One Waterside Drive
Arlington Business Park
Reading
Berks
RG7 4SW

COHORT PLC
THE INDEPENDENT TECHNOLOGY GROUP

19 July 2023

COHORT PLC
UNAUDITED PRELIMINARY RESULTS
FOR THE YEAR ENDED 30 APRIL 2023

Record operating profit, revenue and order book. Further progress expected.

Cohort plc today announces its unaudited results for the year ended 30 April 2023.

	2023	2022	**%**
Revenue	**£182.7m**	£137.8m	***33***
Adjusted operating profit[1]	**£19.1m**	£15.5m	***23***
Adjusted earnings per share[1]	**36.48p**	31.08p	***17***
Net funds[2]	**£15.6m**	£11.0m	***42***
Order intake	**£220.9m**	£186.4m	***19***
Order book (closing)	**£329.1m**	£291.0m	***13***
Proposed final dividend per share	**9.15p**	8.35p	***10***
Total dividend per share	**13.40p**	12.20p	***10***
Statutory	**2023**	2022	**%**
Statutory profit before tax	**£13.9m**	£10.2m	***36***
Basic earnings per share	**27.92p**	22.55p	***24***

Highlights include:

- Record adjusted operating profit of £19.1m (2022: £15.5m) on record revenue of £182.7m (2022: £137.8m)
- Growth in both reporting divisions:
    - Especially strong performance from within the Communications and Intelligence division, driven by significant uplift in UK MOD activity at MCL.
    - Improved performance within Sensors and Effectors, with Chess delivering better operational performance.
- Net funds higher than market expectations at £15.6m (2022: £11.0m) with continuing robust cash generation.
- Dividend increased by 10%; the dividend has been increased every year since the Group's IPO in 2006.

[1] Excludes exceptional items, amortisation of other intangible assets, research and development expenditure credits and non-trading exchange differences, including marking forward exchange contracts to market.
[2]Excludes IFRS 16 lease liabilities.

Looking forward:
- Strong order intake of £220.9m (2022: £186.4m) leading to a record closing order book of £329.1m (2022: £291.0m)
- Underpins a record 80% of current market revenue expectations for 2023/24 (78% equivalent figure for 2022/23).
- Encouraging start to the 2023/24 financial year. Expectations for the full year unchanged.

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

"This was a record performance for Cohort, which came in slightly above market expectations, with robust cash generation and a record closing order book giving us strong revenue cover for the coming financial year.

Our order book is not only growing in value, but its longevity continues to increase and we now have orders across the Group stretching out to 2032. We have good prospects to secure further long-term orders for our naval systems and support work, including from the UK MOD, Portugal and in export markets, as recently exemplified by the £26m order announced 9 May 2023 and a first order for our KDS anti-submarine system of over £7m announced on 30 May 2023.

The order book underpins more than £140m (80%) of 2023/24 revenue expectations (2022: £128m). Following order wins since the start of the financial year of over £60m, that cover now stands at just over 90%.

We continue to expect that our trading performance for 2023/24 will be ahead of that achieved for the year ended 30 April 2023. 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 the medium to longer term, based on current orders for long-term delivery, our continued investment in the businesses and on our pipeline of opportunities."

A meeting is being held today 19 July 2023 for analysts, hosted by Andy Thomis, Chief Executive, and Simon Walther, Finance Director, from 09.00am for a 09:30am start. Please contact MHP via cohort@mhpgroup.com if you wish to attend.

For those unable to attend in person, there will be a recording of the presentation available on Cohort's website after the meeting: https://www.cohortplc.com/investors/results-reports-presentations

Investor Presentation
Chief Executive, Andy Thomis, and Finance Director, Simon Walther, will present these results to investors by webinar on Friday, 21st July at 11am. Registration is free and questions can be submitted during the presentation which will, if possible, be addressed at the end of it. A recording will also be made available afterwards.

To attend the event, please register at https://us06web.zoom.us/webinar/register/WN_giONcRAoQaavPuq0Q4HW9A

For further information please contact:

Cohort plc Andy Thomis, Chief Executive Simon Walther, Finance Director Emily McBride, Head of Corporate Communications	0118 909 0390
Investec Bank Plc (NOMAD and Broker) Carlton Nelson, Christopher Baird	020 7597 5970
MHP Reg Hoare, Ollie Hoare, Hugo Harris	020 3128 8276 cohort@mhpgroup.com

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.

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 1,100 core staff there and at its other operating company sites across the UK, Germany, and Portugal.

The Group is split into two divisions - Communications and Intelligence, and Sensors and Effectors:

Communications and Intelligence

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

Sensors and Effectors

- Chess Dynamics offers surveillance, tracking and fire-control systems to the defence and security markets. Chess has been part of the Group since December 2018. www.chess-dynamics.com
- 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
- 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. https://www.sea.co.uk/

Chairman's statement

"Record performance, slightly above expectations, robust cash, and a record closing order book with strong revenue cover for the coming financial year."

Performance
The Group achieved a record adjusted operating profit of £19.1m (2022: £15.5m) on record revenue of £182.7m (2022: £137.8m), a result that slightly exceeded market expectations. Compared to 2021/22, significant improvements in performance were seen in both reporting divisions.

The Group had another strong year of order intake, winning £220.9m of orders (2022: £186.4m), resulting in a record closing order book of £329.1m (2022: £291.0m). Our order book now stretches out to 2032 and we expect to extend that further in the coming year.

Our Communications and Intelligence division had a strong year, delivering a 21% increase in trading performance on 26% revenue growth and an operating margin of 17.3% (2022: 17.9%). Sales to UK MOD offset a weaker performance at our Portuguese business, EID, which made a marginal trading loss, a result of continuing weak performance in Portugal due to continuing delays to new programmes, particularly with the Portuguese Navy. We now expect these orders to be placed in 2023/24. Most of the improvement in this division arose at MCL from high demand for hearing protection, communication equipment and drones from the UK MOD. We also saw good order intake with MASS securing several order extensions with its UK MOD customers, continuing work it has been undertaking for many years.

The Sensors and Effectors division also saw an improved performance. Adjusted operating profit was up 25% on 39% higher revenue, producing an operating margin of 9.7% (2022: 10.8%). The strong order intake in the last financial year, especially for naval systems and support, was a significant factor in the improvement. This included an improved result at Chess where a much better financial performance was achieved alongside resolving the remaining project issues. ELAC continues to make progress on its project to provide a world-leading sonar solution to the Italian Navy's new submarines. At present we are trading this contract at a low margin whilst moving through the design phase. We expect to begin production in the coming financial year.

The impact of COVID-19 has now largely dissipated, although we continue to face higher prices in some of our supply chains. Face-to-face meetings, including exhibitions and engagement with customers, have largely returned to pre-pandemic levels.

The Group's statutory operating profit of £15.3m (2022: £11.1m) is stated after recognising amortisation of intangible assets of £3.7m (2022: £6.9m), no exceptional items (2022: £0.7m income) and research and development expenditure credits of £0.9m (2022: £1.0m). Profit before tax was £13.9m (2022: £10.2m) and profit after tax was £11.3m (2022: £8.7m).

The closing net funds of £15.6m (2022: £11.0m) was better than our expectation, due to an improved operating cash flow, particularly in the Communications and Intelligence division. Within Sensors and Effectors, Chess delivered a welcome improvement in cash performance, unwinding a significant proportion of its opening working capital.

International conflict
Russia's invasion of Ukraine has resulted in extraordinary hardship and suffering for the people of that country and has brought war to the plains of Europe for the first time in almost 80 years. One of the consequences of this situation is the impact on public and government perceptions worldwide of the importance of an effective defence capability. At the time of the invasion, last year, many governments across the world 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 depends on a strong defence industry as well as capable armed forces. That is something Cohort's leadership and employees understand well, and for many of us it is a large part of our motivation at work. By contributing to the security of the UK and its allies, Cohort generates social value as well as financial returns. Our customers' response to the situation in Ukraine had a positive business impact in 2021/22 and, as we expected, this increased in 2022/23. At this time, the duration and outcome of this conflict is difficult to predict but, as we stated last year, 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. Study work by McKinsey[1] forecasts an increase in European defence spending of between 53% and 65% from 2021 to 2026. To set against this, we expect to see continuing economic fallout from the war in Ukraine, including higher inflation and rising interest rates as well as sustained higher energy costs.

Further afield, the increasingly assertive approach of China in the South China Sea, Taiwan and beyond, mostly through naval power, is driving a response among nations in that region. One example is Australia's AUKUS alliance between the UK, Australia and the US. Joint development of future nuclear submarines is a key component of this, and our strong involvement with the UK submarine programme positions us well to participate. But the scope of the alliance is much wider, and we are looking to engage in other areas including electronic warfare and artificial intelligence. Elsewhere Japan has announced an intention to increase annual defence spending by 65% by 2027, as well as move towards a wider international supply base. We already supply Japan through our Sensors and Effectors division and are looking to build relationships and demonstrate our other capabilities.

The prospects for the Group in this region, especially in naval systems supplied mostly through our Sensors and Effectors division, are good.

Strategic initiatives
When we acquired Chess Dynamics in December 2018, we agreed to pay further consideration depending on the performance of the business over the three years ended 30 April 2021. We took control of the whole of Chess on 30 November 2022 for a further consideration of £1.0m.

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

[1] McKinsey & Company: "Invasion of Ukraine: Implications for European defence spending", 19 December 2022

Shareholder returns

Adjusted earnings per share (EPS) were 36.48 pence (2022: 31.08 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 27.92 pence (2022: 22.55 pence). The adjusted EPS were 17% higher primarily due to the stronger adjusted operating profit (up 23%), partly offset by a higher interest charge and tax charge of 14.8% (2022: 13.5%).

The Board is recommending a final dividend of 9.15 pence per ordinary share (2022: 8.35 pence), making a total dividend of 13.40 pence per ordinary share (2022: 12.20 pence) for the year, representing a 10% increase. The dividend has been increased every year since the Group's IPO in 2006. It will be payable on 3 October 2023 to shareholders on the register at 25 August 2023, subject to approval at the Annual General Meeting on 26 September 2023.

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 impact of COVID-19 has now largely dissipated, 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.

Andy Thomis, Simon Walther and their senior executive colleagues have continued their dedicated and skilful work which has helped the Group to continue its progress.

Governance and Board

We completed our first externally facilitated Board evaluation in March 2023, the process for and results of which can be found in the Corporate Governance report. I will work with the Board and Company Secretary to agree which of those recommendations we will prioritise for implementation in 2023/24. We continue to adhere to the QCA Corporate Governance Code (2018 edition) (the QCA Code).

The Board regularly evaluates and reviews the Group's environmental, social and governance (ESG) activity and is committed to maintaining appropriate standards. The Group has reported for the first time on the Taskforce on Climate-related Financial Disclosures (TCFD). As one of the first AIM companies to be required to do this under the legislative timetable, we have taken a pragmatic approach whilst also anticipating that the reporting on this matter will no doubt change and develop and require our future reporting to adjust accordingly.

The Group's values, stakeholder engagement principles and governance policies are all outlined on our website.

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 £329.1m. 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 2032. 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, as recently exemplified by the £26m order announced 9 May 2023 and a first order for our KDS anti-submarine system of over £7m announced on 30 May 2023.

The order book underpins over £140m (80%) of current financial year revenue expectations (2022: £128m). Following order wins since the start of the financial year of over £60m, that cover now stands at just over 90%.

Overall, we continue to expect that our trading performance for 2023/24 will be ahead of that achieved for the year ended 30 April 2023. We have had an encouraging start to the new financial year and our expectations for the full year are unchanged.

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 2024/25, based on current orders for long-term delivery and on our pipeline of opportunities.

Nick Prest CBE
Chairman

Operations Review

"The Group's performance for the year showed a significant improvement on 2021/22 and was slightly ahead of market expectations. Both of our reporting divisions performed better than last year driven by higher UK MOD activity in Communications and Intelligence and a recovery in Chess's operating performance in Sensors and Effectors. Cash performance was also better than expected, resulting in another strong positive net cash position at the year end. Order intake was a record high, and the resulting record order book gives us a solid base for 2023/24 and beyond. We see good prospects for further significant new orders in the year ahead."

2022/23 highlights

- Record adjusted operating profit of £19.1m (2022: £15.5m) on record revenue of £182.7m (2022: £137.8m).
- Growth in both new reporting divisions:
    - Especially strong performance from the Communications and Intelligence division, driven by significant uplift in UK MOD activity at MCL.
    - Sensors and Effectors also performed well, with Chess delivering an improved performance.
- Strong order intake of £220.9m (2022: £186.4m) leading to a record closing order book of £329.1m (2022: £291.0m). That underpins a record 80% of current market revenue expectations for 2023/24 (78% equivalent figure for 2022/23).
- Strong cash conversion leading to higher net funds at £15.6m (2022: £11.0m).
- Dividend increased by 10%.

Operating review

The Group's revenue of £182.7m (2022: (£137.8m) was 33% higher than last year and delivered an adjusted operating profit of £19.1m (2022: £15.5m), 23% higher than last year.

The Group's statutory operating profit of £15.3m (2022: £11.1m) reflects the amortisation of other intangible assets, a £3.7m non-cash charge in 2023 (2022: £6.9m charge).

In this review the focus is on the adjusted operating profit of each division, which we consider to be a more appropriate measure of performance year on year. The adjusted operating profit is reconciled to the operating profit in the Consolidated income statement, and this is broken down by reporting segment in note 2.

The adjusted operating margin of the Group was 10.4%, a small drop compared to the 11.2% achieved in 2021/22. The net margin was slightly lower in Communications and Intelligence with stronger UK MOD sales offset by the weaker performance at EID, which made a small operating loss. In Sensors and Effectors, the net margin was also lower, primarily from the mix of work with the Italian Submarine programme being traded at a low margin whilst the programme makes its way through its design phase. As expected, Chess improved its performance, but its net margin remained below what we expect to see in the longer term as it resolved a number of project issues. Higher head office costs, mostly due to accruing for future bonus awards under the new Long Term Incentive Plan, also contributed to the weaker net margin.

We expect the Group net operating margin to improve going forward as some of the current inefficiencies, primarily at EID and Chess, are reversed.

2023 saw another strong year for order intake, with £220.9m of new work contracted compared with £186.4m in 2022. That resulted in a record closing order book of £329.1m, an historic high for the Group, underpinning 80% of the latest market consensus forecast revenue for 2024. Cash flow was robust, the Group closing the year with net funds of £15.6m (2022: £11.0m).

Adjusted operating profit by reporting segments:

	Adjusted operating profit		Adjusted operating margin	
	2023 £m	**2022 £m**	**2023 %**	**2022 %**
Communications and Intelligence	14.9	**12.2**	17.3	**17.7**
Sensors and Effectors	9.4	**7.5**	9.7	**10.8**
Central costs	(5.2)	**(4.2)**	-	**—**
	19.1	**15.5**	10.4	**11.2**

Communications and Intelligence

- **Revenue - £86.2m (2022: £68.4m)**
- **Adjusted operating profit – £14.9m (2022: £12.3m)**
- **Operating cash flow – £8.3m (2022: £12.2m)**
- **Headcount – 432 (2022: 436)**

Communications and Intelligence delivered improved revenue and adjusted operating profit. Much of this was driven by increased activity with the UK MOD, primarily through MCL where we saw significant orders for communication equipment, including hearing protection and vehicle intercoms. In addition, we supplied a range of tactical autonomous air vehicles. Elsewhere in this division, MASS continued to be the largest contributor to group profit despite delays to some of its activities, the most recent being caused by the evacuation of UK citizens from Sudan, which interfered with a major exercise that was planned in that region.

In Portugal we continued to be affected by a protracted procurement process for new ships, on which our communications solution is the preferred solution. Recent Parliamentary approval should enable this project to now progress and we anticipate securing orders in the coming financial year. As a result of these delays and some slippage of work into 2023/24, again due to procurement delays, EID had another disappointing year and its small operating loss acted as a drag on the net margin of this division. We expect EID to deliver an improved 2023/24 performance, but we expect this will be partly offset by the current high level of UK MOD activity at MCL falling back nearer to historical norms.

The Communications and Intelligence division enters 2023/24 with £59.1m (68%) of its consensus revenue on order at 30 April 2023. We expect to see improvements in Portugal, in terms of both deliveries and orders as well as a catch up in delayed exercise support and other service provisions in the UK. We do not expect the very strong year of product delivery to the UK MOD in 2022/23 to be repeated. Overall the Communications and Intelligence division is expected to perform at a similar level in 2023/24 as it did in 2022/23.

Sensors and Effectors

- **Revenue - £96.5m (2022: £69.4m)**
- **Adjusted operating profit – £9.4m (2022: £7.5m)**
- **Operating cash flow – £5.9m (2022: £6.5m)**
- **Headcount – 682 (2022: 592)**

The Sensors and Effectors division delivered a much improved operating performance on significantly higher revenue. Much of the performance improvement was driven by Chess where management, operational and process changes made during 2021/22 and further developed during 2022/23 saw a significant turnaround in its performance. This was exemplified by its operating cash performance which was a net inflow of £10.1m. Despite this, we had to make some further provisions for legacy issues at the business which we now consider closed. In the short term, this should enable Chess to move its net margin to a level of at least 10%, and to progress further in the medium term.

Elsewhere in Sensors and Effectors, we have continued to trade the large Italian sonar project at ELAC at a low margin whilst it proceeds through its development stage. We anticipate entering production towards the end of this financial year. ELAC's existing building in Kiel is being redeveloped by its owner and ELAC has begun work on a new facility nearby that will significantly enhance its efficiency and capacity. On current plans this will be operational in 2025.

We saw growth in revenue to export customers, including in South America, and in Asia Pacific as well as initial deliveries on a large long-term support contract for the UK MOD secured in the year. We won some significant orders with the German and Italian navies during the year as well as orders for customers in South America, South East Asia and Japan. Orders for the UK Submarine programme were received late in the year, restricting the amount of work we could deliver, but we do expect this revenue stream to grow over the coming years.

Looking forward, this division is well underpinned for 2023/24 with over £83m (91%) of consensus revenue on order at 30 April 2023. Recent wins and some good prospects to expand its order book in both the UK and export markets lead us to expect this division to grow in 2023/24.

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. They have risen to the challenge of the stronger demand we have seen this year, and in doing so have made a material contribution to the national security and defence of the UK and its allies as well to the performance of the Group. I would like to take this opportunity to express my sincere thanks to all employees of Cohort and its businesses.

We had no changes to our senior management team during the year. Shortly after the year end, the Managing Director of EID, Frederico Lemos left the Group. Martin Bennett, EID's Sales and Marketing Director has taken over in the interim and we have commenced a process to determine the right way forward in the longer term.

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 just over 1,130 staff compared with nearly 1,050 this time last year, an 8% increase. We will continue to add more resources in the coming year, especially at Sensors and Effectors.

Andrew Thomis
Chief Executive

FINANCIAL REVIEW

Revenue analysis

As announced on 25 May 2023, the Group has changed its reporting for the year ended 30 April 2023 with comparative figures being restated accordingly.

The Group now reports its operating performance through two divisions:

1. Communications and Intelligence

   This division comprises EID, MASS and MCL, being the subsidiary businesses which design, develop, manufacture, integrate and support electronic hardware and software solutions used for collecting, storing, processing, protecting and transferring information securely. It also includes the provision of domain expertise, training and supporting services. The division supplies products, primarily through EID and MCL, and services through MASS.

2. Sensors and Effectors

   This division comprises Chess, ELAC and SEA, being the subsidiary businesses which provide a range of sensors, including sonar, radar and visual for land and sea domains. It also provides effectors for surface ships and land-based users to protect against sea, air and land-based threats, including submarine, missile and drone attacks. The focus for the division is on the design, development, manufacture, integration and support of electronic, electromechanical and software solutions to detect, measure, identify, track and prosecute targets of interest.

The revenue for the Group has been analysed into two separate breakdowns:

1. Market (and geography) – (see table below)
2. Product or service (see table below)

The Group revenue continues to be dominated by defence and security customers with £169.8m (2022: £126.5m) to these markets, representing 93% of Group revenue (2022: 92%).

Overall, the Group's increase in revenue has been driven by an increase in UK MOD revenue of over 50%. At just short of £100m, this represents 54% of total Group revenue, a marked change in comparison to recent years when this proportion has generally been in decline.

Export defence markets grew by 20%, but as a proportion of the overall revenue, dropped slightly from 35% last year to 32% this year, as this healthy growth was outpaced by growth in UK MOD revenue. The increase was in deliveries to European customers, for land and naval domains.

Although sales to Asia Pacific declined slightly, reflecting the timing of deliveries from ELAC, we anticipate this will increase in the coming year following recent order wins.

In our other domestic markets, we saw growth in both Portugal and Germany. The latter was backed up by some significant order wins in 2022/23. In Portugal, EID's revenue reflects the current importance of its domestic customer. Depending upon the timing of orders we expect this revenue to grow and remain an important element of EID's revenue stream over the next few years.

Non-defence revenue includes Transport and legacy hydroacoustic products, both of which are reported within Sensors and Effectors and saw significant increases. They were offset by a decline in our low margin education support work, provided through MASS, which is now coming to an end.

As expected, the Group continues to see the proportion of its revenue that is product (hardware and/or software) continue to increase. This has been very marked this year with the significant increases in delivery of systems and products to the UK MOD by Communications and Intelligence, mostly MCL, and in Sensors and Effectors to both European and UK customers. The service element of the Group is now below 30%, having been steady for some years at nearer 40%. This decline is in part due to the growth in product, but also a fall in the actual support work the Group is providing: this is mostly education at MASS and service support in Portugal where orders have slipped. The change in the Group's revenue mix this year has driven a drop in statutory gross margin percentage from 41% to 36%. The main cause of the drop in statutory reported gross margin was the smaller contribution, as a percentage of total Group trading, from the higher margin elements within Communications and Intelligence. In Sensors and Effectors, the lower traded margin on the Italian sonar contract as it progresses through its development stages and the impact of marking foreign exchange contracts to market, mostly in the same division also had a downward impact on reported gross margin.

Revenue by market and geography

	Communications and Intelligence		Sensors and Effectors		Group			
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	**%**	2022 £m	%
Direct to UK MOD	**62.1**	40.3	**0.2**	6.0	**62.3**	**34**	46.3	34
Indirect to UK MOD where the Group acts as a sub-contractor or partner	**7.3**	5.8	**28.9**	12.8	**36.2**	**20**	18.6	13
Total UK Defence	**69.4**	46.1	**29.1**	18.8	**98.5**	**54**	64.9	47
UK Security	**3.7**	4.7	**-**	0.3	**3.7**	**2**	5.0	4
UK other (non-defence and security)	**-**	3.1	**7.4**	7.1	**7.4**		10.2	
Total UK	**73.1**	53.9	**36.5**	26.2	**109.6**		80.1	
Portuguese defence and security	**4.9**	3.9	**-**	-	**4.9**	**3**	3.9	3
German defence and security	**-**	0.1	**4.3**	4.0	**4.3**	**2**	4.1	3
Export defence and security								
- Other European countries	**2.1**	3.5	**33.7**	17.0	**35.8**		20.5	
- Asia Pacific and Africa	**5.7**	6.9	**12.3**	16.5	**18.0**		23.4	
- North and South America	**0.4**	0.1	**4.2**	4.6	**4.6**		4.7	
Total export defence and security	**8.2**	10.5	**50.2**	38.1	**58.4**	32	48.6	35
Export other (non-defence and security)	**-**	-	**5.5**	1.1	**5.5**		1.1	
	86.2	68.4	**96.5**	69.4	**182.7**	**100**	137.8	100

Total revenue by type of deliverable:

	Year ended 30 April 2023		Year ended 30 April 2022	
	£m	**%**	£m	%
Product	140.8	77	**88.6**	**64**
- Communications and Intelligence	53.8	29	**26.7**	**19**
- Sensors and Effectors	87.0	48	**61.9**	**45**
Services	41.9	23	49.2	36
- Communications and Intelligence	32.4	18	**41.7**	**30**
- Sensors and Effectors	9.5	5	**7.5**	**6**
Total revenue	182.7	100	**137.8**	**100**

Operational outlook
Order intake and order book

	Order intake		Order book	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Communications and Intelligence and Intelligence	94.5	**77.3**	126.7	**118.3**
Sensors and Effectors	126.4	**109.1**	202.4	**172.7**
	220.9	**186.4**	329.1	**291.0**

The increase in the Group's order book reflects stronger order intake in both of our reporting divisions.

The 2022/23 order intake was 121% (2022: 135%) of the Group's revenue for the year.

The revenue on order (order cover) for the coming year was 80% (2022: 78%) as at 30 April 2023, based on the latest analyst consensus revenue forecasts.

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 take account of contractual changes to existing orders including extensions, variations and cancellations.

Communications and Intelligence

Order intake at Communications and Intelligence was 22% higher than last year and represented 110% of its annual revenue for 2022/23 (2022: 113%). The lower order to revenue cover for this division is a result of its work through MCL, which is typically short term and elements of the service provision at MASS, especially in Digital Services and in short-term additional tasks on its long-term service contracts.

This division is dominated by activity with the UK MOD where £70.4m of its order intake (2022: £51.1m) was ultimately intended for that customer. Important orders secured in the year included renewals and extensions of long-term contracts for our support to the

UK's Joint Forces Command (£10.6m), Electronic warfare capability (£15.7m) and the UK's strategic deterrent. The Group has been providing services in all these areas for several decades.

The division also saw a marked increase in product demand from the UK MOD for communication equipment including hearing protection and intercoms. We saw higher levels of orders placed for specialist electronic warfare equipment, drones and land based autonomous vehicles including 'Spot' the robot canine. The division has also begun to see more interest for a range of its products from UK police forces.

As touched on already, the order delays we saw from the Portuguese armed forces impacted on EID's operating performance.

Sensors and Effectors

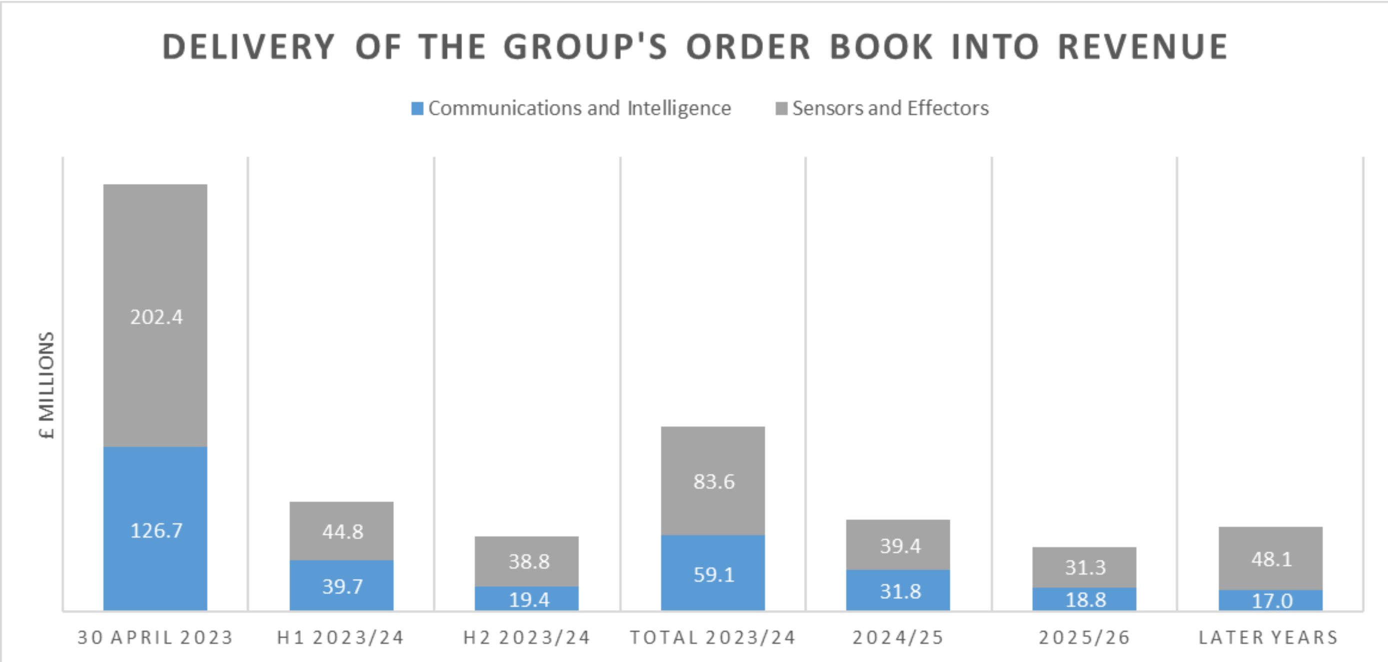
Order intake at Sensors and effectors was 16% higher than last year at £126.3m, representing 131% of its 2022/23 annual revenue (2022: 157%). Order cover in this division tends to be greater as contracts frequently cover long term development and delivery, especially for naval customers.

Although this division has important work in delivery and support of the Royal Navy's submarines and surface vessels, its maritime activity is dominated by export customers. In the land domain it secured important orders for both the UK MOD and other European customers (over £28m) and won initial deliveries of an important system for ground-based air defence.

Orders for the UK Royal Navy were nearly £40m including the long-term support contract announced last September and further work on communication and related systems for the new Dreadnought class of submarine. The latter work is expected to expand in the coming years with work continuing, alongside Astute, for rest of this decade. We are well placed to secure similar work on the new AUKUS class of submarine, which will eventually replace the Royal Navy's Astute class.

In Europe we continue to win work, including orders of nearly £10m for the German Navy. In Italy we won orders of £8m.Both extensions to the existing sonar project and some surface ship work. We also won some key orders in Southeast Asia with the order book in this region reinforced by further wins after the year end.

Delivery of the Group's order book into revenue
The table below shows the expected delivery of future revenue from the current order book.



"The Group order book underpins 80% of the 2023/24 latest analysts forecast for revenue."

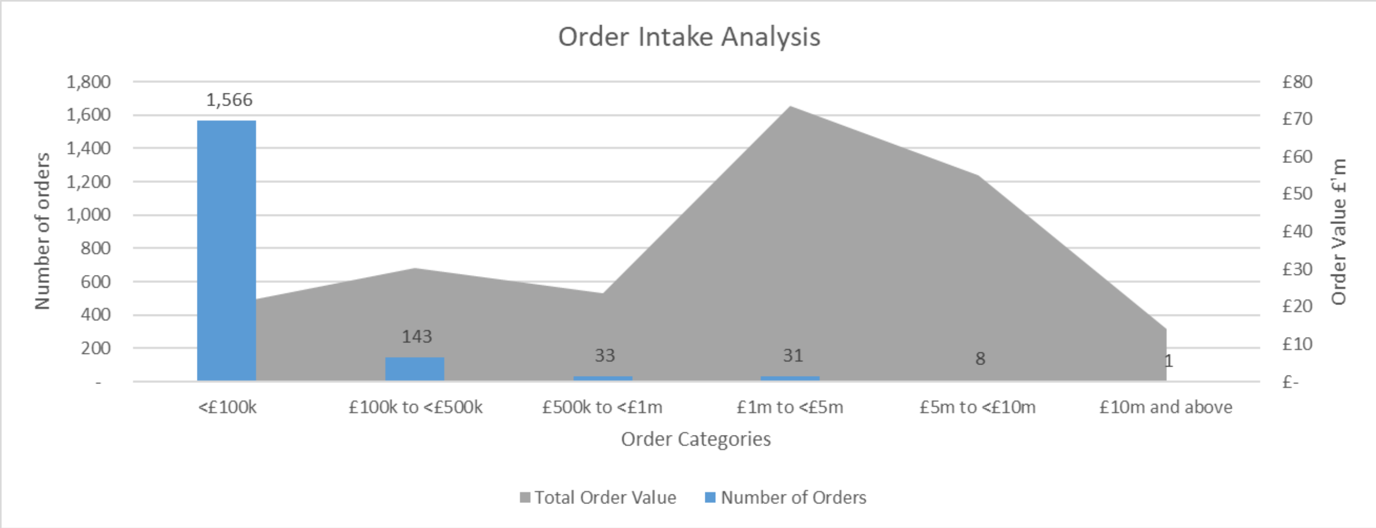
As we saw last year, Cohort's order book has again increased in size and lengthened. We already have on order for delivery in 2023/24 more revenue than we delivered in 2021/22 and not far short of what we delivered in 2020/21. The order book for Sensors and Effectors is both larger and longer than for Communication and Intelligence, which is what we expect with the greater proportion of long-term delivery projects for naval customers. In Communications and Intelligence, the longevity of the order book is dominated by the multi-year support contracts for the UK MOD through MASS, the first of which is due for renewal in 2026.

The short-term nature of some of the business in Communications and Intelligence, especially the product delivery of MCL and the shorter delivery contracts in training and cyber by MASS mean that this division will typically enter a financial year with less revenue on order. This work is often short in duration. We do expect to see some increase in the longevity of this division's order book in the coming year when anticipated orders for the Portuguese Navy arrive.

Sensors and Effectors has a number of large multi-year programmes, both for delivery and support, with work stretching out to 2032. The prospects for this division in the coming year to increase the size and the longevity of the order book are good, both in the UK and export markets.

As for 2022/23, the Group's businesses are not dependent upon a single critical order to achieve their respective revenue targets for 2023/24. The Group infill for the coming year of around 20% is an historically low level and this had further reduced to below 10% in July 2023.

We have introduced an analysis this year of the number of orders secured by a range of order size. This is shown in the chart below. This shows that just over 95% of the Group's orders (by number) secured are of less than £0.5m in value, accounting for nearly a quarter of the Group's total order intake value. Of the remaining 5% of orders, which account for 75% of the Group's total order value, around one third of the order intake value arose from orders in the value range from £1m to £5m.



Funding resource and policy
At 30 April 2023, the Group's cash and readily available credit was £50.6m (2022: £51.1m). 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 light of continuing events in Ukraine and rising tensions in the South China Sea. As already mentioned, 80% of our revenue (based on latest analyst forecasts) for 2023/24 was on contract at 30 April 2023 providing further assurance. The Board considers the Group to be a going concern.

The Group retains a robust financial position and continues to be cash generative enabling it to continue to invest in internal R&D and other value-adding projects on a carefully considered basis as well as maintaining its progressive dividend policy. The Group's cash position and 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 facility was initially for three years to July 2025, and this has been extended, following exercise of an option, in June 2023, to July 2026 with an option to extend it for a further year to July 2027. The revolving credit facility (RCF) is for an initial £35m with an option (accordion) to draw a further £15m. The facility is provided by three banks: NatWest, Lloyds and Commerzbank.

The Group's bank borrowings have been reported as due after one year as the facility in place as at 30 April 2023 was due to expire in July 2025.

The Group's facility in place as at 30 April 2023 was for £35m of which £25.8m was drawn, leaving £9.2m 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 2023. Looking forward, we expect this to continue out to 31 July 2024 and beyond.

The facility is available to the UK and German members of the Group and is fully secured over the Group's assets. 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.

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 2023.

The Group's net funds at 30 April 2023 were £15.6m (30 April 2022: £11.0m), better than expected due to a marked improvement in working capital management at Chess and MCL. This has been partly offset by stock build elsewhere in the Group, especially ELAC and the timing of receivables at EID. Looking forward, we expect the Group's net funds at 30 April 2024 to be lower, as the timing advantage is expected, in part, to unwind. The Group expects to see an increase in net funds by 30 April 2025 from 2024, if there is no further corporate activity. Looking forward into 2024 through to 2025, the Group expects to continue to invest in a new facility for its ELAC business in Kiel. As at 30 April 2023 the Group had invested £1.8m in this facility.

The Group has maintained its progressive dividend policy, increasing its dividend this year by 10% to a total dividend paid and payable of 13.40 pence per share (2022: 12.20 pence).

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

	Dividend Pence	Growth over previous year %	Earnings cover (based upon adjusted earnings per share)	Cash cover (based upon net cash inflow from operations)
2023	**13.4**	**10**	**2.7**	**3.0**
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

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

In summary, the Group's cash performance in 2022/23 was as follows:

	2023 £m	2022 £m
Adjusted operating profit	**19.1**	15.5
Depreciation and other non-cash operating movements	**3.0**	2.8
Working capital movement	**(4.2)**	4.2
	17.9	22.5
Acquisition of JSK joint venture	**-**	(0.4)
Acquisition of the non-controlling interest of Chess	**(1.0)**	-
Tax, dividends, capital expenditure, interest, loans and other investments	**(12.3)**	(13.6)
Increase in funds	**4.6**	8.5

The lower cash outflow in tax, and dividends, etc. was due to lower net investment in own shares of £0.5m, £2.1m lower than last year, lower tax payments of £0.1m, £2.0m lower than last year. These improvements were partly offset by higher capital expenditure of £5.2m, £3.2m higher than last year. The lower tax was due to net receipts in Portugal and recovery of higher tax payments made on account previously in the UK. The higher capex was mostly initial investment in our new German facility and key items of capital equipment for the Italian sonar programme. 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 33 days (2022: 44 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 decrease has been mostly in Sensors and effectors due to the operating improvement at Chess.

Tax

The Group's tax charge for the year ended 30 April 2023 of £2.7m (2022: charge of £1.5m) was at a rate of 19.2% (2022: 15.1%) of profit before tax. This includes a current year corporation tax charge of £3.2m (2022: £2.6m), a prior year corporation tax credit of £0.4m (2022: £0.3m) and a deferred tax credit of £0.1m (2022: £0.7m).

The Group's overall tax rate was below the standard UK corporation tax rate of 19.5% (2022: 19.00%). The decrease is due to the loss in Portugal (at 31.0%) and a further R&D credit recognised in Portugal, as there was in 2022, partly offset by a higher contribution from Germany (at 31.6%). 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 £0.9m (2022: £1.0m) 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 2023/24 is estimated at 23% compared with 15% of the pre-RDEC adjusted operating profit less interest for 2022/23. 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 2021/22 and 2022/23.

Exceptional items

The exceptional items this year are £nil (2022: £0.7m net income).

Adjusted earnings per share
The adjusted earnings per share (EPS) of 36.48 pence (2022: 31.08 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 for Chess (18.16%), up until 30 November 2022. The reconciliation from last year to this year is as follows:

	Adjusted operating profit £m	Adjusted earnings per share Pence
Year ended 30 April 2022	15.5	31.08
100% owned businesses throughout the year ended 30 April 2023	4.6	9.10
Impact of businesses with minority holding	(1.0)	(1.70)
Change in tax rate (excluding RDEC): 14.8% (2022: 13.5%)	—	(0.61)
Other movements including dilution and interest	—	(1.39)
Year ended 30 April 2023	**19.1**	**36.48**
Increase from 2022 to 2023	23%	17%

The adjustments to the basic EPS in respect of exceptional items, exchange movements and other intangible asset amortisation of EID and Chess (up to 30 November 2022) 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 2022/23.

Simon Walther
Finance Director

UNAUDITED CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2023

	Notes	2023 £'000	2022 £'000
Revenue	2	**182,713**	137,765
Cost of sales		**(117,852)**	(81,160)
Gross profit		**64,861**	56,605
Administrative expenses		**(49,610)**	(45,515)
Operating profit		**15,251**	11,090
Comprising:			
Adjusted operating profit	2	**19,064**	15,525
Amortisation of other intangible assets (included in administrative expenses)		**(3,672)**	(6,865)
Research and development expenditure credits (RDEC) (included in cost of sales)		**941**	1,004
(Charge)/credit on marking forward exchange contracts to market value at the yearend (included in cost of sales)		**(1,082)**	716
Exceptional items (included in administrative expenses)			
Cost of acquisition of JSK		**-**	(70)
Gain on the acquisition of JSK		**-**	342
Adjustment to earn-out on acquisition of Chess		-	438
	2	**15,251**	11,090
Finance income		**134**	6
Finance costs		**(1,458)**	(868)
Profit before tax		**13,927**	10,228
Income tax charge	3	**(2,675)**	(1,541)
Profit for the year		**11,252**	8,687
Attributable to:			
Equity shareholders of the parent		**11,356**	9,202
Non-controlling interests		**(104)**	(515)
		11,252	8,687

All profit for the year is derived from continuing operations.

	Notes	Pence	Pence
Earnings per share			
Basic	4	**27.92**	**22.55**
Diluted	4	**27.86**	**22.42**
Adjusted earnings per share			
Basic	4	**36.48**	**31.08**
Diluted	4	**36.40**	**30.90**
Dividends per share paid and proposed in respect of the year			
Interim	5	**4.25**	**3.85**
Final	5	**9.15**	**8.35**
	5	**13.40**	**12.20**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2023

	2023 £'000	2022 £'000
Assets		
Non-current assets		
Goodwill	**50,145**	50,145
Other intangible assets	**5,969**	9,641
Right of use asset	**8,521**	9,615
Property, plant and equipment	**15,304**	12,310
Deferred tax asset	**1,600**	1,361
	81,539	83,072
Current assets		
Inventories	**32,041**	22,777
Trade and other receivables	**55,612**	56,161
Derivative financial instruments	**42**	793
Cash and cash equivalents	**41,454**	40,367
	129,149	120,098
Total assets	**210,688**	203,170
Liabilities		
Current liabilities		
Trade and other payables	**(58,040)**	(53,985)
Derivative financial instruments	**(1,041)**	(861)
Lease liability	**(1,660)**	(1,515)
Bank borrowings	**(9)**	(29,362)
Provisions	**(8,687)**	(8,878)
Other payables	**—**	(1,400)
	(69,437)	(96,001)
Non-current liabilities		
Deferred tax liability	**(1,467)**	(1,353)
Lease liability	**(7,473)**	(8,631)
Bank borrowings	**(25,837)**	(8)
Provisions	**(1,404)**	(1,139)
Retirement benefit obligations	**(5,292)**	(6,848)
	(41,473)	(17,979)
Total liabilities	**(110,910)**	(113,980)
Net assets	**99,778**	89,190
Equity		
Share capital	**4,146**	**4,121**
Share premium account	**31,484**	**30,527**
Own shares	**(3,601)**	**(3,346)**
Share option reserve	**2,116**	**1,000**
Other reserves	**-**	**(1,400)**
Retained earnings	**62,876**	**53,068**
Total equity attributable to the equity shareholders of the parent	**97,021**	**83,970**
Non-controlling interests	**2,757**	**5,220**
Total equity	**99,778**	**89,190**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 April 2023

	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 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**
Profit for the year	—	—	—	—	—	11,356	11,356	(104)	11,252
Other comprehensive income for the year	—	—	—	—	—	849	849	—	849
Total comprehensive income for the year	—	—	—	—	—	12,205	12,205	(104)	12,101
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Issue of new shares	25	957	—	—	—	—	982	—	982
Equity dividends	—	—	—	—	—	(5,124)	(5,124)	—	(5,124)
Vesting of Restricted Shares	—	—	—	—	—	218	218		218
Own shares purchased	—	—	(586)	—	—	—	(586)	—	(586)
Own shares sold	—	—	111	—	—	—	111	—	111
Net loss on selling own shares	—	—	220	—	—	(220)	—	—	—
Purchase of non-controlling interest	—	—	—	—	—	2,359	2,359	(2,359)	—
Share-based payments	—	—	—	1,522	—	—	1,522	—	1,522
Deferred tax adjustment in respect of share-based payments	—	—	—	(36)	—	—	(36)	—	(36)
Transfer of share option reserve on vesting of options	—	—	—	(370)	—	370	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—		1,400	—	1,400	—	1,400
At 30 April 2023	**4,146**	**31,484**	**(3,601)**	**2,116**	**—**	**62,876**	**97,021**	**2,757**	**99,778**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 April 2023

	Notes	Group 2023 £'000	2022 £'000
Net cash from operating activities	5	**16,522**	19,525
Cash flow from investing activities			
Interest received		**134**	6
Purchases of property, plant and equipment		**(5,231)**	(2,005)
Acquisition of Chess non-controlling interest		**(1,016)**	—
Acquisition of JSK (50%)		**—**	(372)
Net cash used in investing activities		**(6,113)**	(2,371)
Cash flow from financing activities			
Issue of new shares		**982**	588
Dividends paid		**(5,124)**	(4,684)
Purchase of own shares		**(586)**	(2,923)
Sale of own shares		**111**	282
Repayment of borrowings		**(4,000)**	(50)
Repayment of lease liabilities		**(1,954)**	(1,916)
Net cash used in financing activities		**(10,571)**	(8,703)
Net (decrease)/increase in cash and cash equivalents		**(162)**	8,451
Represented by:			
Cash and cash equivalents and short-term borrowings brought forward		**40,367**	32,294
Cash flow		**(162)**	8,451
Exchange		**1,249**	(378)
Cash and cash equivalents and short-term borrowings carried forward		**41,454**	40,367

	At 30 April 2022 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	**At 30 April 2023 £'000**
Net funds reconciliation				
Group				
Cash and bank	40,367	1,249	(162)	**41,454**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	40,367	1,249	(162)	**41,454**
Loan	(29,332)	(505)	4,000	**(25,837)**
Finance lease	(38)	—	29	**(9)**
Debt	(29,370)	(505)	4,029	**(25,846)**
Net funds	10,997	744	3,867	**15,608**

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 2023 are unaudited. The financial statements for the year ended 30 April 2023 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.

The Group owned 80% of EID throughout the period and 81.84% of Chess to 30 November 2022 before purchasing the remainder of the non-controlling interest and in both cases had effective control throughout. 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 2022 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 2023, the Group's cash and readily available credit was £50.6m (2022: £51.1m). 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, 80% of our revenue (based on consensus analyst forecasts) for 2023/24 was on contract at 30 April 2023 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 Group extended this facility to July 2026 on 14 June 2023 and has the option 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 19 July 2023.

Copies of the Annual Report and accounts for the year ended 30 April 2023 will be posted to shareholders on 23 August 2023 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 2023 £000	Year ended 30 April 2022 £000
Revenue		
Communications and Intelligence	**86,195**	68,369
Sensors and Effectors	**96,518**	69,396
	182,713	137,765
Adjusted Operating Profit		
Communications and Intelligence	**14,911**	12,253
Sensors and Effectors	**9,320**	7,469
Central costs	**(5,167)**	(4,197)
	19,064	15,525
Amortisation of other intangible assets	**(3,672)**	(6,865)
Research and development expenditure credit (RDEC)	**941**	1,004
(Charge)/credit on marking forward exchange contracts to market value at the year end	**(1,082)**	716
Exceptional items:		
Costs of acquisition of JSK (50%)	—	(70)
Gain on acquisition of JSK (50%)	—	342
Adjustment to earn-out on acquisition of Chess	—	438
Operating Profit	**15,251**	11,090

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.

3. TAX CHARGE

	Year ended 30 April 2023 £000	Year ended 30 April 2022 £000
UK corporation tax: in respect of this year	**3,314**	3,112
UK corporation tax: in respect of prior years	**(756)**	(373)
German corporation tax: in respect of this year	—	(40)
German corporation tax: in respect of prior years	—	82
Portugal corporation tax: in respect of this year	**(249)**	(491)
Portugal corporation tax: in respect of prior years	**397**	(9)
Other foreign corporation tax: in respect of this year	**133**	(4)
	2,839	2,277
Deferred tax: in respect of this year	**(96)**	(733)
Deferred tax: in respect of prior years	**(68)**	(3)
	(164)	(736)
	2,675	1,541

The current year deferred tax credit includes a credit of £987,000 (2022: credit of £1,541,000) in respect of the amortisation of other intangible assets and a current year credit of £271,000 (2022: £136,000 charge) 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 2023 £000	Year ended 30 April 2022 £000
Earnings		
Basic and diluted earnings	**11,356**	9,202
Amortisation of other intangible assets (net of tax of £987,000; 2022: £1,541,000)	**2,672**	4,772
Charge/(credit) on non-trading foreign exchange movements (net of tax charge of £136,000 (2021: credit of £78,000)	**811**	(580)
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)
Adjusted basic and diluted earnings	**14,839**	12,684

The adjustment for the amortisation of intangible assets in respect of EID and Chess for the year ended 30 April 2023 and 30 April 2022 reflects the interests of the equity holders of the parent only and excludes the proportion allocated to the non-controlling interest in each year. The Chess non-controlling interest was acquired in November 2022.

	Year ended 30 April 2023 Number	Year ended 30 April 2022 Number
Weighted average number of shares		
For the purposes of basic earnings per share	**40,673,953**	40,813,569
Share options	**88,038**	230,101
For the purposes of diluted earnings per share	**40,761,991**	41,043,670

	Year ended 30 April 2023 Pence	Year ended 30 April 2022 Pence
Earnings per share		
Basic	**27.92**	22.55
Diluted	**27.86**	22.42
Adjusted earnings per share		
Basic	**36.48**	31.08
Diluted	**36.40**	30.90

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

	Year ended 30 April 2023 £000	Year ended 30 April 2022 £000
Profit for the year	**11,252**	8,687
Adjustments for:		
Tax charge	**2,675**	1,541
Depreciation of property, plant and equipment	**2,376**	2,209
Depreciation of right of use assets	**1,776**	1,684
Amortisation of goodwill and other intangible assets	**3,672**	6,865
Net finance expense	**1,324**	862
Derivative financial instruments and other non-trading exchange movements	**1,082**	(716)
Share-based payment	**658**	572
Movement in provisions	**720**	102
Operating cash inflows before movements in working capital	**25,535**	21,806
Increase in inventories	**(8,565)**	(9,885)
Decrease in receivables	**2,999**	10,530
(Decrease)/increase in payables	**(2,112)**	22
	(7,678)	667
Cash generated by operations	**17,857**	22,473
Tax paid	**(111)**	(2,081)
Interest paid	**(1,224)**	(867)
Net cash generated from operating activities	**16,522**	19,525

Interest paid includes the interest element of lease liabilities under IFRS 16 of £234,000 (2022: £251,000).

6. **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 acquired the remaining shares (18.16%) of Chess on 30 November 2022 for a total consideration of £1.0m (2022: £1.4m expected acquisition price).