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COHORT PLC
THE INDEPENDENT TECHNOLOGY GROUP

28 July 2022

COHORT PLC
UNAUDITED PRELIMINARY RESULTS
FOR THE YEAR ENDED 30 APRIL 2022

Cohort plc today announces its unaudited results for the year ended 30 April 2022.

Highlights include:	**2022**	2021	**%**
• Revenue	**£137.8m**	£143.3m	***(4)***
• Adjusted operating profit[1]	**£15.5m**	£18.6m	***(17)***
• Adjusted earnings per share[1]	**31.08p**	33.63p	***(8)***
• Net funds	**£11.0m**	£2.5m	
• Order intake	**£186.4m**	£180.3m	***3***
• Order book (closing)	**£291.0m**	£242.4m	***20***
• Proposed final dividend per share	**8.35p**	7.60p	***10***
• Total dividend per share	**12.20p**	11.10p	***10***

Statutory	**2022**	2021	**%**
• Statutory profit before tax	**£10.2m**	£7.1m	***44***
• Basic earnings per share	**22.55p**	13.38p	***69***

- Trading performance in line with previous guidance
- Divisional overview:
  - MASS was the largest profit contributor and improved on last year
  - Another year of growth at MCL
  - Stronger result at SEA
  - Strong first full year contribution from ELAC, ahead of expectations
  - As expected, weaker result at EID
  - Disappointing performance at Chess, but 2022/23 has started better
- Net funds at £11m, as previously disclosed. Robust cash generation
- Strong order intake of £186.4m (2021: £180.3m)
- Total dividend increased by 10%

[1] Excludes exceptional items, amortisation of other intangible assets, research and development expenditure credits and non-trading exchange differences, including marking forward exchange contracts to market.

Looking forward:

- Record year end order book of £291.0m:
  - underpins nearly £128m of current year revenue, representing 78% (2021: 64%) of current consensus forecast for the year
  - Coverage has risen to 90% in early July 2022 following contract wins in first two months
- Performance for 2022/23 expected to be ahead of 2021/22
- Expect lower (but positive) net funds at 30 April 2023 as a result of planned capital expenditure and expansion of working capital

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

"Performance for 2021/22 was in line with our revised expectations, with robust cash generation, and a record closing order book with strong cover for the coming financial year.

"It is hard to predict the duration of the conflict in Ukraine and any direct benefit to the Group's short-term trading. In the longer term we believe a more sustained growth in defence budgets is likely, both in NATO and in other parts of the world where security threats remain.

"Overall, we continue to expect that our trading performance for 2022/23 will be ahead of that achieved for the year ended 30 April 2022.

"Our order book is not only growing in value, but its longevity continues to increase. We now have orders across the Group stretching out to 2030. We are optimistic that the Group will make further progress in 2023/24, based on current orders for long-term delivery and on our pipeline of opportunities."

A presentation for analysts is being hosted today 28 July 2022 at 9.15am for 9.30am online as follows:

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

Event Title: **Cohort Results**
Time Zone: **Dublin, Edinburgh, Lisbon, London**
Start Time/Date: **09:30 Thursday July 28, 2022**
Duration: **60 minutes**
Confirmation Code: **1829705**

WEBCAST:	https://stream.brrmedia.co.uk/broadcast/62d008d30485375c36e3de8c	
Conference Call Line:	**UK Participant (Tollfree/Freephone)**	**0800 279 6877**
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NOTES TO EDITORS

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

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

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

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

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

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

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

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

Chairman's statement

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

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

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

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

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

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

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

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

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

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

When we acquired Chess in December 2018, we agreed to pay further consideration depending on the performance of the business over the three years ended 30 April 2021. Our current best estimate is that the additional consideration payable, including earn-out, to take control of the whole of Chess in 2022 will now be £1.4m (2021: £2.8m), and we expect to pay this on or before 31 October 2022.

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

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

The Board is recommending a final dividend of 8.35 pence per ordinary share (2021: 7.60 pence), making a total dividend of 12.20 pence per ordinary share (2021: 11.10 pence) for the year, a 10% increase. The dividend has been increased every year since the Group's IPO in 2006. It will be payable on 4 October 2022 to shareholders on the register at 26 August 2022, subject to approval at the Annual General Meeting on 27 September 2022.

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

Our people

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

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

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

Governance and Board

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

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

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

Outlook

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

Geo-political and macro-economic trends

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

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

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

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

Encouraging outlook for Cohort

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

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

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

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

Nick Prest CBE
Chairman

Operations Review

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

Operating review

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

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

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

Travel and operational restrictions arising from the COVID-19 pandemic continued in the first half of the financial year, with international travel restrictions still in place in many regions, and this has affected some customer contact, and with that some order closure and pipeline building opportunities, but despite this the Group overall has performed well in winning new business. The Group’s record closing order book of £291m gives us order cover of just under £128m for 2022/23. Over the last two years, despite the effects of COVID-19, the Group secured orders of over £365m, materially growing and extending the duration of its order book.

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

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

As we signalled in December 2021, the Group’s adjusted operating profit fell by nearly 17% to £15.5m (2021: £18.6m) on revenue of £137.8m (2021: £143.3m), a net operating return of 11.2% (2021: 13.0%). This was primarily a result of the disappointing performance at Chess. The Group’s statutory operating profit of £11.1m (2021: £7.8m) reflects the amortisation of other intangible assets, a £6.9m non-cash charge in 2022 (2021: £10.1m charge). In this review, therefore, the focus is on the adjusted operating profit of each business, which we consider to be a more appropriate measure of performance year on year.

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

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

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

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

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

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

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

Our people

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

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

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

Operating strategy

Organic growth

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

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

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

- MASS benefits from an extremely high customer reputation, rare or unique technical capabilities and experience at building long-lasting customer relationships. Much of its revenue derives from long-term service contracts, and it aims gradually to add more of these building-blocks to its revenue stream.
- EID combines a low cost-base by international standards with access to Portugal's extremely strong technical education system. This has allowed it to develop high-performance low-cost defence communications products that can win business in a highly competitive marketplace.
- Chess makes use of its innovative engineers, customer-focused culture and freedom to source sensors from the best international providers to win business against more vertically-integrated larger competitors.
- SEA has used its close long-term relationship with the Royal Navy to build confidence with that important customer, which in turn creates a strong platform for export orders. It is also investing in new technologies where there is an opportunity to build a strong competitive position, for instance in lightweight towed-array sonars and, alongside Chess, trainable decoy launchers.
- MCL has a unique business model, combining a small but innovative engineering team with a wide range of international partnerships to provide highly specialised equipment and services to the UK armed forces and security services.
- ELAC, the newest member of the Group, has built on almost a century of hydro-acoustic knowledge to create a new architecture for sonar systems on a scale that only a few international providers can match. Its systems combine world-class performance with an ability for customers to tailor analysis techniques and data libraries to their own specific needs.

Our businesses have continued to be active in finding new customers, and 2022 has seen some notable successes for ELAC, MCL and, in particular SEA. Discussions with potential customers have opened up some major longer-term opportunities for all of our businesses.

Being part of the Cohort Group brings material advantages to our operating businesses. The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are well able to execute technically but which might otherwise be perceived as risky. Examples in the last year included the award of a €49m order to ELAC for sonar systems for the Italian Navy's new class of submarine and an initial development order for the Royal New Zealand Navy at SEA.

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

These strategies have generated long-term customer relationships and good opportunities that give us confidence that we can continue to win substantial new business in the year ahead. Recent examples include a renewal of MASS's support to the Joint Forces Command out to July 2024 and significant (£15m) orders for hearing protection systems at MCL. We also expect to conclude some key long-term supply and support orders for the Royal Navy and systems orders for export naval customers in the coming year.

Acquisitions

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

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

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

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

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

We acquired 81.84% of Chess in December 2018 for an initial consideration of just over £20.0m. The acquisition includes an earn-out clause and an option for acquiring the minority interest (18.16%), both based on Chess's performance for the three years ended 30 April 2021. The performance period for determining the value of the earn-out and option ended on 30 April 2021, and we now expect to pay £1.4m (2021: £2.8m) in total on or before 31 October 2022.

Maintain confidence

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

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

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

Andrew Thomis
Chief Executive

SUBSIDIARY Review

Chess

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

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

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

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

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

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

	2022	2021
	£m	£m
Revenue	**16.9**	28.6
Adjusted operating profit	**0.3**	3.0
Operating cash flow	**(5.8)**	(1.0)

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

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

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

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

Despite the dip in performance in 2021/22, Chess has continued to demonstrate what a good strategic fit it is for the Group. It is a leading supplier within its market and has a strong ethos of innovation and responsiveness. For instance, it is working closely with SEA on developing a new generation of decoy launcher.

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

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

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

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

SUBSIDIARY REVIEW

EID

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

EID changed its operational structure in May 2021, creating single engineering and business development teams to enable a more coordinated focus on product development and to addressing its markets. These changes have already seen progress in developing both its next generation naval communication system and a new soldier system, the latter resulting in the award of a major contract by the Portuguese Army during 2021/22.

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

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

	2022 **£m**	2021 £m
Revenue	**8.2**	20.9
Adjusted operating profit	**0.9**	4.8
Operating cash flow	**1.7**	5.4

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

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

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

EID's closing order book of £23m underpins over £11m of revenue for 2022/23, already greater than that achieved in 2021/22. At over 70% of revenue expectation for the year this order cover is much greater than at the same time last year, when it was below 50%.

SUBSIDIARY REVIEW

ELAC

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

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

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

	2022 **£m**	2021 (five months) £m
Revenue	**21.5**	8.3
Adjusted operating profit	**3.8**	1.2
Operating cash flow	**6.6**	0.4

ELAC's full year contribution was stronger than the annualised 2020/21 equivalent. Much of this growth was due to the Italian sonar contract.

In early July 2021, ELAC secured a contract for over £42m to provide sonar systems for two new U212 Near Future Submarines being supplied by Fincantieri for the Italian Navy. The contract also includes delivery of a special test and crew training system and associated technical services. This is expected to create a capability for the Italian Navy that is unmatched on a submarine of this class.

The contract stretches out to 2030 with the customer having the option for a further two submarines to be supplied with the same system. This project, which is the largest technical delivery contract the Group has ever won, has been overseen by a Programme Advisory Committee set up by Cohort and whose members have extensive knowledge and experience of operating, developing, and delivering submarine systems.

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

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

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

At the time of the acquisition ELAC had agreed in principle to supply another customer with submarine sonar systems, but this has not yet resulted in a finalised contract. A mechanism was agreed with the seller to alleviate some of the operational costs the business would have to bear if this opportunity was delayed or not secured. The cost recovery is payable over two years, with a maximum value of £2.1m if the opportunity is not secured by 1 December 2022. The current year trading performance of ELAC includes £1.1m in respect of this mechanism, which will contribute up to a further £0.5m in 2022/23.

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

SUBSIDIARY REVIEW

MASS

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

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

MASS operates through four divisions.

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

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

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

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

Established in 1983, MASS joined the Cohort Group in 2006. 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.

	2022 **£m**	2021 £m
Revenue	**38.5**	39.5
Adjusted operating profit	**9.1**	8.7
Operating cash flow	**9.9**	4.6

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

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

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

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

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

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

SUBSIDIARY REVIEW

MCL

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

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

The company's specialist C4IS portfolio includes a full suite of hearing protection equipment for vehicle mounted and dis-mounted operations, communication ancillaries including Antennas, while its ISTAR capabilities include signals intelligence, electronic warfare and UAV and UGV technologies. The company supplies customers including the UK MOD, other UK Government departments and defence prime contractors. With an expanding, expert workforce of nearly 40 employees, MCL is adept at identifying the latest technologies and capabilities to suit the unique demands of each customer it works with.

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

	2022 £m	2021 £m
Revenue	**21.7**	**18.0**
Adjusted operating profit	**2.2**	**2.1**
Operating cash flow	**0.6**	**4.3**

MCL grew in 2021/22 with revenue and adjusted operating profit up by 21% and 5% respectively. MCL had a very strong year of order intake, including over £15m of hearing protection orders.

MCL's deliveries in 2021/22 included the autonomous ground vehicles ordered in 2020/21, as well as hearing protection systems for the army offsetting lower systems deliveries for Royal Navy submarines, the latter now entering a period of long-term support.

When we acquired MCL, back in July 2014, one of the primary objectives was to support it in building an order book and business with greater longevity and visibility. This year saw the order book increase from £12.4m (April 2021) to £22.5m (April 2022) which underpins 80% of its revenue expectations for the coming year. The visibility of MCL's revenue still remains, on average, in the three to six-month range, MCL does see some substantial opportunities in long-term UK naval support programmes, particularly on the new planned frigates for the Royal Navy. Success in these would enable MCL to improve its revenue visibility significantly.

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

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

SUBSIDIARY REVIEW

SEA

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

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

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

SEA manages its business through three divisions:

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

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

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

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

	2022	2021
	£m	£m
Revenue	**31.0**	28.0
Adjusted operating profit	**3.4**	2.4
Operating cash flow	**5.7**	9.8

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

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

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

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

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

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

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

SEA's transport business saw a 5% rise in revenue with a return to pre-COVID19 activity levels. The new Clean Air Zone for Bristol provided both order intake and revenue in year.

Over the past few years, the decline in submarine systems work has resulted in a higher proportion of revenue being derived from less predictable orders. For instance, SEA's transport contracts are typically on short timeframes from win to delivery, usually a few weeks to months. SEA has won nearly £100m of orders in the last two years. This has provided SEA with improved short and long-term visibility, including a number of export contracts for its Torpedo Launch systems. The closing order book of over £75m underpins just over £27m of revenue expectations for 2022/23. SEA's position for UK submarine communication systems and key defence systems for the Royal Navy's surface fleet provide very good prospects for the coming and future years in securing long-term support and delivery orders, some of which will stretch into the early 2030s. SEA secured its first significant orders for the new Dreadnought class of submarine in 2021/22. We also expect follow on orders for some of its key export contracts.

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

FINANCIAL REVIEW

Revenue analysis

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

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

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

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

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

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

Revenue by sector and business

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

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

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

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

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

	Year ended 30 April 2022		Year ended 30 April 2021	
	£m	**%**	£m	%
By market segment				
Combat systems	**19.0**	**14**	22.0	16
C4ISTAR	**75.0**	**54**	79.0	55
Digital Services	**14.0**	**10**	14.5	10
Training and simulation	**9.6**	**7**	9.5	7
Research, advice and support	**7.5**	**6**	7.4	5
Other	**1.5**	**1**	1.6	1

Total defence and security revenue	**126.6**	**92**	134.0	94

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

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

Operational outlook

Order intake and order book

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

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

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

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

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

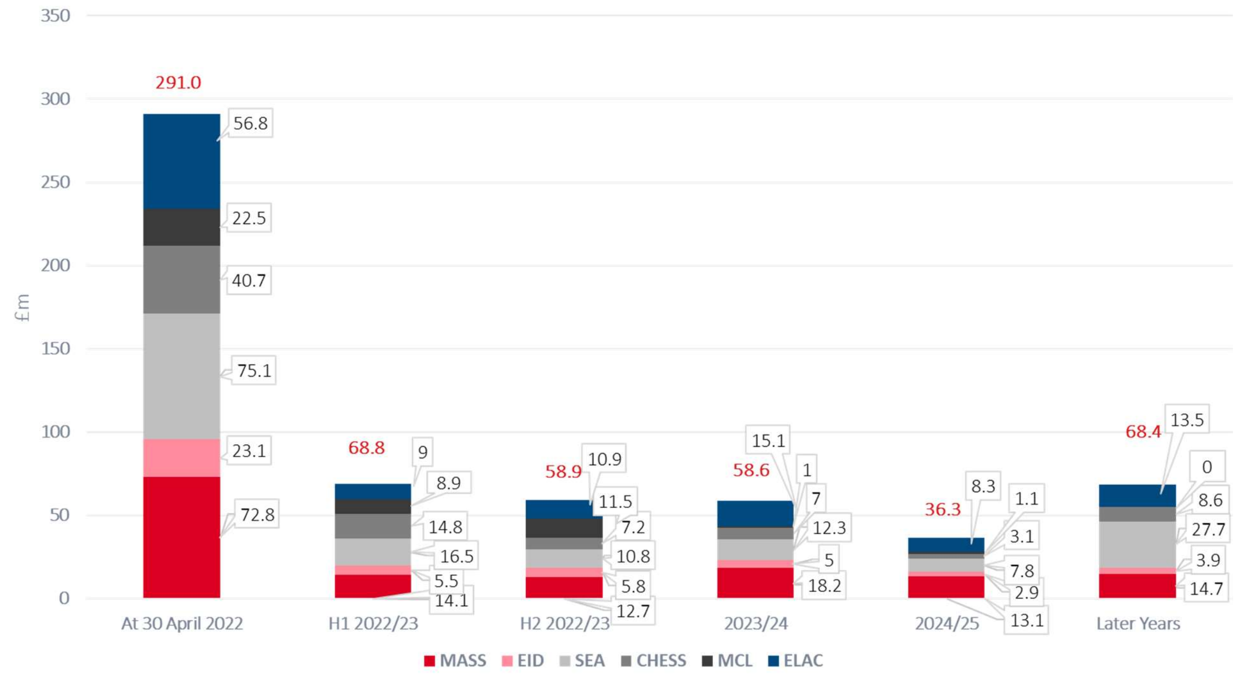
The table below shows the expected delivery of future revenue from the current order book. The Group's order intake and order book are the contracted values with customers and do not include any value attributable to frameworks or other arrangements where no enforceable contract exists. The order intake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

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

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

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

Delivery of the Group's order book into revenue



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

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

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

A significant proportion of Cohort's business will continue to be derived from the UK MOD, either directly or indirectly. The UK Government presented its latest Strategic Defence and Security Review in early 2021. The Review gave high priority to a number of current and future capabilities where the Group's offerings are strong, including submarines, special forces, cyber and secure communications, and from which we derived revenue of £33.6m this year (2021: £40.8m). The decrease was due to a hiatus in some of MCL's deliveries for Hearing Protection, orders for which significantly picked up in 2021/22. The UK Government followed up the review with a unique four-year spending commitment for UK defence which included an additional £16bn of spending up to March 2025, an increase of over 10% over the previous defence spending plans for the same period. The invasion of Ukraine by Russia and the concerted response by NATO has resulted in a reinforced focus on defence and may drive NATO members' defence spending levels to achieve the agreed minimum level of 2.0% of GDP. The UK has set its objective of achieving 2.5% by 2030 which would add around £55bn to UK defence spending over the next eight years.

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

Funding resource and policy

At 30 April 2022, the Group's cash and readily available credit was £51.1m (2021: £42.6m). A very high proportion of our ultimate customers are governments or government agencies, with a clear need to invest in defence and security. The international and domestic security environment still calls for greater resources to be devoted to defence and counterterrorism in the UK and many other countries, especially in the light of recent events in Ukraine. As already mentioned, 78% of our revenue (based on consensus analyst forecasts) for 2022/23 was on contract at 30 April 2022 providing further assurance, and this has since increased to 90%. The Board considers the Group to be a going concern.

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to its cash resources, the Group has in issue 41.2m ordinary shares of 10 pence each. Of these shares 0.7m (2021: 0.2m) are owned by the Cohort plc Employee Benefit Trust (EBT), which waives its rights to dividends. In addition, the Group has issued options over ordinary shares through Key Employee Share Option and SAYE schemes to the level of 1.8m at 30 April 2022 (2021: 1.7m).

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

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

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

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

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

The Group has maintained its progressive dividend policy, increasing its dividend this year by 10% to a total dividend paid and payable of 12.20 pence per share (2021: 11.10 pence).

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

	Dividend Pence	Growth over previous year %	Earnings cover (based upon adjusted earnings per share)	Cash cover (based upon net cash inflow from operations)

2022	**12.2**	**10**	**2.6**	**3.9**
2021	11.1	10	3.0	3.6
2020	10.1	11	3.7	2.8
2019	9.1	11	3.8	2.3
2018	8.2	15	3.5	4.0
2017	7.1	18	3.9	0.2

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

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

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

The higher cash outflow in tax, and dividends, etc. was mostly due to a net investment in own shares of £2.6m, £2.0m higher than last year. Looking forward, we retain the flexibility to use newly issued shares as well as EBT shares to satisfy employee share options.

The Group's customer base of governments, major prime contractors and international agencies makes its debtor risk low. The year-end debtor days in sales were 44 days (2021: 38 days). This calculation is based upon dividing the revenue by month, working backwards from April, into the trade debtors balance (excluding revenue recognised not invoiced) at the year end. This is a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year. The increase has been mostly at Chess and is a result of very high revenue in the final quarter and not receiving payments until the early part of 2022/23.

Tax

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

The Group's overall tax rate was below the standard corporation tax rate of 19.00% (2021: 19.00%). The decrease is due to the lower contribution of taxable profits from Portugal (at 22.0%) and an R&D credit recognised in Portugal (2021: no R&D credit) partly offset by a higher contribution from Germany (at 31.7%). The Group continues to take a prudent approach to the potential outcomes of a tax audit in Portugal and R&D credits recognised in the UK.

The Group has reported research and development expenditure credits (RDEC) for the UK in accordance with IAS 20 and shown the credit of £1,004,000 (2021: £1,029,000) in cost of sales and adjusted the tax charge accordingly. The RDEC has been reversed in reporting the adjusted operating profit for the Group to ensure comparability of operating performance year on year.

Looking forward, the Group's effective current tax rate (excluding the impact of RDEC reporting) for 2022/23 is estimated at 18.0% compared with 13.5% of the pre-RDEC adjusted operating profit less interest for 2021/22. This rate going forward reflects a combination of lower Portuguese derived profits and higher German profits as well as rising UK rates (to 25%) in late 2022/23. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2020/21 and 2021/22.

Exceptional items

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

Adjusted earnings per share

The adjusted earnings per share (EPS) of 31.08 pence (2021: 33.63 pence) are reported in addition to the basic earnings per share and excludes the effect of exceptional items, amortisation of intangible assets and exchange movement on marking forward exchange contracts to market, all net of tax.

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

The reconciliation is as follows:

	Adjusted operating	Adjusted earnings

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

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

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

UNAUDITED CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2022

	Notes	2022 £'000	2021 £'000
Revenue	2	**137,765**	143,308
Cost of sales		**(81,160)**	(89,951)
Gross profit		**56,605**	53,357
Administrative expenses		**(45,515)**	(45,549)
Operating profit		**11,090**	7,808
Comprising:			
Adjusted operating profit	2	**15,525**	18,609
Amortisation of other intangible assets (included in administrative expenses)		**(6,865)**	(10,103)
Research and development expenditure credits (RDEC) (included in cost of sales)		**1,004**	1,029
Credit/(charge) on marking forward exchange contracts to market value at the yearend (included in cost of sales)		**716**	(410)
Exceptional items (included in administrative expenses)			
Cost of acquisition of ELAC		**—**	(106)
Cost of acquisition of JSK		**(70)**	—
Gain on the acquisition of JSK		**342**	—
Adjustment to earn-out on acquisition of Chess		**438**	(38)
Cost of restructuring at SEA		**—**	(651)
Loss on disposal of SEA's subsea business		**—**	(522)
	2	**11,090**	**7,808**
Finance income		**6**	17
Finance costs		**(868)**	(768)
Profit before tax		**10,228**	7,057
Income tax charge	3	**(1,541)**	(1,554)
Profit for the year		**8,687**	5,503
Attributable to:			
Equity shareholders of the parent		**9,202**	5,463
Non-controlling interests		**(515)**	40
		8,687	5,503

All profit for the year is derived from continuing operations.

	Notes	Pence	Pence
Earnings per share			
Basic	4	**22.55**	**13.38**
Diluted	4	**22.42**	**13.24**
Adjusted earnings per share			
Basic	4	**31.08**	**33.63**
Diluted	4	**30.90**	**33.29**
Dividends per share paid and proposed in respect of the year			
Interim	5	**3.85**	**3.50**
Final	5	**8.35**	**7.60**
	5	**12.20**	**11.10**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Goodwill		**50,145**	43,663
Other intangible assets		**9,641**	15,093
Right of use asset		**9,615**	7,076
Property, plant and equipment		**12,310**	12,536
Deferred tax asset		**1,361**	600
		83,072	78,968
Current assets			
Inventories		**22,777**	12,892
Trade and other receivables		**56,161**	66,692
Derivative financial instruments		**793**	38
Cash and cash equivalents		**40,367**	32,294
		120,098	111,916
Total assets		**203,170**	190,884
Liabilities			
Current liabilities			
Trade and other payables		**(53,985)**	(50,326)
Derivative financial instruments		**(861)**	(679)
Lease liability		**(1,515)**	(1,571)
Bank borrowings		**(29,362)**	(50)
Provisions		**(8,878)**	(2,786)
Other payables	7	**(1,400)**	(2,800)
		(96,001)	(58,212)
Non-current liabilities			
Deferred tax liability		**(1,353)**	(2,735)
Lease liability		**(8,631)**	(5,984)
Bank borrowings		**(8)**	(29,780)
Provisions		**(1,139)**	(1,140)
Retirement benefit obligations		**(6,848)**	(7,982)
		(17,979)	(47,621)
Total liabilities		**(113,980)**	(105,833)
Net assets		**89,190**	85,051
Equity			
Share capital		**4,121**	4,104
Share premium account		**30,527**	29,956
Own shares		**(3,346)**	(1,068)
Share option reserve		**1,000**	923
Other reserves		**(1,400)**	(2,362)
Retained earnings		**53,068**	47,760
Total equity attributable to the equity shareholders of the parent		**83,970**	79,313
Non-controlling interests		**5,220**	5,738
Total equity		**89,190**	85,051

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 April 2022

	Attributable to the equity shareholders of the parent								
Group	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 May 2020	4,096	29,657	(1,564)	846	(3,600)	46,108	75,543	6,246	81,789
Profit for the year	—	—	—	—	—	5,463	5,463	40	5,503
Other comprehensive income for the year	—	—	—	—	—	153	153	206	359
Total comprehensive income for the year	—	—	—	—	—	5,616	5,616	246	5,862
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Issue of new shares	8	299	—	—	—	—	307	—	307
Equity dividends	—	—	—	—	—	(4,247)	(4,247)	—	(4,247)
Dividend from subsidiary with non-controlling interest	—	—	—	—	—	754	754	(754)	—
Vesting of Restricted Shares	—	—	—	—	—	290	290	—	290
Own shares purchased	—	—	(1,418)	—	—	—	(1,418)	—	(1,418)
Own shares sold	—	—	821	—	—	—	821	—	821
Net loss on selling own shares	—	—	1,093	—	—	(1,093)	—	—	—
Share-based payments	—	—	—	406	—	—	406	—	406
Deferred tax adjustment in respect of share-based payments	—	—	—	3	—	—	3	—	3
Transfer of share option reserve on vesting of options	—	—	—	(332)	—	332	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,238	—	1,238	—	1,238
At 30 April 2021	**4,104**	**29,956**	**(1,068)**	**923**	**(2,362)**	**47,760**	**79,313**	**5,738**	**85,051**
Profit for the year	—	—	—	—	—	9,202	9,202	(515)	8,687
Other comprehensive income for the year	—	—	—	—	—	583	583	(3)	580
Total comprehensive income for the year	—	—	—	—	—	9,785	9,785	(518)	9,267
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Issue of new shares	17	571	—	—	—	—	588	—	588
Equity dividends	—	—	—	—	—	(4,684)	(4,684)	—	(4,684)
Vesting of Restricted Shares	—	—	—	—	—	279	279	—	279
Own shares purchased	—	—	(2,923)	—	—	—	(2,923)	—	(2,923)
Own shares sold	—	—	282	—	—	—	282	—	282
Net loss on selling own shares	—	—	363	—	—	(363)	—	—	—
Share-based payments	—	—	—	572	—	—	572	—	572
Deferred tax adjustment in respect of share-based payments	—	—	—	(204)	—	—	(204)	—	(204)
Transfer of share option reserve on vesting of options	—	—	—	(291)	—	291	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	962	—	962	—	962
At 30 April 2022	**4,121**	**30,527**	**(3,346)**	**1,000**	**(1,400)**	**53,068**	**83,970**	**5,220**	**89,190**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 April 2022

	Notes	Group 2022 £'000	Group 2021 £'000
Net cash from operating activities	6	**19,525**	16,216
Cash flow from investing activities			
Interest received		**6**	17
Purchases of property, plant and equipment		**(2,005)**	(1,247)
Acquisition of ELAC Sonar (net of cash acquired)		**—**	(1,311)
Acquisition of JSK (50%)	9	**(372)**	—
Net cash used in investing activities		**(2,371)**	(2,541)
Cash flow from financing activities			
Issue of new shares		**588**	307
Dividends paid	5	**(4,684)**	(4,247)
Purchase of own shares		**(2,923)**	(1,418)
Sale of own shares		**282**	821
Drawdown of borrowings		**—**	12,110
Repayment of borrowings		**(50)**	(7,180)
Repayment of lease liabilities		**(1,916)**	(1,948)
Net cash used in financing activities		**(8,703)**	(1,555)
Net increase in cash and cash equivalents		**8,451**	12,120
Represented by:			
Cash and cash equivalents and short-term borrowings brought forward		**32,294**	20,567
Cash flow		**8,451**	12,120
Exchange		**(378)**	(393)
Cash and cash equivalents and short-term borrowings carried forward		**40,367**	32,294

	At 30 April 2021 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	**At 30 April 2022 £'000**
Net funds reconciliation				
Group				
Cash and bank	32,294	(378)	8,451	**40,367**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	32,294	(378)	8,451	**40,367**
Loan	(29,742)	410	—	**(29,332)**
Finance lease	(88)	—	50	**(38)**
Debt	(29,830)	410	50	**(29,370)**
Net funds	2,464	32	8,501	**10,997**

NOTES TO THE PRELIMINARY RESULTS ANNOUNCEMENT

1. **BASIS OF PREPARATION**

The unaudited summary financial information contained within this preliminary report has been prepared using accounting policies consistent with UK Adopted International Accounting Standards. The financial information contained in this announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The results for the year ended 30 April 2022 are unaudited. The financial statements for the year ended 30 April 2022 will be finalised on the basis of the financial information presented by the Board of Directors in this preliminary announcement and will be delivered to the Registrar of Companies after the Annual General Meeting. The financial statements are subject to completion of the audit and may also change should a significant adjusting event occur before the approval of the statutory accounts.

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

The comparative figures for the financial year ended 30 April 2021 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was:

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

At 30 April 2022, the Group's cash and readily available credit was £51.1m (2021: £42.6m). A very high proportion of our ultimate customers are governments or government agencies, with a clear need to invest in defence and security. The international and domestic security environment still calls for greater resources to be devoted to defence and counterterrorism in the UK and many other countries, especially in the light of recent events in Ukraine. As already mentioned, 78% of our revenue (based on consensus analyst forecasts) for 2022/23 was on contract at 30 April 2022 providing further assurance, and this has since increased to 90%.

As announced on 19 July 2022, the Group has renewed its bank facility, increasing it from £40m to £50m and extending it to July 2025 from November 2022. The new facility has options to extend it until July 2027.

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

The preliminary announcement was approved by the Board and authorised for issue on 28 July 2022.

Copies of the Annual Report and accounts for the year ended 30 April 2022 will be posted to shareholders on 26 August 2022 and will be available on the Company's website (www.cohortplc.com) from that date.

2. **SEGMENTAL ANALYSIS OF REVENUE AND OPERATING PROFIT**

	Year ended 30 April 2022 £000	Year ended 30 April 2021 £000
Revenue		
Chess	**16,905**	28,641
EID	**8,219**	20,952
ELAC	**21,518**	8,290
MASS	**38,405**	39,487
MCL	**21,745**	17,980
SEA	**30,973**	27,958
	137,765	143,308
Adjusted Operating Profit		
Chess	**314**	3,018
EID	**860**	4,834
ELAC	**3,770**	1,173
MASS	**9,138**	8,742
MCL	**2,255**	2,071
SEA	**3,385**	2,353
Central costs	**(4,197)**	(3,582)
	15,525	18,609
Amortisation of other intangible assets	**(6,865)**	(10,103)
Research and development expenditure credit (RDEC)	**1,004**	1,029
Credit/(charge) on marking forward exchange contracts to market value at the year end	**716**	(410)
Exceptional items:		
Cost of acquisition of ELAC	**—**	(106)
Costs of acquisition of JSK (50%)	**(70)**	—
Gain on acquisition of JSK (50%)	**342**	—
Adjustment to earn-out on acquisition of Chess	**438**	(38)
Disposal of SEA's Subsea business	**—**	(522)
Cost of restructuring at SEA	**—**	(651)
Operating Profit	**11,090**	7,808

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

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

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

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

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

3. TAX CHARGE

	Year ended 30 April 2022 £000	Year ended 30 April 2021 £000
UK corporation tax: in respect of this year	**3,112**	2,833
UK corporation tax: in respect of prior years	**(373)**	(550)
German corporation tax: in respect of this year	**(40)**	304
German corporation tax: in respect of prior years	**82**	—
Portugal corporation tax: in respect of this year	**(491)**	1,117
Portugal corporation tax: in respect of prior years	**(9)**	240
Other foreign corporation tax: in respect of this year	**(4)**	—
	2,277	3,944
Deferred tax: in respect of this year	**(733)**	(2,498)
Deferred tax: in respect of prior years	**(3)**	108
	(736)	(2,390)
	1,541	1,554

The current year corporation tax charge (2021: charge) includes £nil (2021: £142,000 credit) in respect of exceptional items and the current year deferred tax credit includes a credit of £1,541,000 (2021: credit of £2,374,000) in respect of the amortisation of other intangible assets and a current year charge of £136,000 (2021: £78,000 credit) in respect of marking forward exchange contracts to market value at the year end.

4. EARNINGS PER SHARE

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

	Year ended 30 April 2022 £000	Year ended 30 April 2021 £000
Earnings		
Basic and diluted earnings	**9,202**	5,463
Amortisation of other intangible assets (net of tax of £1,541,000; 2021: £2,374,000)	**4,772**	6,763
(Credit)/charge on non-trading foreign exchange movements (net of tax charge of £136,000 (2021: credit of £78,000)	**(580)**	332
Cost of acquisition of ELAC (2021: net of tax credit of £6,000)	**—**	100
Cost of acquisition of JSK (nil tax)	**70**	—
Gain on acquisition of JSK (nil tax)	**(342)**	—
Adjustment to earn-out on acquisition of Chess (nil tax)	**(438)**	38
Loss on disposal of SEA's Subsea business (net of tax credit of £12,000)	**—**	510
Cost of restructuring at SEA (net of tax credit of £124,000)	**—**	527
Adjusted basic and diluted earnings	**12,684**	13,733

The adjustment for the amortisation of intangible assets in respect of EID and Chess for the year ended 30 April 2022 and 2021 reflects the interests of the equity holders of the parent only and excludes the proportion allocated to the non-controlling interest in each year.

	Year ended 30 April 2022 Number	Year ended 30 April 2021 Number
Weighted average number of shares		
For the purposes of basic earnings per share	**40,813,569**	40,841,923
Share options	**230,101**	413,249
For the purposes of diluted earnings per share	**41,043,670**	41,255,172

	Year ended 30 April 2022 Pence	Year ended 30 April 2021 Pence
Earnings per share		
Basic	**22.55**	13.38
Diluted	**22.42**	13.24
Adjusted earnings per share		
Basic	**31.08**	33.63
Diluted	**30.90**	33.29

5. **DIVIDENDS**

The proposed final dividend for the year ended 30 April 2022 is 8.35 pence (2021: 7.60 pence) per ordinary share. This dividend will be payable on 4 October 2022 to shareholders on the register at 26 August 2022 subject to approval by shareholders at the AGM on 27 September 2022.

The total paid and proposed dividend for the year ended 30 April 2022 is 12.20 pence per ordinary share; a cost of £5,001,000 (2021: 11.10 pence per ordinary share; cost of £4,538,000).

The charge for the year ended 30 April 2022 of £4,684,000 is the final dividend for the year ended 30 April 2021 paid (£3,106,000) and the interim dividend for the year ended 30 April 2022 paid (£1,578,000).

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

	Year ended 30 April 2022 £000	Year ended 30 April 2021 £000
Profit for the year	**8,687**	5,503
Adjustments for:		
Tax charge	**1,541**	1,554
Depreciation of property, plant and equipment	**2,209**	1,957
Depreciation of right of use assets	**1,684**	1,510
Amortisation of goodwill and other intangible assets	**6,865**	10,103
Net finance expense	**862**	751
Share-based payment	**572**	406
Derivative financial instruments and other non-trading exchange movements	**(716)**	410
Increase/(decrease) in provisions	**102**	(1,269)
Operating cash inflows before movements in working capital	**21,806**	20,925
(Increase)/decrease in inventories	**(9,885)**	576
Decrease/(increase) in receivables	**10,530**	(13,138)
Increase in payables	**22**	12,565
	667	3
Cash generated by operations	**22,473**	20,928
Tax paid	**(2,081)**	(3,944)
Interest paid	**(867)**	(768)
Net cash generated from operating activities	**19,525**	16,216

Interest paid includes the interest element of lease liabilities under IFRS 16 of £251,000 (2021: £237,000).

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

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

The Group expects to acquire the remaining shares (18.16%) on or before 31 October 2022 for a total consideration of £1.4m (2021: £2.8m).

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

As announced on 3 December 2020, the Group completed the acquisition of 100% of ELAC Sonar (ELAC).

The acquisition, including provisional fair values, was initially reported in the Annual Report and Accounts 2021. On reporting at that time, certain provisional fair values were estimates. These have now been reviewed subsequent to the acquisition and final fair value figures reflect the following changes:

- Provisions: the provisional fair value of £2.6m has been increased by £5.8m to £8.4m to reflect additional risk associated with projects and commitments acquired with the business at 2 December 2020.
- Corporation tax: the provisional fair value, a liability of £0.5m has been increased by £2.2m to £2.7m to reflect the actual tax liability of the ELAC business prior to its acquisition.
- A deferred tax asset of £1.5m had been previously recognised as a provisional fair value adjustment in respect of stock and other trading provision adjustments as at 30 April 2021. At that time, 30 April 2021, the deferred tax asset was netted against the deferred tax liability of £3.8m arising on the other intangible assets recognised. This deferred tax asset has been increased to £3.3m by recognition of a deferred tax asset of £1.8m on the additional provision recognised above of £5.8m. The deferred tax asset is considered recoverable.

These additional risks and liabilities, although uncertain at the time, were considered in determining the consideration paid for ELAC.

The effect of these three adjustments on the final fair value is to increase the goodwill arising on acquisition by £6.2m to £7.7m.

9. **ACQUISTION OF JSK**

SEA acquired the remaining 50% of its joint venture in JSK, based in Canada for a net £0.4m and recognised a goodwill balance of £0.3m.

10. **CHANGES IN ACCOUNTING POLICIES**

There were no significant changes in accounting policies for the year ended 30 April 2022.