible fixed assets	57	107	116	69	741	57	1,147

Balance sheet	Chess £'000	EID £'000	MASS £'000	MCL £'000	SEA £'000	Eliminations £'000	Group £'000
Assets							
Segment tangible assets	14,392	9,943	12,424	3,489	28,600	(1,747)	67,101
Goodwill and other intangible assets	21,262	3,719	12,500	2,398	22,063	—	61,942
Current tax asset							278
Deferred tax asset							365
Cash							18,763
Consolidated total assets	35,654	13,662	24,924	5,887	50,663		148,449
Liabilities							
Segment liabilities	(7,847)	(5,634)	(8,253)	(8,363)	(6,623)	(5,530)	(42,250)
Deferred tax liability							(4,041)
Bank borrowings							(25,187)
Consolidated total liabilities	(7,847)	(5,634)	(8,253)	(8,363)	(6,623)		(71,478)

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

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

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

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

Notes to the financial statements continued
for the year ended 30 April 2020

1. Segmental analysis continued

Geographical segments

The Group's subsidiaries are all located in the UK with the exception of EID, which is located in Portugal. The following table provides an analysis of the Group's revenue by geographical location of the customer:

	2020 From the UK £'000	2020 From Portugal £'000	2020 Total £'000	2019 From the UK £'000	2019 From Portugal £'000	2019 Total £'000
UK	**78,772**	**143**	**78,915**	84,145	162	84,307
Portugal	**—**	**8,295**	**8,295**	—	4,429	4,429
Other European countries	**11,275**	**2,013**	**13,288**	4,294	3,534	7,828
Asia Pacific	**16,729**	**7,558**	**24,287**	18,193	3,169	21,362
Africa	**—**	**—**	**—**	30	131	161
North and South America	**6,263**	**11**	**6,274**	2,990	105	3,095
	113,039	**18,020**	**131,059**	109,652	11,530	121,182

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

Market segments

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

	2020 £'000	2019 £'000
Defence (including security)	**118,054**	106,505
Transport	**7,616**	9,168
Offshore energy	**2,852**	2,133
Other commercial	**2,537**	3,376
	131,059	121,182

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

	2020 £'000	2019 £'000
Product	**74,770**	65,109
Services	**56,289**	56,073
Total revenue	**131,059**	121,182

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

Further information on revenue by market segment and capability can be found in the Strategic report (pages 2 to 5).

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2019 is as follows:

	2020					2019				
	UK MOD £'000	Portuguese MOD £'000	Customer A £'000	Customer B £'000	Customer C £'000	UK MOD £'000	Portuguese MOD £'000	Customer A £'000	Customer B £'000	Customer C £'000
Chess	**—**	**—**	**1,574**	**—**	**4,244**	—	—	892	—	—
EID	**—**	**8,289**	**—**	**6,520**	**—**	—	4,429	—	—	—
MASS	**19,751**	**—**	**5,972**	**—**	**—**	18,000	—	6,001	—	—
MCL	**12,938**	**—**	**—**	**—**	**—**	20,192	—	—	—	—
SEA	**8,494**	**—**	**2,212**	**—**	**—**	7,804	—	3,205	4,653	3,605
	41,183	**8,289**	**9,758**	**6,520**	**4,244**	45,996	4,429	10,098	4,653	3,605

Customers B and C in 2020 are not the same as customers B and C in 2019.

Notes to the financial statements continued
for the year ended 30 April 2020

2. Employee benefit expense (including Directors)

	2020 £'000	2019 £'000
Wages and salaries	**40,380**	36,461
Social security costs	**4,908**	4,035
Defined contribution pension plan costs	**2,209**	2,322
Share-based payments	**318**	291
	47,815	43,109

Average number of employees (including Directors)

	2020 Number	2019 Number
Other operational (including production)	**537**	444
Managed services	**117**	137
Total operational	**654**	581
Administration and support	**245**	234
	899	815

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration & Appointments Committee report on pages 57 to 66, where the relevant disclosures have been highlighted as audited.

3. Profit for the year

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

	Notes	2020 £'000	2019 £'000
Net foreign exchange losses/(gains)	18	**132**	(33)
Research and development costs		**9,734**	8,844
Depreciation of property, plant and equipment	10	**1,472**	1,147
Depreciation of right of use assets	24a	**1,168**	—
Amortisation of other intangible assets	9	**7,354**	9,514
Cost of inventories recognised as expenses		**45,732**	48,935
Staff costs (excluding share-based payments)	2	**47,497**	42,818
Share-based payments	20	**318**	291

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

The fees payable to the auditor for audit and non-audit services are disclosed in the Audit Committee report on page 55, where the relevant disclosures have been highlighted as audited.

4. Finance income

	2020 £'000	2019 £'000
Interest on bank deposits	**27**	27

All finance income is in respect of continuing operations.

5. Finance costs

	2020 £'000	2019 £'000
Loans	**527**	293
Finance leases	**6**	3
Interest paid on lease liabilities (see note 24(a))	**246**	—
	779	296

All finance costs are in respect of continuing operations.

Notes to the financial statements continued
for the year ended 30 April 2020

6. Income tax charge

	2020 £'000	2019 £'000
UK corporation tax: in respect of this year	**2,227**	2,729
UK corporation tax: in respect of prior years	**(785)**	(10)
Portugal corporation tax: in respect of this year	**130**	(410)
Portugal corporation tax: in respect of prior years	**15**	1
Other foreign corporation tax: in respect of this year	**—**	31
Other foreign corporation tax: in respect of prior years	**(31)**	—
	1,556	2,341
Deferred tax: in respect of this year	**(1,297)**	(1,713)
Deferred tax: in respect of prior years	**36**	(44)
	(1,261)	(1,757)
	295	584

The corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated assessable profit for the year, as disclosed below.

The current tax in respect of the year ended 30 April 2020 includes £188,000 credit (2019: £169,000) in respect of exceptional items.

The deferred tax includes a credit of £1,425,000 in respect of amortisation of other intangible assets (2019: £1,688,000), and a credit of £25,000 (2019: charge of £6,000) in respect of marking forward exchange contracts to market value at the year end. The deferred tax is further explained in note 17.

The tax charge for the year is reconciled to profit per the Consolidated income statement for the year ended 30 April 2020 as follows:

	2020 £'000	2019 £'000
Profit before tax on continuing operations	**9,979**	5,675
Tax at the UK corporation tax rate of 19.0% (2019: 19.0%)	**1,896**	1,078
Tax effect of expenses and reserve movements that are not deductible in determining taxable profit	**(26)**	56
Tax effect of R&D tax credits in Portugal	**(586)**	(483)
Tax effect of exceptional items that are not recognised in determining taxable profit	**(38)**	116
Tax effect of other timing differences not reflected in deferred tax	**(282)**	(96)
Tax effect of change in tax rate; 2020: change in tax rate from 17% to 19% for assets/liabilities falling after April 2020 (2019: change in time profile of deferred tax assets and/or liabilities)	**36**	3
Tax effect of statutory deduction for share options exercised	**(132)**	(70)
Tax effect of foreign tax rates	**192**	41
Tax effect of deferred tax movement on share options to be exercised	**(31)**	(8)
Tax effect of other prior year adjustments	**(734)**	(53)
Tax charge for the year	**295**	584

The UK corporation tax for the year ended 30 April 2020 is calculated at 19.0%, based upon 12 months at 19.0%. The UK corporation tax rate for the year ended 30 April 2019 is calculated at 19.0%, based upon 12 months at 19.0%.

In addition, a deferred tax credit of £193,000 (2019: charge of £76,000) was recognised directly in equity in respect of share options.

7. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2019 at 6.25 pence per ordinary share (2018: 5.65 pence)	**2,544**	2,300
Interim dividend in respect of the year ended 30 April 2020 at 3.20 pence per ordinary share (2019: 2.85 pence)	**1,309**	1,164
	3,853	3,464
Proposed final dividend for the year ended 30 April 2020 at 6.90 pence per ordinary share (2019: 6.25 pence per ordinary share)	**2,840**	2,554

The proposed final dividend is subject to approval by shareholders at the AGM to be held on 15 September 2020 and has not been included as a liability in these financial statements. If approved, this dividend will be paid on 18 September 2020 to shareholders on the register as at 14 August 2020.

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc representing 0.56% (2019: 0.24%) of the Company's called up share capital, has agreed to waive all dividends due to it in accordance with an arrangement dated 20 November 2009.

Notes to the financial statements continued
for the year ended 30 April 2020

8. Earnings per share

The earnings per share are calculated as follows:

	2020			2019		
	Weighted average number of shares Number	**Earnings £'000**	**Earnings per share pence**	Weighted average number of shares Number	Earnings £'000	Earnings per share pence
Basic earnings (net profit attributable to equity holders of Cohort plc)	**40,728,149**	**9,604**	**23.47**	40,749,551	5,447	13.37
Share options	**409,484**			224,086		
Diluted earnings	**41,137,633**	**9,604**	**23.24**	40,973,637	5,447	13.29

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

The weighted average number of shares for the years ended 30 April 2020 and 30 April 2019 is after deducting the own shares, which are held by the Cohort Employee Benefit Trust.

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

		2020			2019		
	Notes	**Weighted average number of shares Number**	**Earnings £'000**	**Earnings per share pence**	Weighted average number of shares Number	Earnings £'000	Earnings per share pence
Basic earnings		**40,728,149**	**9,559**	**23.47**	40,749,551	5,447	13.37
Charge/(credit) on marking forward exchange contracts at the year end (net of tax credit of £25,000 (2019: charge of £6,000))	18		**107**			(27)	
Acquisition cost of ELAC (net of tax of £76,000)	30		**874**			—	
Costs of relocation of MASS's Lincoln facility (net of tax of £112,000)			**478**			—	
Adjustment to earn-out on acquisition of Chess	29		**(750)**			—	
Acquisition costs of EID			**—**			(17)	
Acquisition costs of Chess (net of tax of £74,000)			**—**			926	
Costs of restructuring at SEA (net of tax of £95,000)			**—**			405	
Amortisation of other intangible assets (see below)			**4,840**			6,956	
Adjusted earnings		**40,728,149**	**15,108**	**37.10**	40,749,551	13,690	33.60
Share options		**409,484**			224,086		
Diluted adjusted earnings		**41,137,633**	**15,108**	**36.73**	40,973,637	13,690	33.41

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

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

	2020					2019				
	Amortisation of other intangible assets (note 9) £'000	**Deferred tax credit thereon £'000**	**Net £'000**	**Non-controlling interest £'000**	**Attributable to equity shareholders of the Group £'000**	Amortisation of other intangible assets (note 9) £'000	Deferred tax credit thereon £'000	Net £'000	Non-controlling interest £'000	Attributable to equity shareholders of the Group £'000
Chess	**6,538**	**(1,242)**	**5,296**	**(962)**	**4,334**	4,870	(925)	3,945	(716)	3,229
EID	**816**	**(183)**	**633**	**(127)**	**506**	990	(223)	767	(154)	613
MCL	**—**	**—**	**—**	**—**	**—**	2,430	(346)	2,084	—	2,084
SEA	**—**	**—**	**—**	**—**	**—**	1,224	(194)	1,030	—	1,030
	7,354	**(1,425)**	**5,929**	**(1,089)**	**4,840**	9,514	(1,688)	7,826	(870)	6,956

Notes to the financial statements continued
for the year ended 30 April 2020

9. Goodwill and other intangible assets

	Goodwill						Other intangible assets					
	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	Group £'000	SEA £'000	MASS £'000	MCL £'000	EID £'000	Chess £'000	Group £'000
Cost												
At 1 May 2018	24,063	12,500	2,398	2,195	—	41,156	7,955	4,340	15,678	10,247	—	38,220
Acquisition of Chess	—	—	—	—	2,198	2,198	—	—	—	—	23,934	23,934
At 1 May 2019	24,063	12,500	2,398	2,195	2,198	43,354	7,955	4,340	15,678	10,247	23,934	62,154
Adjustment to fair value on acquisition of Chess	—	—	—	—	737	737	—	—	—	—	—	—
At 30 April 2020	**24,063**	**12,500**	**2,398**	**2,195**	**2,935**	**44,091**	**7,955**	**4,340**	**15,678**	**10,247**	**23,934**	**62,154**
Amortisation												
At 1 May 2018	2,000	—	—	—	—	2,000	6,731	4,340	13,248	7,733	—	32,052
Charge for the year ended 30 April 2019	—	—	—	—	—	—	1,224	—	2,430	990	4,870	9,514
At 1 May 2019	2,000	—	—	—	—	2,000	7,955	4,340	15,678	8,723	4,870	41,566
Charge for the year ended 30 April 2020	—	—	—	—	—	—	—	—	—	816	6,538	7,354
At 30 April 2020	**2,000**	**—**	**—**	**—**	**—**	**2,000**	**7,955**	**4,340**	**15,678**	**9,539**	**11,408**	**48,920**
Net book value												
At 30 April 2020	**22,603**	**12,500**	**2,398**	**2,195**	**2,935**	**42,091**	**—**	**—**	**—**	**708**	**12,526**	**13,234**
At 30 April 2019	22,063	12,500	2,398	2,195	2,198	41,354	—	—	—	1,524	19,064	20,588

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

The movement in the Chess goodwill is adjustments to the provisional fair values at 30 April 2019 (see note 29).

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

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

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

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

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

	Basis of estimate
Cash flow	As in previous years, the cash flows for the years ended 30 April 2021, 2022 and 2023 are based upon the cash-generating units' budgets and forecasts for those years. These cash flows are based upon the revenue, margin and overhead cost forecasts for each business taking account of the run-off of order book, renewal of existing business and winning of new business. Historically, these cash flow forecasts have been a reasonable forecast of actual performance over the period of measurement. Costs reflect inflation rates, currently assumed at 2% (2019: 2%). With regard to the revenue, margin and overhead cost forecasts, the key assumptions underlying these inputs are that current projects contracted will continue as per agreement, that government defence spending will remain largely consistent in the future and that each cash-generating unit will continue to be as successful in competing for new contracts as it has been historically. At 30 April 2020, nearly £85m (62% of consensus forecasts) of revenue for 2021 was already under contract and, as such, the main assumptions related to revenue volumes are in periods for 2022 and after where there is greater uncertainty and risk.
Growth rate	The cash flows for each UK-based cash-generating unit from years four to twenty inclusive are based upon the forecast cash flow for the year ended 30 April 2023 to which a growth rate of 1.5% is applied each year (2019: 1.5%). This rate reflects a prudent view of recent UK growth rates and is below the historically higher UK growth rate of 2.25%. The growth rate is similar for all of the UK-based cash-generating units as a significant proportion of their business is with the same customer, the UK MOD. As a significant proportion of the business is with the UK Government, a more prudent growth rate has been used to reflect lower expected growth rates of UK Government expenditure. In the case of EID, its main customer is the Portuguese MOD. As such, the growth rate assumed for EID's future cash flows is 1.0% (2019: 1.0%), reflecting the expected growth rate for Portuguese Government expenditure. The longevity of the cash flows used reflects the length of our order books and the long duration of the customer platforms and applications we supply and support.

Notes to the financial statements continued
for the year ended 30 April 2020

9. Goodwill and other intangible assets continued

WACC comprises a number of elements as follows:

	Basis of estimate
Value of equity	Calculated as the issued share capital of the Group (Cohort plc) multiplied by the closing share price at 30 April 2020 of £5.750 (2019: £3.725).
Risk free interest rate	Based upon thirty-year UK Government gilt rate of 0.59% (2019: 1.78%). The thirty-year gilt rate has been used as a better reflection of long-term rates. We had previously used the ten-year gilt rate but we consider the longer gilt rate aligns better with our cash flow assumptions. Using the ten-year gilt would have reduced the WACC for the Group and reduced the risk of impairment.
Beta factor	Derived from analyst estimates provided by the Group's Nomad (Investec) and reflects a range of outcomes from 0.46 to 0.84 (2019: 0.26 to 0.50).
Equity risk premium	The equity risk premium of the Group of 10.46% (2019: 11.28%) to which is added a further range of risk premium of 4% to 8% to reflect customer market risk and the low liquidity and risk of AIM stocks.
Cost of debt	The Group is in a net debt position. The Group loans at 30 April 2020 have an average interest cost of 2.094% per annum as at that date (2019: 2.037%).

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was 9.2% (2019: 12.5%). The Group WACC has been deemed appropriate to use for each cash-generating unit as all funding is cross-guaranteed and therefore the same cost of funding is incurred by each cash-generating unit. The decrease in the Group's pre-tax WACC is due to lower interest rates and equity risk partly offset by a higher volatility (Beta factor), both of the latter in respect of Cohort plc shares.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2020 in respect of any of Chess, EID, MASS, MCL or SEA. Sensitivity was applied to the impairment tests to deliver a material impairment of goodwill. If the post-tax WACC is increased to over 15%, Chess's goodwill (£2.9m) is fully impaired. Chess's goodwill is the most sensitive to impairment due to its current high level of segmental current assets including other intangible assets. This impairment would arise if the higher equity risk and Beta factor are applied to the post-tax WACC calculation.

The other intangible assets arose on the acquisition of subsidiaries. The EID and J+S intangible assets were in respect of contracts acquired. The J+S other intangible asset is disclosed as part of SEA. The MCL intangible asset was in respect of contracts acquired and to be secured. The SEA and MCL intangible assets are now fully amortised. The EID intangible asset will be fully amortised by 30 April 2023.

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

The other intangible asset in respect of Chess is in respect of contracts acquired and expected opportunities to be secured. The other intangible asset of Chess will be fully amortised by 30 April 2024.

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

	2020		2019	
	MCL £'000	**Chess £'000**	MCL £'000	Chess £'000
Contracts acquired	**708**	**2,062**	1,524	5,021
Customer relationships	**—**	**10,464**	—	14,043
	708	**12,526**	1,524	19,064

Notes to the financial statements continued
for the year ended 30 April 2020

10. Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2018	9,911	6,406	16,317
Acquired	83	411	494
Additions	—	2,058	2,058
Disposals	—	(125)	(125)
Foreign exchange movement	—	(12)	(12)
At 1 May 2019	9,994	8,738	18,732
Additions	353	2,309	2,662
Disposals	—	(121)	(121)
Foreign exchange movement	—	6	6
At 30 April 2020	**10,347**	**10,932**	**21,279**
Depreciation			
At 1 May 2018	2,019	4,701	6,720
Charge in the year	302	845	1,147
Eliminated on disposal	—	(86)	(86)
Foreign exchange movement	—	(5)	(5)
At 1 May 2019	2,321	5,455	7,776
Charge in the year	314	1,158	1,472
Eliminated on disposal	—	(92)	(92)
Foreign exchange movement	—	2	2
At 30 April 2020	**2,635**	**6,523**	**9,158**
Net book value			
At 30 April 2020	**7,712**	**4,409**	**12,121**
At 30 April 2019	7,673	3,283	10,956

The net book value of the Company's property, plant and equipment was £250,000 at 30 April 2020 (2019: £263,000). This was after additions of £93,000, net disposals of £14,000 and a depreciation charge of £92,000 for the year ended 30 April 2020.

The net book value of fixed assets held under finance leases at 30 April 2020 was £240,000 (2019: £180,000).

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

The valuation (in accordance with International Valuation Standards) of the Group's land and buildings at 30 April 2020 supports the above net book value.

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

11. Investment in subsidiaries and joint ventures

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Subsidiary undertakings	**—**	—	**90,970**	90,725
Joint ventures	**—**	—	**—**	—
	—	—	**90,970**	90,725

Notes to the financial statements continued
for the year ended 30 April 2020

11. Investment in subsidiaries and joint ventures continued

A list of all the investments in joint ventures and subsidiaries is as follows:

Name of company	Registered office	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned					
Systems Consultants Services Limited (SCS)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Formerly a provider of technical consultancy To be made dormant
MASS Limited	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Ltd (SEA)	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Holding company of Systems Engineering & Assessment Ltd and Beckington Castle Ltd
Marlborough Communications (Holdings) Limited	Dovenby Hall, Balcombe Road, Horley, Surrey RH6 9UU	England	Ordinary	100%	Holding company of Marlborough Communications Limited
Thunderwaves, S.A.	6. Ruo do Alecrim 26E 1200-018, Lisbon	Portugal	Ordinary	100%	Holding company of EID
Cohort Deutschland GmbH	GÖRG, Rechtsanwälte, Alter Wall 20-22, 20457, Hamburg	Germany	Ordinary	100%	Holding company for Cohort investments in Germany
Chess Technologies Limited (Chess)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	81.84%	Holding company of Chess Dynamics Ltd, Chess Dynamics Inc and Vision4ce Ltd
Held through a subsidiary					
MASS Consultants Limited (MASS)	Enterprise House, Great North Road, Little Paxton, St. Neots, Cambridgeshire PE19 6BN	England	Ordinary	100%	Electronic warfare, managed services, secure communications, digital forensics and IT support services
Systems Engineering & Assessment Ltd	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to the defence and transport markets and is also the holding company of J+S Limited
J+S Limited	Riverside Road, Pottington Business Park, Barnstaple, Devon EX31 1LY	England	Ordinary	100%	Subsidiary of Systems Engineering & Assessment Ltd. Holds investment in SEA's Canadian operations. To be made dormant
Marlborough Communications Limited (MCL)	Dovenby Hall, Balcombe Road, Horley, Surrey RH6 9UU	England	Ordinary	100%	Designs, sources and supports advanced electronic and surveillance technology
Beckington Castle Ltd	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Property company holding freehold of Beckington Castle and SEA's Bristol office
Chess Dynamics Limited	Quadrant House, North Heath Business Park, North Heath Lane, Horsham, West Sussex RH12 5QE	England	Ordinary	100%	Design and production of detection and tracking systems, as well as counter UAV solutions for defence security markets
Empresa de Investigação e Desenvolvimento de Electrónica, S.A. (EID)	Quinta dos Medronheiros-Lazarim, 2820-486 Charneca da Caparica, Lisbon	Portugal	Ordinary	80%	Designs and manufactures advanced communications systems for the defence and security markets
8963665 Canada Inc.	1100, Boul Rene-Levesque O, Porte 2500, Montreal (Quebec), H3B 5C9	Canada	Ordinary	100%	The holding company of the Group's investment in JSK Naval Support Inc.
JSK Naval Support Inc.	193 Brunswick Blvd, Quebec, H9R 5N2	Canada	Ordinary	50%	A joint venture between SEA and a Canadian supplier to deliver and support SEA products and services into the Canadian Navy
Vision4ce Limited	Unit 4, Wokingham Commercial Centre, Molly Millars Lane, Wokingham RG41 2RF	England	Ordinary	100%	Software solutions for detection, tracking and C-UAV systems
Chess Dynamics Inc	7060 S Tucson Way A, Centennial, CO 80112	USA	Ordinary	100%	US representative of Chess's UK business

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

Notes to the financial statements continued
for the year ended 30 April 2020

11. Investment in subsidiaries and joint ventures continued

Company

The Company's investments in subsidiaries are as follows:

	Chess £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Thunderwaves £'000	Total £'000
At 1 May 2018	—	14,537	16,487	2,623	26,506	12,851	73,004
Acquired	18,702	—	—	—	—	—	18,702
Share-based payments	—	109	24	—	88	33	254
Vested in year	—	(95)	(13)	—	(83)	—	(191)
Deferred tax on share-based payments charged directly to equity	—	(5)	—	—	—	—	(5)
Repaid by subsidiary to Cohort	—	—	—	(1,039)	—	—	(1,039)
At 1 May 2019	18,702	14,546	16,498	1,584	26,511	12,884	90,725
Share-based payments	21	111	27	—	82	45	286
Vested in year	—	(109)	(22)	—	(87)	—	(218)
Deferred tax on share-based payments charged directly to equity	20	76	14	—	67	—	177
At 30 April 2020	**18,743**	**14,624**	**16,517**	**1,584**	**26,573**	**12,929**	**90,970**

12. Inventories

	2020 £'000	2019 £'000
Finished goods and raw materials	**11,478**	13,452

The inventory at 30 April 2020 is after a stock provision of £575,000 (2019: £1,130,000).

13. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables (net of provision for doubtful debts)	**23,275**	19,930	**—**	—
Contract receivables	**16,475**	13,044	**—**	—
Prepayments and accrued income	**7,541**	9,719	**175**	150
Current tax assets	**132**	278	**—**	—
Amounts due from subsidiary undertakings	**—**	—	**3,341**	2,626
	47,423	42,971	**3,516**	2,776

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

The average credit period taken on sales of goods is 37 days (2019: 22 days). Of the trade receivables balance, £6.1m was considered overdue at 30 April 2020 (30 April 2019: £5.3m). The increase in the debtor days is due to some receivables from export customers being delayed as a result of the COVID-19 impact. The UK MOD debtor days were lower due to more prompt payment by the UK MOD in March and April 2020. Overdue is defined as trade receivables still outstanding beyond invoice terms (typically 30 days). The allowance for doubtful debt is determined by management's best estimates, by reference to the particular receivables over which doubt may exist. None of the other receivables were past due.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. One of the largest trade receivables, to which the Group is exposed at 30 April 2020, is the UK MOD with a balance outstanding of £2.0m (2019: £1.6m). Other customers who represent more than 5% of trade receivables include:

	2020 £m	2019 £m
Customer A	**2.7**	1.2
Customer B	**1.9**	1.0
Customer C	**1.1**	2.4
Customer D	**0.9**	1.2

Customers C and D in 2020 are not the same as customers C and D in 2019.

Notes to the financial statements continued
for the year ended 30 April 2020

13. Trade and other receivables continued

Trade receivables include £7.1m (2019: £5.2m) denominated in foreign currency. The predominant currency of the trade receivables is pounds sterling.

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

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

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

Ageing of past due but not impaired receivables	2020 £'000	2019 £'000
30–60 days	**2,928**	2,923
60–90 days	**96**	504
>90 days	**3,113**	1,826
	6,137	5,253

Movement in the allowance for doubtful debts (reported within trade receivables)	2020 £'000	2019 £'000
Balance at 1 May	**980**	340
Expected credit losses recognised	**94**	—
On acquisition of Chess	**—**	689
Utilised on write off of debt	**(14)**	(42)
Released on recovery of debt previously provided	**(37)**	—
Foreign exchange movement	**3**	(7)
Balance at 30 April	**1,026**	980

Contract receivables	2020 £'000	2019 £'000
Opening balance	**13,044**	11,963
Acquired	**—**	1,440
Contract receivable recognised in revenue	**22,312**	12,806
Contract receivable invoiced	**(18,890)**	(13,150)
Foreign exchange movement	**9**	(15)
Closing balance	**16,475**	13,044

The Group order book at 30 April 2020 and its expected recognition as revenue in future periods is shown in the Operational review on pages 32 to 37. The order book at 30 April 2019 is shown on page 28.

14. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Advance receipts	**6,057**	4,620	**—**	—
Trade payables and accruals	**8,494**	17,418	**64**	260
Social security and other taxes	**5,149**	2,190	**161**	103
Accruals and deferred income	**11,285**	10,997	**1,667**	1,921
Amounts due to subsidiary undertakings	**—**	—	**1,584**	1,584
	30,985	35,225	**3,476**	3,868

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing contract costs. Advance receipts reflect invoicing ahead of work done in accordance with contracted terms. The average credit period taken for trade purchases is 43 days (2019: 43 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms (see Risk management, pages 32 to 37).

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

Social security and other taxes include employment taxes and VAT.

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

Notes to the financial statements continued
for the year ended 30 April 2020

14. Trade and other payables continued

Total payable includes £0.9m (2019: £4.5m) denominated in foreign currency.

Contract liabilities	2020 £'000	2019 £'000
Opening balance	**4,620**	3,164
New advances	**9,945**	4,620
Advances consumed in delivery of contract	**(8,520)**	(3,164)
Foreign exchange movement	**12**	—
Closing balance	**6,057**	4,620

15. Bank borrowings

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank overdrafts	**—**	—	**11,882**	10,942
Bank loans	**25,095**	25,028	**25,095**	25,028
Finance leases	**179**	159	**—**	—
	25,274	25,187	**36,977**	35,970

These borrowings are repayable as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
On demand or within one year	**85**	61	**11,882**	10,942
In the second year	**91**	61	**—**	—
In the third to fifth years inclusive	**25,098**	25,065	**25,095**	25,028
	25,274	25,187	**36,977**	35,970
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(85)**	(61)	**(11,882)**	(10,942)
Amount due for settlement after 12 months	**25,189**	25,126	**25,095**	25,028

The weighted average interest rates paid were as follows:

	2020 %	2019 %
Bank overdrafts (variable)	**—**	2.45
Bank loans (variable)	**2.09**	2.15
Finance leases (fixed)	**5.10**	5.50

The variable rates are based upon the Bank of England or European Central Bank interest rates.

On 15 November 2018, the Group entered into its current banking facility. The £30.0m facility is provided equally by Lloyds and NatWest banks. The facility is provided for four years with options to extend for a further year and is secured over all of the Group's assets excluding EID, which is not part of the facility arrangement and maintains its own facilities locally in Portugal. The facility is available to the Group (excluding EID) in respect of acquisition financing and overdraft. On 20 May 2020, the Group exercised an option to extend this facility from £30m to £40m, the term remaining unchanged. The additional £10m facility is expected to be used for the acquisition of Wärtsilä ELAC Nautik GmbH. The Group is not obliged to make any repayments prior to the facility's expiration in November 2022 and the facility is disclosed as repayable in the third to fifth years inclusive.

At 30 April 2020, the facility has been drawn on as follows:

	Of which drawn is £m
Revolving credit facility loan	25.1
Overdraft	—
	25.1

At 30 April 2020, the Group had available £4.9m of undrawn bank facility. The Directors consider the carrying amount of bank borrowings approximate to their fair values. The undrawn facility available to the Group was increased to £14.9m on 20 May 2020.

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

Similar bilateral arrangements exist for EID with its bank in Portugal. In addition, EID has an overdraft facility of €2.5m with Santander which is renewable on a six-month rolling basis. This facility was undrawn at 30 April 2020.

Notes to the financial statements continued
for the year ended 30 April 2020

15. Bank borrowings continued

The Group's cash at 30 April 2020 of £20.6m is held with the following banks:

	2020 £'000	2019 £'000	Moody's long-term credit rating of bank as at 2020
National Westminster Bank plc	**13,493**	15,445	A1/A2
Barclays Bank PLC	**55**	993	A1
Lloyds Bank plc	**—**	185	Aa3
Novo Banco	**11**	11	Caa2
Santander Bank	**4,449**	801	Baa3
Banco Comercial Português	**1,301**	478	Baa2
Caixa Geral de Depósitos Bank	**1,246**	822	Baa3
Other banks and cash	**12**	28	
	20,567	18,763	

16. Provisions

Group	Reorganisation of SCS £'000	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2018	651	503	438	1,592
On acquisition	—	200	821	1,021
Charged/(released) to the income statement	(109)	89	(330)	(350)
Utilised	(542)	(131)	(154)	(827)
Foreign exchange movement	—	(10)	—	(10)
At 1 May 2019	—	651	775	1,426
On acquisition (see note 29)	—	—	900	900
Released to the income statement	—	(155)	(257)	(412)
Utilised	—	(95)	(7)	(102)
Foreign exchange movement	—	4	—	4
At 30 April 2020	**—**	**405**	**1,411**	**1,816**
Provisions due in less than one year	—	405	1,141	1,546
Provisions due in greater than one year	—	—	270	270
At 30 April 2020	**—**	**405**	**1,411**	**1,816**
Provisions due in less than one year	—	651	167	818
Provisions due in greater than one year	—	—	608	608
At 30 April 2019	—	651	775	1,426

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

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

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

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

The provision in respect of the reorganisation of SCS was fully utilised in the year following the relocation of Cohort's head office, the onerous lease being settled.

Notes to the financial statements continued
for the year ended 30 April 2020

17. Deferred tax

	Accelerated tax depreciation £'000	Other intangible assets £'000	Revaluation of building £'000	Other short-term timing differences £'000	Share options £'000	Derivatives £'000	Group £'000
At 1 May 2018	7	(1,104)	(309)	177	197	24	(1,008)
On acquisition	(52)	(4,297)	—	—	—	—	(4,349)
Credit/(charge) to the income statement in respect of the current tax year	(98)	1,688	8	120	8	(6)	1,720
Credit to the income statement in respect of prior tax years	—	—	—	42	1	1	44
Effect of tax rate change due to change in estimated lives of underlying assets and/or liabilities	—	—	—	(3)	—	—	(3)
Foreign exchange movement	—	—	—	(4)	—	—	(4)
Recognised in the income statement	(98)	1,688	8	155	9	(5)	1,757
Recognised in equity	—	—	—	—	(76)	—	(76)
At 1 May 2019	(143)	(3,713)	(301)	332	130	19	(3,676)
Credit/(charge) to the income statement in respect of the current tax year	(102)	1,425	7	(56)	31	25	1,330
Charge to the income statement in respect of prior tax years	(33)	—	—	(3)	—	—	(36)
Effect of tax rate change from 17.0% to 19.0% for assets/liabilities falling after April 2020	(14)	—	(34)	8	4	—	(36)
Foreign exchange movement	—	—	—	3	—	—	3
Recognised in the income statement	(149)	1,425	(27)	(48)	35	25	1,261
Recognised in equity	—	—	—	—	193	—	193
At 30 April 2020	**(292)**	**(2,288)**	**(328)**	**284**	**358**	**44**	**(2,222)**

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

	2020 £'000	2019 £'000
Deferred tax assets	**598**	365
Deferred tax liabilities	**(2,820)**	(4,041)
	(2,222)	(3,676)

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

The Company's deferred tax balance at 30 April 2020 was an asset of £56,000 (2019: £39,000) being £14,000 (2019: £18,000) in respect of other short-term timing differences, accelerated tax depreciation of £12,000 (2019: £5,000) and share options of £30,000 (2019: £16,000).

The corporation tax rate in the UK for the year ended 30 April 2020 was 19.0% (2019: 19.0%) which has been applied by Cohort in calculating its income tax (see note 6). The reduction in future UK corporation tax rate to 17.0% (was to be effective 1 April 2020) was reversed in March 2020 and the future rate will remain at 19.0%. UK deferred tax assets and liabilities are calculated using 19.0% for all those expected to reverse in the future.

For deferred tax balances in respect of EID (Portugal), the rate used was 22.20% (2019: 22.20%).

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

Notes to the financial statements continued
for the year ended 30 April 2020

18. Derivative financial instruments

The Group has derivative financial instruments as follows:

	2020 £'000	2019 £'000
Assets		
Foreign currency forward contracts	**—**	—
Liabilities		
Foreign currency forward contracts	**(231)**	(99)

The changes in marking the outstanding foreign currency forward contracts to fair value (which are based upon quoted market valuations) are credited or charged to the Consolidated income statement as "credit/(charge) on marking forward exchange contracts to market value at the year end". They are in respect of trading contracts undertaken by the Group and in respect of MCL and SEA and are disclosed within their respective operating profits in the segmental analysis (see note 1; 2019: MCL and SEA). They are considered to be level 1 classification. The charge (2019: credit) to the Consolidated income statement for the year ended 30 April 2020 was as follows:

	2020 £'000	2019 £'000
Foreign currency forward contracts	**(132)**	33

Currency derivatives

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

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

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

The total fair value adjustment is £231,000 (2019: £99,000) and the change in the forward exchange fair values for the year ended 30 April 2020 is £132,000 (30 April 2019: £33,000), which is included in the operating profit of the Group as a charge (2019: credit).

2019	Sell £'000	Buy MYR'000	Buy £'000	Sell €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2018	(1,026)	(6,315)	526	588	309	496	(1,290)	(1,818)
Contracts matured in period	1,026	6,315	(526)	(588)	(309)	(496)	1,290	1,818
New contracts in period	—	—	388	433	—	—	(9,603)	(12,587)
At 30 April 2019	—	—	388	433	—	—	(9,603)	(12,587)
Fair value adjustment	—		(15)		—		(84)	
At 30 April 2019 at spot rate	—		373		—		(9,687)	

Notes to the financial statements continued
for the year ended 30 April 2020

18. Derivative financial instruments continued

Liquidity risk

The maturity of the outstanding contracts was as follows:

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

At 30 April 2019	Sell £'000	Buy MYR'000	Buy £'000	Sell €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
Within one year	—	—	388	433	—	—	(4,543)	(5,955)
Within two years	—	—	—	—	—	—	(5,060)	(6,632)
Greater than two years	—	—	—	—	—	—	—	—
At 30 April 2019 at forward rate	—	—	388	433	—	—	(9,603)	(12,587)

The following significant exchange rates applied at 30 April:

	2020		2019	
	US$	**Euro**	US$	Euro
Exchange rates at 30 April	**0.7987**	**0.8705**	0.7698	0.8621

Sensitivity analysis

A 10% strengthening of sterling against the above currencies at 30 April 2020 would increase the reported operating profit by £427,000 (2019: decrease the reported operating profit by £847,000) in respect of marking these forward contracts to market value.

19. Share capital

	2020 Number	2019 Number
Allotted, called up and fully paid 10 pence ordinary shares	**40,959,101**	40,959,101

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

	Number
At 1 May 2018	40,959,101
Share options exercised	—
At 1 May 2019	40,959,101
Share options exercised	—
At 30 April 2020	**40,959,101**

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

During the year ended 30 April 2020, no ordinary shares (2019: Nil) in Cohort plc were issued to satisfy share options.

Notes to the financial statements continued
for the year ended 30 April 2020

20. Share options

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

The following options were outstanding at 30 April 2020:

Scheme and grant date	Exercise price £	Vesting date	Expiry date	30 April 2020 Vested	30 April 2020 Not vested	30 April 2020 Total	30 April 2019 Vested	30 April 2019 Not vested	30 April 2019 Total
Cohort plc 2006 share option scheme									
23 Jul 2010	0.835	24 Jul 2013	23 Jul 2020	**15,000**	**—**	**15,000**	43,299	—	43,299
26 Jul 2011	0.915	27 Jul 2014	26 Jul 2021	**22,000**	**—**	**22,000**	22,000	—	22,000
2 Aug 2012	1.165	3 Aug 2015	2 Aug 2022	**8,500**	**—**	**8,500**	68,500	—	68,500
9 Aug 2013	1.675	10 Aug 2016	9 Aug 2023	**10,700**	**—**	**10,700**	78,550	—	78,550
11 Aug 2014	1.975	12 Aug 2017	11 Aug 2024	**12,600**	**—**	**12,600**	44,930	—	44,930
20 Aug 2015	3.725	21 Aug 2018	20 Aug 2025	**72,090**	**—**	**72,090**	192,534	—	192,534
Cohort plc 2016 share option scheme									
15 Aug 2016	3.400	16 Aug 2019	15 Aug 2026	**81,366**	**—**	**81,366**	—	220,459	220,459
25 Aug 2017	3.760	26 Aug 2020	25 Aug 2027	**—**	**272,158**	**272,158**	—	288,563	288,563
10 Aug 2018	3.900	11 Aug 2021	10 Aug 2028	**—**	**304,553**	**304,553**	—	319,353	319,353
28 Aug 2019	4.425	29 Aug 2022	28 Aug 2029	**—**	**414,361**	**414,361**	—	—	—
18 Sep 2019	4.875	19 Sep 2022	18 Sep 2029	**—**	**13,491**	**13,491**	—	—	—
				222,256	**1,004,563**	**1,226,819**	449,813	828,375	1,278,188
Save As You Earn (SAYE) scheme									
11 Aug 2014	2.075			**—**	**—**	**—**	—	28,913	28,913
14 Aug 2015	3.380			**—**	**33,509**	**33,509**	—	35,372	35,372
29 Aug 2016	3.550			**6,853**	**29,332**	**36,185**	—	101,041	101,041
25 Aug 2017	4.085			**—**	**80,392**	**80,392**	—	86,368	86,368
1 Sep 2018	3.900			**—**	**62,065**	**62,065**	—	70,441	70,441
6 Sep 2019	4.475			**—**	**96,011**	**96,011**	—	—	—
				6,853	**301,309**	**308,162**	—	322,135	322,135
				229,109	**1,305,872**	**1,534,981**	449,813	1,150,510	1,600,323

The SAYE options have maturity periods of three or five years from the date of grant. The Group plan provides for a grant price equal to the closing market price of the Group shares on the trading day prior to the date of grant. In the case of the SAYE schemes, the price is determined on the date before the invitation to participate, which was on 9 August 2019 for the 2019 scheme. The vesting period is generally three years, five years in the case of some SAYE options.

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

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

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

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

	2020 Options	2020 Weighted average exercise price £	2019 Options	2019 Weighted average exercise price £
Outstanding at 1 May	**1,600,323**	**3.32**	1,745,683	2.94
Granted during the year	**535,471**	**4.45**	414,264	3.90
Forfeited during the year	**(81,045)**	**3.84**	(147,138)	3.66
Exercised during the year	**(515,662)**	**2.70**	(371,626)	2.00
Expired during the year	**(4,106)**	**3.40**	(40,860)	3.68
Outstanding at 30 April	**1,534,981**	**3.90**	1,600,323	3.32
Exercisable at 30 April	**229,109**	**2.86**	449,813	2.39

The weighted average remaining contractual life of seven years (2019: six years).

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

Notes to the financial statements continued
for the year ended 30 April 2020

20. Share options continued

In the year ended 30 April 2020, options were granted as follows: 99,119 on 6 September 2019 under the SAYE scheme, and 422,861 on 28 August 2019 and 13,491 on 18 September 2019, both of the latter under the Cohort plc 2016 share option scheme. The option price for the SAYE scheme was £4.475 per share which was the mid-market price on the day before the scheme invitation was made on 9 August 2019. The option price for the options issued under the Cohort plc 2016 share option scheme was £4.425 and £4.875 respectively, the mid-market price the day before the grant.

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

	2020	2019
Average share price	**£5.30**	£3.83
Weighted average exercise price	**£3.90**	£3.32
Expected volatility	**25.0%**	26.0%
Risk free rate	**0.55%–1.51%**	0.91%–1.84%
Leaver rate (per annum)	**10.0%**	10.0%
Dividend yield	**0.91%**	0.94%

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

The Group recognised a cost of £318,000 (2019: £291,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to the share option reserve.

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

21. Own shares

	£'000
Balance at 1 May 2018	1,190
Acquired in the year	631
Sold in the year	(743)
Loss on shares sold in the year	(730)
Balance at 30 April 2019	348
Acquired in the year	3,677
Sold in the year	(1,472)
Loss on shares sold in the year	(989)
Balance at 30 April 2020	**1,564**

The own shares reserve represents the cost of shares in Cohort plc purchased in the market and held by the Cohort Employee Benefit Trust to satisfy options under the Group's share options (see note 20), Restricted Share Schemes (see the Remuneration & Appointments Committee report on pages 57 to 66) and the Group's SIP scheme.

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2020 was 231,048 (2019: 98,053).

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

Date	Number acquired	Price per share	Investment
13 May 2019	393,076	3.816	1,500
11 October 2019	22,660	5.150	117
22 October 2019	23,813	5.216	124
29 October 2019	16,772	5.316	89
8 January 2020	63,456	7.290	463
3 February 2020	100,000	6.921	692
5 February 2020	100,000	6.921	692
	719,777		3,677

The acquisitions made on 8 January 2020 were to satisfy share option exercises by Andrew Thomis and Simon Walther (see Remuneration & Appointments Committee report on pages 57 to 66).

Notes to the financial statements continued
for the year ended 30 April 2020

21. Own shares continued

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

Exercise price per share Pence	Number of shares sold	Proceeds £'000	(Loss)/profit on sale of shares £'000
83.5	28,299	24	(102)
116.5	60,000	70	(156)
167.5	67,850	114	(194)
197.5	32,330	64	(73)
207.5	28,913	60	(49)
340.0	124,559	423	(133)
355.0	58,267	207	(29)
372.5	115,444	430	(65)
415.0	19,304	80	7
	534,966	1,472	(794)

In addition, 51,816 (2019: 46,420) ordinary shares in Cohort plc were transferred at nil value realising a loss on sale of shares of £195,000 for the purpose of satisfying shares awarded to the Executive Directors (see the Remuneration & Appointments Committee report on pages 57 to 66) and senior management under the Group's Restricted Share Scheme. The total loss on satisfying share options and Restricted Shares by the Employee Benefit Trust was £989,000 (2019: £730,000). The 19,304 shares sold at £4.15 per share were in respect of satisfying the Group's SIP.

102,034 (2019: 88,690) of the shares held by the Employee Benefit Trust at 30 April 2020 remain to be issued under the Restricted Share Scheme, on which an estimated loss of £691,000 (2019: £315,000) will be recognised as they are issued.

As at 30 April 2020, an estimated 18,000 shares (2019: 14,000) held by the Employee Benefit Trust expect to be used under the SIP on which an estimated loss of £43,000 (2019: gain of £2,500) would be recognised as they are issued.

The market valuation of the ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2020 was £1,328,526 (2019: £389,761).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2020 was £23,825 (2019: £21,990) and this cost is included within "Administrative expenses" in the Consolidated income statement.

22. Reserves and non-controlling interests

The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements on pages 77 and 78. Below is a description of the nature and purpose of the individual reserves:

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

The non-controlling interests are analysed as follows:

Group	EID (20.00%) £'000	Chess (18.16%) £'000	Total £'000
At 1 May 2018	2,554	—	2,554
Profit/(loss)	96	(452)	(356)
Other comprehensive income	(133)	—	(133)
Introduced on acquisition	—	4,214	4,214
At 1 May 2019	2,517	3,762	6,279
Profit/(loss)	375	(250)	125
Other comprehensive income	5	—	5
Change in the fair value of assets acquired with Chess	—	(163)	(163)
At 30 April 2020	**2,897**	**3,349**	**6,246**

Notes to the financial statements continued
for the year ended 30 April 2020

23. Net cash from operating activities

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Profit for the year	**9,684**	5,091	**6,681**	8,724
Adjustments for:				
Income tax charge/(credit)	**295**	584	**(220)**	(11)
Depreciation of property, plant and equipment	**1,472**	1,147	**92**	57
Depreciation of right of use assets	**1,168**	—	**75**	—
Amortisation of other intangible assets and goodwill	**7,354**	9,514	**—**	—
Net finance expense	**752**	269	**522**	270
Derivative financial instruments and other non-trading exchange movements	**132**	(33)	**—**	—
Share-based payment	**318**	291	**33**	37
Decrease in provisions	**(511)**	(1,186)	**—**	(560)
Operating cash flows before movements in working capital	**20,664**	15,677	**7,183**	8,517
Decrease/(increase) in inventories	**1,974**	(2,812)	**—**	—
Increase in receivables	**(4,597)**	(794)	**(505)**	(1,048)
(Decrease)/increase in payables	**(5,059)**	(451)	**(879)**	5,179
	(7,682)	(4,057)	**(1,384)**	4,131
Cash generated by operations	**12,982**	11,620	**5,799**	12,648
Income taxes paid	**(606)**	(2,689)	**—**	—
Interest paid	**(779)**	(296)	**(534)**	(286)
Net cash inflow from operating activities	**11,597**	8,635	**5,265**	12,362

Interest paid includes the interest element of lease liabilities under IFRS 16 (see note 24) of £246,000 (2019: £Nil).

24. Leases

(a) Leases

The Group has adopted IFRS 16 'Leases' as from 1 May 2019. The Group has applied IFRS 16 using the modified retrospective with cumulative effect method, i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 May 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 (see (b) below). Additionally, the disclosure requirements in IFRS 16 have not been generally applied to comparative information. The details of the significant changes and quantitative impact of the changes are set out below.

The following table summarises the quantitative impact of adopting IFRS 16 on the Group's financial statements for the year ended 30 April 2020.

Impact of adoption of IFRS 16	**As reported £'000**	Adjustments £'000	Balances without adoption of IFRS 16 £'000
Balance sheet			
Right of use asset	**6,900**	(6,900)	—
Lease liability (current)	**(1,257)**	1,257	—
Lease liability (non-current)	**(6,240)**	6,240	—
Retained earnings	**75,543**	202	75,745

Amounts recognised on the balance sheet

Cost of right of use assets

	Group			
	Property £'000	Other £'000	Total £'000	Company £'000
On transition at 1 May 2019	5,450	467	5,917	325
Additions	2,475	128	2,603	—
Disposals	(451)	—	(451)	—
Foreign exchange movement	—	(1)	(1)	—
At 30 April 2020	**7,474**	**594**	**8,068**	**325**

Notes to the financial statements continued
for the year ended 30 April 2020

24. Leases continued
(a) Leases continued
Amounts recognised on the balance sheet continued
Accumulated depreciation of right of use assets

	Group			
	Property £'000	Other £'000	Total £'000	Company £'000
On transition at 1 May 2019	—	—	—	—
Charge for the year	972	196	1,168	75
At 30 April 2020	**972**	**196**	**1,168**	**75**
Net book value at 30 April 2020	**6,502**	**398**	**6,900**	**250**

Lease liabilities

	Group			
	Property £'000	Other £'000	Total £'000	Company £'000
On transition at 1 May 2019	5,598	467	6,065	354
New lease liabilities	2,418	128	2,546	—
Interest charge	233	13	246	11
Payments	(1,161)	(199)	(1,360)	(88)
At 30 April 2020	**7,088**	**409**	**7,497**	**276**
Current	**1,078**	**179**	**1,257**	**80**
Non-current	**6,010**	**230**	**6,240**	**196**
	7,088	**409**	**7,497**	**276**

Amounts recognised in Consolidated income statement

	Group £'000
Interest expense on lease liabilities (note 5)	246
Depreciation expense	1,168
	1,414

The net effect on the Group's profit before tax for the year ended 30 April 2020, of adopting IFRS 16 from 1 May 2019, was a £54,000 reduction.

The Company's right of use asset is in respect of its property lease at Theale.

Previously the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. On transition to IFRS 16, the Group elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 May 2019.

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Group recognises right of use assets and lease liabilities for most of those operating leases, i.e. these leases are on the balance sheet also.

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 May 2019. The weighted-average rate applied was 3.0%.

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

The Group has used its assessment of whether leases are onerous applying IAS 37 at 30 April 2019 as an alternative to performing an impairment review of the recognised right of use assets on the date of transition. The Company has tested its right of use assets for impairment on the date of transition and has concluded that there is no indication that the right of use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right of use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right of use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right of use asset at the date of initial application; and
- used hindsight when determining the lease term.

The cost of these leases recognised in the Consolidated income statement in the year ended 30 April 2020 was £386,000.

Notes to the financial statements continued
for the year ended 30 April 2020

24. Leases continued

(b) Operating lease arrangements

At 30 April 2019 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fell due as follows:

	2019 £'000
Land and buildings:	
Within one year	502
In the second to fifth year inclusive	1,669
After five years	4,614
	6,785
Other:	
Within one year	182
In the second to fifth year inclusive	378
	560
	7,345

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

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

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

	2019 £'000
Minimum lease payments under operating leases recognised as an expense in the year:	
Land and buildings	62

Operating lease charges for the year ended 30 April 2019 was £1,282,000.

25. Commitments

There was £Nil of capital commitments at 30 April 2020 (2019: £334,000).

26. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £2,209,000 (2019: £2,322,000) were charged to the Consolidated income statement. Contributions outstanding at 30 April 2020 were £317,907 (2019: £332,691).

27. Contingent liabilities

At 30 April 2020 the Group had in place bank guarantees of £3,600,000 (2019: £1,221,000) in respect of trading contracts. The Group is not aware of any conditions which would realise these contingent liabilities.

28. Related party transactions

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

	Management fees received from subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief received from subsidiaries £'000
2020	**2,728**	**7,200**	**220**
2019	2,246	10,111	235

During the year ended 30 April 2020, the Directors of Cohort plc received dividends from the Company as follows:

	2020 £	2019 £
S Carter	**859,384**	773,986
N Prest CBE	**196,252**	176,523
A Thomis	**15,417**	10,199
Sir Robert Walmsley	**2,835**	2,550
S Walther	**15,887**	9,245
J Perrin	**378**	340
	1,090,153	972,843

Notes to the financial statements continued
for the year ended 30 April 2020

28. Related party transactions continued

Further details of the remuneration of the Directors are set out in the Remuneration & Appointments Committee report (pages 57 to 66).

The aggregate remuneration (excluding share option costs) of the key management (2020: 12; 2019: 11) of the Group was as follows:

	2020 £	2019 £
Salary (including any allowances, benefits and employer's NIC)	**1,970,197**	1,831,941
Employer's pension contribution	**75,370**	48,866
	2,045,567	1,880,807

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

29. Acquisition of Chess Technologies Limited (Chess)

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

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

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

The goodwill of £2.9m (2019: £2.2m) arising from the acquisition represents customer contacts, supplier relationships and know-how, to which no certain value can be ascribed. None of the goodwill is expected to be deductible for tax purposes.

Under the sale and purchase agreement, up to a further £12.7m is payable to the shareholders of Chess as an earn-out based upon its trading performance over the three years ended 30 April 2021. Based upon the actual performance to 30 April 2020 and latest forecasts to 30 April 2021, this earn-out is estimated at £0.4m as at 30 April 2020 (2019: £1.15m).

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

This option is exercisable by 31 October 2021 and is capped at £9.1m. The amount payable is dependent upon the performance of the Chess business for the three years ended 30 April 2021.

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

In accordance with IFRS 3, the Group has ascribed a value to the option to acquire the non-controlling interest of Chess. This value is £3.60m (2019: £4.35m) and the option is shown as a non-current liability and, as the non-controlling interest has a right to dividends, in the other reserves as "option for acquiring non-controlling interest in Chess".

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

The values assigned to both the earn-out and option are estimates based upon Chess's actual performance for the years ended 30 April 2019 and 30 April 2020 plus the latest forecasts for the Chess business for the year ended 30 April 2021 as adopted by the Board. These estimates, which are considered to be significant unobservable inputs in accordance with IFRS 13, will be reviewed annually, based upon the actual performance of Chess and its latest forecast, and any adjustment necessary, made at that time. In accordance with IFRS 13 'Fair Value Measurement' this is a level 3 liability but has not been discounted as the effect is immaterial.

The Group has considered it not appropriate to apply a discount rate to these financial liabilities as the effect would be immaterial.

30. Costs in respect of the acquisition of Wärtsilä ELAC Nautik GmbH (ELAC)

The Group has incurred, including estimated costs, £950,000 in respect of acquiring ELAC. These costs have been reported as exceptional costs.

The acquisition of ELAC has not yet completed and is subject to German Federal Government approval. The acquisition is currently expected to complete on or before 30 September 2020.

The acquisition costs include £0.3m in respect of extending the Group's banking facility from £30m to £40m by activating an Accordion, the additional £10m to be used to acquire ELAC.

Accounting policies

Basis of accounting

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRSs). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 75 to 114. On publishing the parent company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements. The Company is a public company limited by shares.

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

Going concern

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

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

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

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report on pages 2 to 46 and included in the Risk management section on pages 32 to 37. The financial position of the Company, its cash flows, its liquidity position and its borrowing facilities are also described in the Strategic report on pages 2 to 46.

In addition, the Strategic report includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 30 April 2020. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see "Business combinations" below).

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

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

Transactions eliminated on consolidation

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

Adoption of new and revised standards

Various new and revised standards and interpretations have been adopted by the Group in the year ended 30 April 2020 which have had no significant impact on the amounts reported in these financial statements by the Group with the exception of IFRS 16 'Leases', the impact of which is shown in note 24.

Bank borrowings

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

Borrowing costs

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

Accounting policies continued

Business combinations

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

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss as an exceptional item.

The Group measures the non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquired business in the event of liquidation, at its proportionate interest in the recognised amount of the identifiable net assets of the acquired business at the acquisition date.

Where less than 100% of a subsidiary is acquired but the Group has effective control, that subsidiary is accounted for as if 100% were acquired with the non-controlling interest recognised appropriately.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Cash and cash equivalents

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

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise and are disclosed separately in deriving the Group's adjusted operating profit.

Equity instruments

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

Exceptional items

The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance, reported as the adjusted operating profit. Events which may give rise to the classification of items as exceptional, if of a significantly material value, include gains or losses on the disposal of a business or the restructuring of a business, transaction costs, litigation and similar settlements, asset impairments and onerous contracts.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Accounting policies continued

Foreign currencies

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

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

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

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

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

Goodwill

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Intangible assets

Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward. The intangible assets are written off over the estimated useful life of those particular assets. As discussed on page 55, the valuation of intangible assets is an area of critical judgement and estimate for the Directors.

Inventories

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

Accounting policies continued

Joint ventures

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

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

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

Leases (policy applicable from 1 May 2019)

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative standalone price and the aggregate standalone price of the non-lease components.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, to the extent that the right of use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and of short-term (less than 12 months) leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Pension contributions

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

Accounting policies continued

Property, plant and equipment

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

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

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

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

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

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

Provisions

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

Warranty

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

Other contract related provisions including contract loss provisions

These include the following:

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

Contract loss provisions are reviewed on a regular basis to determine whether the provision is still adequate or excessive. Contract loss provisions and subsequent adjustments to them are charged as cost of sales in the income statement.

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

Research and development expenditure

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

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

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

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

Revenue and profit recognition

The Group applies IFRS 15 'Revenue from Contracts with Customers'.

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Group to customers in exchange for consideration in the ordinary course of the Group's activities.

Performance obligations

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

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

Accounting policies continued

Transaction price

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

Whilst payment terms vary from contract to contract, on some of the Group's contracts, an element of the transaction price is received in advance of delivery. The Group therefore has contract liabilities disclosed as advance receipts (note 13). The Group's contracts are not considered to include significant financing components on the basis that there is no difference between the consideration and the cash selling price. UK Ministry of Defence contracting rules prohibit the inclusion of financing in the sales price.

Revenue and profit recognition

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

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

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

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

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

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

Software licences

The Group sells software licences either separately or together with other goods and services, including computer hardware and implementation, hosting and support. Revenue recognition in respect of software licences sold as part of a bundle of goods and services is considered separately when the licence is determined to be a separate performance obligation. Software licences either represent a right to access the Group's intellectual property as it exists throughout the licence period or a right to use the Group's intellectual property as it exists at the point in time at which the licence is granted. Revenue in respect of right to access licences is recognised over the licence term or, in relation to perpetual licences, over the related customer relationship and revenue in respect of right to use licences is recognised upfront on delivery to the customer.

A software licence is considered to be a right to access the Group's intellectual property as it exists throughout the licence period if all of the following criteria are satisfied:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property;
- the licence directly exposes the customer to the effects of those activities; and
- those activities do not result in the transfer of a good or service to the customer.

Contract modifications

The Group's contracts are often amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. prospectively, as an additional, separate contract;
2. prospectively, as a termination of the existing contract and creation of a new contract; or
3. as part of the original contract using a cumulative catch-up.

The majority of the Group's contract modifications are treated under either 1 (for example, the requirement for additional distinct goods or services) or 3 (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded, such as sales commission.

Costs to fulfil a contract

Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2 'Inventories'.

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

Share-based payments

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

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

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

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

Taxation

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

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

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

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

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

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

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

Trade and other receivables

Trade receivables are initially measured at fair value.

With the exception of derivative financial instruments (see above) all other trade and other receivables are reported at amortised cost.

The Group recognises provisions for doubtful debts on a credit loss basis taking into account the future anticipated credit losses based upon the creditworthiness of the end customer. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Where revenue recognised over time on a contract exceeds the value that has been invoiced, the excess is recognised as a contract asset and is included within trade and other receivables.

Accrued income is recognised on revenue recognised at a point in time where a delivery or service has been made and revenue can be recognised, but no invoice has been raised.

Accounting policies continued

Trade and other payables

Trade and other payables are initially measured at fair value.

With the exception of derivative financial instruments (see above) all other trade and other payables are reported at amortised cost.

Subsequent measurement is based on changes in the fair value and any changes recognised in the Consolidated income statement. To the extent that receipts from customers exceed relevant revenue, whether invoiced or a contract asset, then this is included as an advance receipt within trade and other payables.

Deferred income will arise on point in time contracts where customers have been invoiced, usually as a result of supplier costs incurred by the Group but where the service/delivery has been made.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The Directors have identified the following critical judgements and estimates in applying the Group's accounting policies that have the most significant impact on the amounts recognised in the financial statements.

1. Critical accounting judgements

Revenue recognition

Judgement is applied in whether to recognise revenue over time or at a point in time with respect to contracts and other sales agreements in place. This will make reference to the contractual arrangements on each contract and which revenue recognition method is most appropriate for that contract or sales agreement.

Recoverability of trade and other receivables

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

Fair values on acquisition

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

Acquisition of other intangible assets

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

Provisions

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

Research & development

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

Taxation

In accordance with IFRS IC 23 'Uncertainty over Income Tax Treatments' the Group currently takes a cautious approach to recognition of R&D tax credits for periods that are still open. As at 30 April 2020, a provision of £440,000 (2019: £234,000) was recognised against R&D tax credit claims made in the final and early build computations for 2018/19 and 2019/20. The Group considers this level of provision as not material.

2. Key sources of estimation uncertainty

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

Revenue and profit recognition

The judgement applied in recognising revenue on a contract over time as performance obligations are completed is in respect of the input costs incurred and the attributable margin. The latter is particularly a judgement in respect of estimating the cost to complete on a particular contract and the remaining risk and associated contingency. The Directors make use of monthly project (contract) control processes in each business within the Group to monitor and review cost to complete estimates and the utilisation or release of risk contingencies with each contract. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduces.

Incremental borrowing rate

In respect of the application of IFRS 16 'Leases', the incremental borrowing rate of the Group in respect of leases reported as right of use assets and lease liabilities has been estimated at 3.0%. This is based upon the Group's current secured borrowing rate from its banks and peer and market rates for such leasing arrangements.

Other

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

Standards and interpretations issued as at 22 July 2020 not applied to these financial statements

A number of other standard amendments and IFRS Interpretations Committee (IFRS IC) interpretations have been issued and are yet to be applied by the Group. These include: amendments to IFRS 3 'Business Combinations', amendments to IFRS 9, IAS 39 and IFRS 7 in respect of interest rate benchmark reform, amendments to IAS 1 and IAS 8 in respect of definition of material and Amendments to the References to the Conceptual Framework in IFRS standards.

Five-year record

	2020	2019	2018	2017	2016
Headline results (£'000)					
Revenue	**131,059**	121,182	110,547	112,994	111,827
Adjusted operating profit	**18,223**	16,164	15,225	14,399	11,722
Operating profit	**10,731**	5,944	10,262	873	5,066
Adjusted earnings per share (pence)					
Basic	**37.10**	33.60	29.08	27.71	26.77
Diluted	**36.73**	33.41	28.79	27.34	26.27
Statutory earnings per share (pence)					
Basic	**23.47**	13.37	18.95	8.87	18.48
Diluted	**23.24**	13.29	18.76	8.75	18.14
Dividend per share (pence)	**10.1**	9.1	8.2	7.1	6.0
Net operating cash flow (£'000)	**11,597**	8,635	13,220	659	6,718
Net (debt)/funds (£'000)	**(4,707)**	(6,424)	11,338	8,472	19,805
Order intake (£m)	**124.4**	189.9	76.6	108.6	94.8
Order book (£m)	**183.3**	190.9[1]	103.8	136.2[2]	116.8

1. The order book at 30 April 2019 is after including the acquired order book of Chess (£20.1m) on 12 December 2018.
2. The order book at 30 April 2017 is after including the acquired order book of EID (£23.1m) on 28 June 2016.

Glossary of terms

ASW	Anti-Submarine Warfare
C4IS	Command, control, communications, computers and information systems
C4ISTAR	Command, control, communications, computers, intelligence, surveillance, target acquisition and reconnaissance
C-UAS	Counter-unmanned aerial systems
C-UAV	Counter-unmanned Air Vehicle
DoD	United States Department of Defence
DSEI	Defence and Security Equipment International event
ECS	External communications system
EW	Electronic warfare
EWOS	Electronic warfare operational support
GHG	Greenhouse Gas
ISO	Intermodal shipping container
ISTAR	Intelligence, surveillance, target acquisition and reconnaissance
MOD	UK Ministry of Defence
NATO	North Atlantic Treaty Organisation
RAF	Royal Air Force
SAYE	Save as You Earn scheme
SECR	Streamlined Energy and Carbon Reporting
SIGINT	Signals intelligence
SIP	Share Incentive Plan
SSAFA	Soldiers, Sailors, Airmen and Families Association
STEM	Science, Technology, Engineering & Maths
s-UAV	Small Unmanned Air Vehicle
TLS	Torpedo Launcher System
UAV	Unmanned Air Vehicle
UGS	Unmanned Ground Systems
UGV	Unmanned Ground Vehicle

Please visit our subsidiary websites for more information on the products and services mentioned in this report:

Chess – chess-dynamics.com

EID – eid.pt

MASS – mass.co.uk

MCL – marlboroughcomms.com

SEA – sea.co.uk

Shareholder information, financial calendar and advisers

Advisers

Nominated adviser and broker

Investec
30 Gresham Street
London EC2V 7QP

Auditor

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

Tax advisers

Deloitte LLP
Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers

Shoosmiths LLP
Apex Plaza
Forbury Road
Reading RG1 1SH

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public and investor relations

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

Bankers

Lloyds Bank
The Atrium
Davidson House
Forbury Square
Reading RG1 3EU

NatWest Bank
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Shareholders' enquiries

If you have an enquiry about the Company's business, or about something affecting you as a shareholder (other than queries which are dealt with by the registrars), you should contact the Company Secretary by letter to the Company's registered office or by email to info@cohortplc.com.

Share register

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

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

Link Asset Services

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

Telephone: 0871 664 0300 (calls are charged at 12 pence per minute plus your phone provider's access charge). (From outside the UK: +44 371 664 0300; calls will be charged at the applicable international rate.) Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Email: shareholderenquiries@linkgroup.co.uk

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

Daily share price listings

The Financial Times – AIM, Aerospace and Defence

The Times – Engineering

The Daily Telegraph – AIM section

London Evening Standard – AIM section

Financial calendar

Annual General Meeting

15 September 2020

Final dividend payable

18 September 2020

Expected announcements of results for the year ending 30 April 2021

Preliminary half year announcement

December 2020

Preliminary full year announcement

July 2021

Registered office

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Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.

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Cohort plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Symbol Freelife Satin, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment. Vegetable-based inks have been used and 99% of dry waste is diverted from landfill. The printer is a CarbonNeutral® company.

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

Produced by
designportfolio

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