COHORT PLC

THE INDEPENDENT TECHNOLOGY GROUP

Applying advanced technology to protect and secure

Annual Report and Accounts 2023

Our strategic roadmap

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

Our purpose

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

Our strategy

Organic growth | Acquisition | Maintaining confidence

READ MORE ON PAGE 11

Our sustainability pillars

Environmental | People | Social | Governance

cohortplc.com

Highlights

How we have performed

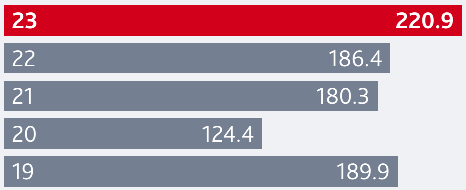
Financial highlights

ADJUSTED OPERATING PROFIT (£M)

£19.1m

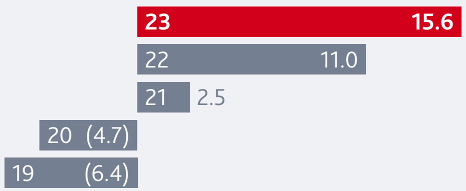
ORDER INTAKE (£M)

£220.9m



NET FUNDS/(DEBT) (£M)

£15.6m



Operational highlights

- Record adjusted operating profit of £19.1m (2022: £15.5m) on record revenue of £182.7m (2022: £137.8m).
  - An 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 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).
- Dividend increased by 10%.
- Net funds higher than market expectations at £15.6m (2022: £11.0m).

Who we are

Innovative, agile, responsive

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

REVENUE BY DIVISION[1]

£182.7m

(2022: £137.8m)

1. See Operating review for a discussion on the reporting change into the new divisional structure during the year.

Communications and Intelligence

READ MORE ON PAGE 17

REVENUE

£86.2m

(2022: £68.4m)

This division comprises the subsidiary businesses which provide electronic hardware and software solutions used for collecting, processing and communicating information securely. It also includes the provision of domain expertise, training and support services. The division supplies products, primarily through EID and MCL, and services through MASS.

Sensors and Effectors

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REVENUE

£96.5m

(2022: £69.4m)

This division, comprising Chess Dynamics, SEA and ELAC SONAR, provides 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 electronic, electromechanical and software solutions to detect, measure, identify, track and prosecute targets of interest.

Executive Management

A FULL REVIEW FOR EACH DIVISION IS AVAILABLE IN THE OPERATIONAL REVIEW

Martin Bennett
Managing Director
EID

Chris Stanley
Managing Director
MASS

Shane Knight
Managing Director
MCL

David Tuddenham
Managing Director
Chess

Bernd Szukay
Managing Director
ELAC SONAR

Richard Flitton
Managing Director
SEA

Investment case

Why invest in Cohort

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

Strong business model

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

Consistent dividend track record

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

Active acquisition strategy

- Aim to accelerate growth by making selective, targeted acquisitions in the UK and overseas.
- Experienced acquisition team focused on careful selection and execution.
- Strong track record of growing acquired businesses.

Financial strength

- Strong financial position and record of success gives customers confidence to place major orders.
- Long-term contracts and strong order pipeline.
- All acquisitions funded from cash flow and banking facilities since 2008.
- Group banking facility extended to July 2026.

Access to attractive growth markets

- International defence spending increasing following Russian invasion of Ukraine and increasing Chinese assertiveness in Asia.
- Using our agility and innovation to build sustainable competitive advantage in niches with attractive prospects.
- Building close working relationships between our operating businesses, so they can benefit from each other's technical capabilities, customer relationships and market knowledge.

Visibility of future earnings provided by growing order book

- £329.1m of revenue on order as at 30 April 2023 (30 April 2022: £291.0m).
- 80% of 2023/24 latest external forecast revenue on contract at 30 April 2023 (78% equivalent for 2022/23).
- Order book extends out to 2032.

Social responsibility

- Products and services that make a real contribution to the security of our nations and allies at a time of increasing risk and challenge.
- Initiatives to support local communities, encourage STEM education and help armed forces charities.

READ MORE AT COHORTPLC.COM/INVESTORS

Chairman's statement

Record year and strong order cover for the coming year

Nick Prest CBE
Chairman

"Record performance, slightly above market 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). The Group's net funds also finished at a higher level than we expected at the start of the year, £15.6m compared with £11.0m in 2022, as the Group benefited from the earlier phasing of some deliveries and therefore collection of receivables than in previous years.

Our Communications and Intelligence division had a strong year, delivering a 21% increase in trading performance on 26% revenue growth, 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. This was a result of 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 closing out 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. Our order book now stretches out to 2032 and we expect to extend that further in the coming year.

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) were 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 it has had 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 required 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 that 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 war are 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 the McKinsey organisation[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.

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

Chairman's statement continued

International conflict continued

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.

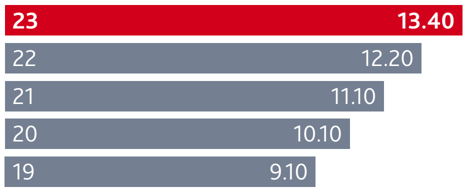
Strategic initiatives

When we acquired Chess 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.

DIVIDEND (PENCE PER ORDINARY SHARE)

13.40p +10%



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, 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.

Andrew 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 Task Force 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 of ensuring compliance 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 and in this Annual Report and Accounts.

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 export markets, as recently exemplified by the £26m order announced on 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 of current financial year revenue (2022: £128m), representing 80% of current market expectations of revenue for the year. 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. 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

Our markets

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

Defence and security

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

Other (non-defence and security) revenue

- We provide high-integrity software and hardware solutions for transport systems. The Group also continues to support legacy products and services in non-defence areas with related technologies.

Operating domain

Maritime
Equipment, systems and services operated primarily by navies for use on or below the surface, the shore, and the airspace linked to the maritime domain.

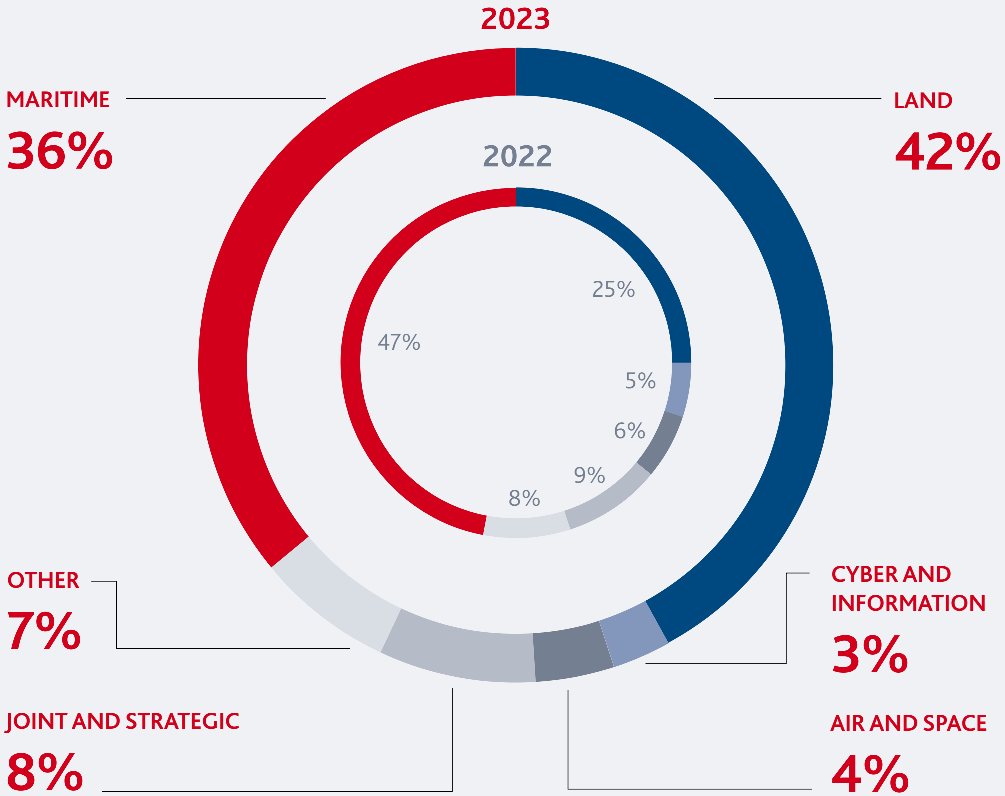
Land
Equipment, systems and services operated primarily by armies on or from the land. This includes certain airborne assets such as uncrewed air systems, where deployed in support of the land domain.

Air and Space
Equipment, systems and services for use in the air, in space, or in support of airborne, or spaceborne assets.

Joint and Strategic
Equipment, systems and services supplied for use in a joint/multi-domain operating environment or in strategic-level headquarters and departments.

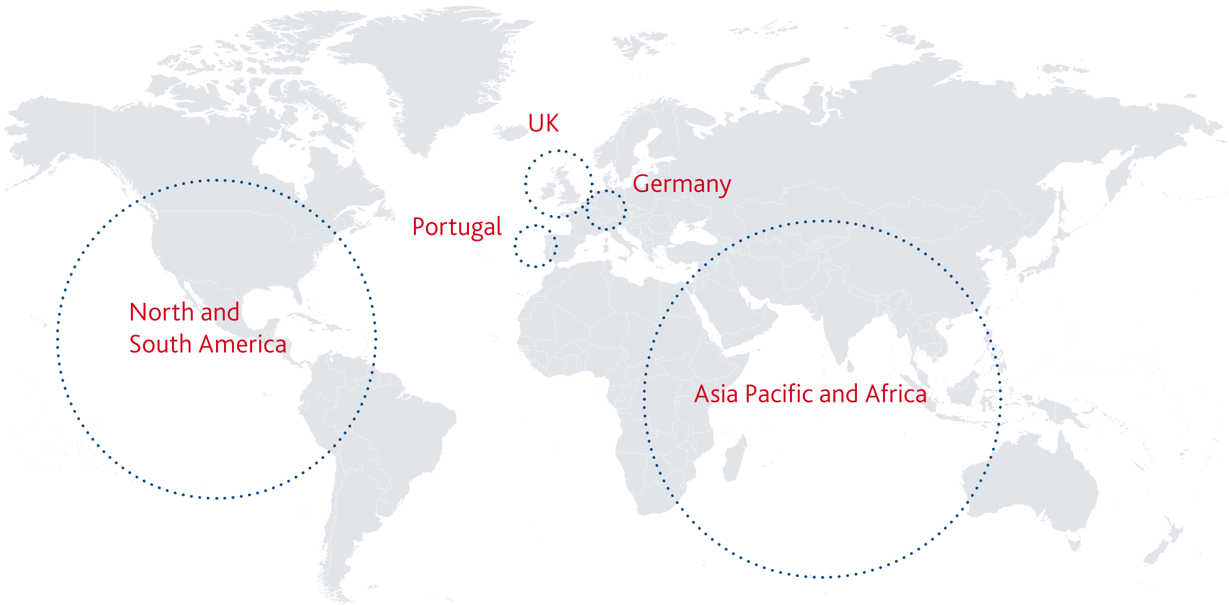
Cyber and Security
Equipment, systems and services operated by the armed forces, government and public and private sectors within the information and security environment.

Revenue by domain



Geographic analysis

Revenue by division and geography

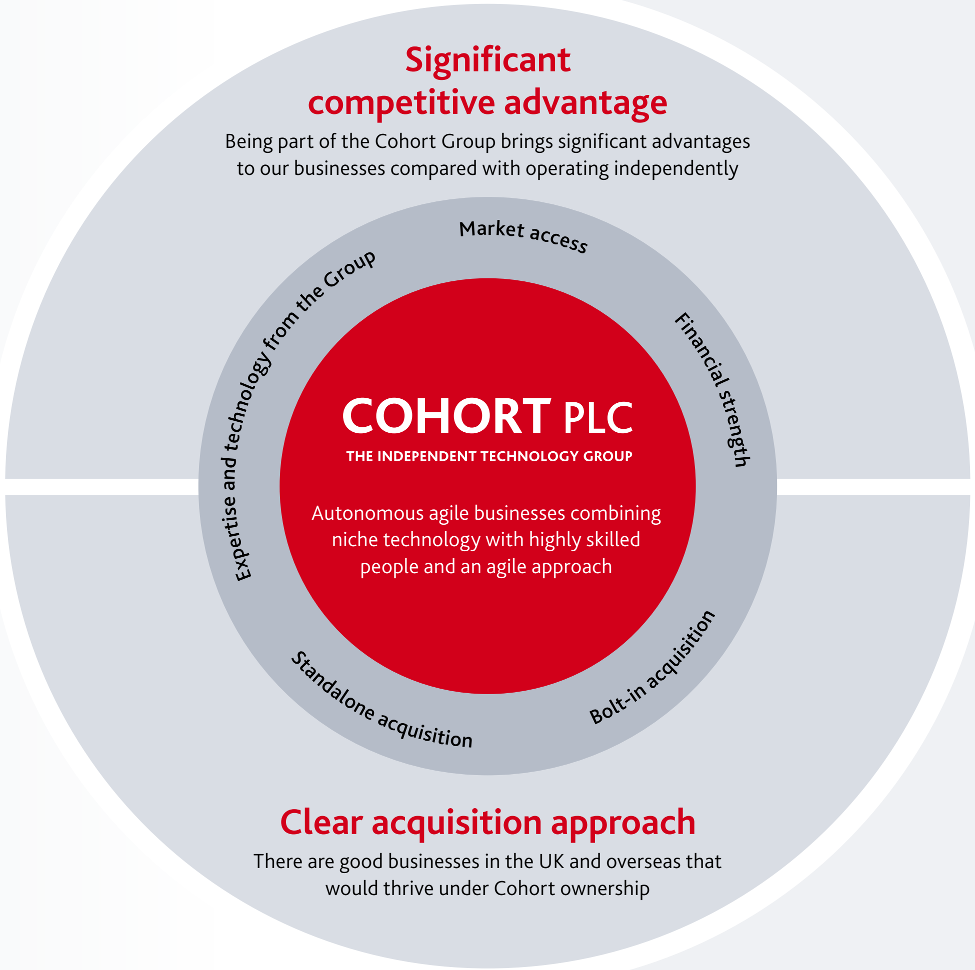


NORTH AND SOUTH AMERICA	OTHER EUROPEAN COUNTRIES	UK	GERMANY	PORTUGAL	ASIA PACIFIC AND AFRICA
Total	Total	Total	Total	Total	Total
£5.7m	£38.2m	£109.6m	£4.3m	£5.0m	£19.9m
(2022: £4.8m)	(2022: £20.9m)	(2022: £80.1m)	(2022: £4.5m)	(2022: £3.9m)	(2022: £23.6m)
Communications and Intelligence	Communications and Intelligence	Communications and Intelligence	Communications and Intelligence	Communications and Intelligence	Communications and Intelligence
£0.4m	£2.1m	£73.1m	£nil	£4.9m	£5.7m
(2022: £0.1m)	(2022: £3.5m)	(2022: £53.9m)	(2022: £0.1m)	(2022: £3.9m)	(2022: £6.9m)
Sensors and Effectors	Sensors and Effectors	Sensors and Effectors	Sensors and Effectors	Sensors and Effectors	Sensors and Effectors
£5.3m	£36.1m	£36.5m	£4.3m	£0.1m	£14.2m
(2022: £4.7m)	(2022: £17.4m)	(2022: £26.2m)	(2022: £4.4m)		(2022: £16.7m)

FULL DETAILS AVAILABLE IN THE FINANCIAL STATEMENTS

Business model

Significant competitive advantage



Our mission is clear

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

Business model continued

How we create value

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

Where independent subsidiaries are free to grow, nourished by the strength and resilience of a supportive parent. Bringing the power of the Group to the ingenuity of our businesses. To deliver purposeful innovation that protects us all.

Our shareholders

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

Our customers

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

Our suppliers and partners

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

Our people

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

Our communities

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

Strategy

A clear strategy for growth

Three key objectives form our clear strategy for growth.

Consistently grow profits and cash generation organically through our subsidiaries.

Organic growth

Delivered through

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

What we did in 2022/23

- Strong organic revenue growth in both divisions, 26% in Communications and Intelligence and 39% in Sensors and Effectors. Result was a record adjusted operating profit performance for the Group, up 23% on 2021/22.
- Record closing order book and improved visibility. On order cover for 2023/24 at record high of 80% of latest external forecasts. Length of order book out to 2032.
- Improved operational performance at Chess within Sensors and Effectors and closure of legacy issues.
- Group headcount increased from 1,050 to 1,132 over the year to meet the demands to deliver the growing order book.

Our priorities for 2023/24

- Continue to improve long-term order book across the Group.
- Improve order intake at EID.
- Seek opportunities from increased focus on defence stance, especially in NATO and Southeast Asia.
- Monitor and proactively manage supply chain and recruitment challenges.
- Improve efficiency of delivery to drive a better overall net margin.

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

Acquisition

Delivered through

- Proactive engagement with businesses that can add value to the Group.
- Maintaining a strong acquisition team.
- Demonstrating a structure and culture that are attractive to potential sellers.
- Creativity and flexibility in structuring transactions to bridge value gaps.

What we did in 2022/23

- Acquisition of non-controlling interest in Chess completed November 2022.
- Reviewed numerous acquisition opportunities.

Our priorities for 2023/24

- Continue to seek value-adding acquisitions with strong market positions in relevant sectors.

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

Maintaining confidence

Delivered through

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

What we did in 2022/23

- New divisional reporting introduced for the year ended 30 April 2023. Provides a clearer presentation of the Group's subsidiaries through aligned capabilities.
- Operational control improvements at Chess achieved. Improved delivery and cash performance. Legacy issues closed out.
- During the year the Board engaged an external evaluator to review the performance and effectiveness of the Board to drive continuous improvement.

Our priorities for 2023/24

- Continue to embed risk management including environmental reporting.
- Implement actions arising from Board review.

Strategy in action

Innovation and technology

Our customers rely on us to deliver innovative solutions and purposeful technology that is driven by their needs. Innovation is at the centre of what we do. We dedicate the equivalent of 50% of our profits to innovation and employ the best technology and domain experts to stay at the forefront of defence and security technology solutions. We participate in UK MOD and government research frameworks and we develop products in house, through inter-company collaboration and working in partnership with suppliers and customers. We continuously develop and improve key performance indicators and processes to ensure customer delivery and needs remain a priority.

Communications and Intelligence

Learning lessons from defence to healthcare

By adapting proven and effective services provided to defence customers, and through its strong data management capability, MASS has supported an NHS Trust to improve the way it learns, as an organisation, from major and minor incidents. The MASS Lessons Learned team has supported UK Defence for several years, by enabling and coordinating the observing, capturing and analysing of lessons from all UK military operations. Its work has helped foster the development of a genuine learning culture within MOD HQ and Strategic Command. The team has been able to adapt this model for the healthcare sector, recognising the common goal of continuous improvement. The MASS team helped the NHS Trust by providing a bespoke training course and mentoring package for the Trust's new Medical Lessons Team on how to generate an effective overall learning process from incident reporting by individuals to Lessons Learned by the organisation. This will enable the Trust's Medical Lessons Team to develop action plans to address issues raised and then ensure their implementation. MASS is also delivering a data management system to provide the essential tool with which to manage the lessons process. The combined training and data management package will allow the Trust to implement an effective safety learning culture across its multiple sites for the first time.

Dismounted Soldier System Integrator

EID has developed an integrator device that acts as the centrepiece of its new dismounted soldier communication system. The DSI-104 provides seamless integration of legacy and/or third-party products (radios, sensors, power supplies and data terminals) enabling the transmission of voice and data, as well as providing energy management and distribution between the devices. The DSI-104 was designed to be one of the most compact, lightweight and robust integrators of its class. It does not require additional ancillaries to provide the complete set of functions typically found in dismounted soldier integrators, thereby reducing the number of connections and points of failure. A management application runs on the Android platform to provide remote control and monitoring of functions. The challenge for EID engineers was to design, develop and produce the first DSI-104 units within a one-year timeframe to meet its domestic customer's demanding requirements. This required breaking some of the typical development stereotypes and a vibrant, agile, talented young development team delivered the solution on time. The lack of electronic components on the global market was overcome by the team's flexibility to quickly adjust the solution whenever selected components became unavailable. The DSI-104 is now in full scale production.

Strategy in action continued

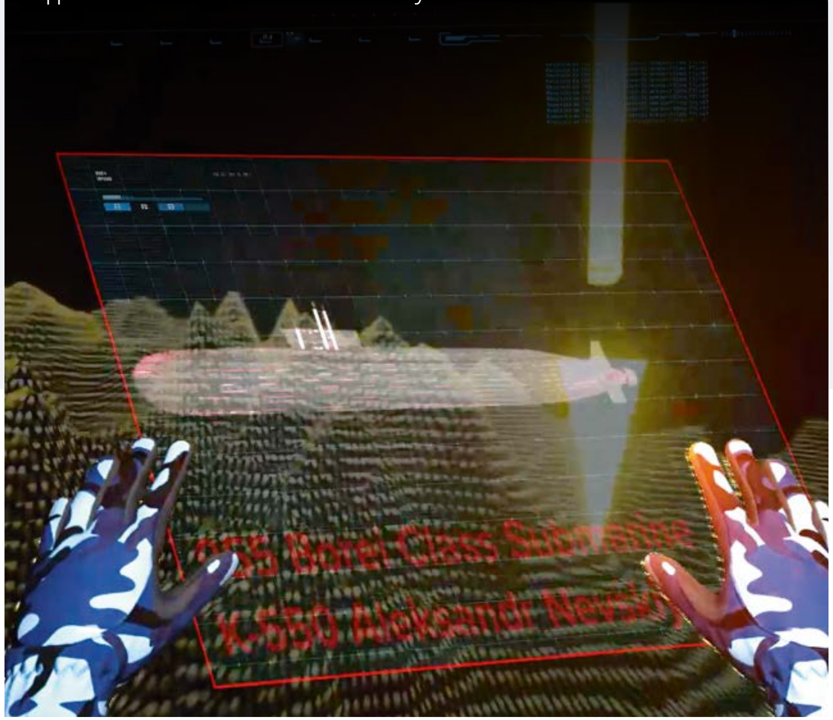
Sensors and Effectors

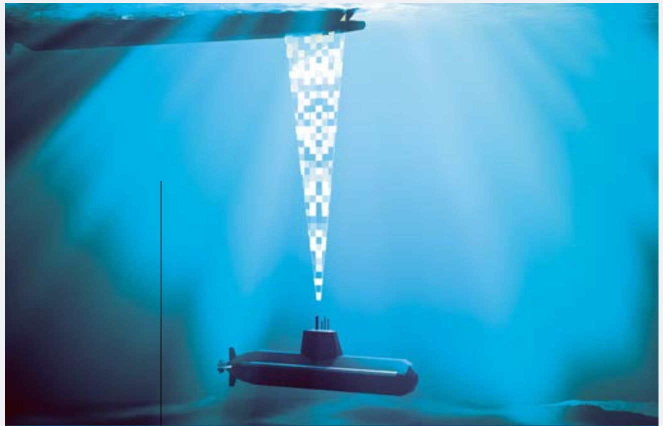
Advanced video target tracking

Chess Dynamics has introduced a new AI augmented video target tracking capability. The Deep Embedded Feature Tracker (DEFT) uses feature embeddings from Deep Neural Networks. This enables the DEFT algorithm to cope well with dynamic, rapid moving targets and rapid sensor changes. DEFT is able to follow the target in cluttered scenes and provide a strong reacquisition performance following occlusion of the target. It can be used with both colour and monochrome (such as infra-red) imagery and will track land, air or maritime targets. The DEFT algorithm is implemented in the Vision4ce CHARM range of compact, rugged video processors which are integrated into Chess Dynamics' digital electro-optical fire control and surveillance systems. The improved tracking capability minimises the operator's workload, removing the need to switch between tracking algorithms and greatly reducing the frequency of manual intervention.

Multi Environment Display

Working with Dstl, SEA has developed a prototype Multi Environment Display (MED), aimed at improving the situational awareness within a surface ship operations room. The MED combines multiple datasets into one comprehensive picture to provide a visual representation of the undersea environment. Each data layer is assessed for typical characteristics and threat analysis. The MED layers data to produce a 2D or 3D image which can also be used in augmented reality and virtual reality displays. SEA demonstrated a working prototype MED and has since been contracted to provide enhanced functionality and support multi-national experiments and demonstrations. Using such a display will reduce the workload on a ship's command team. SEA recently won a further contract from Dstl to provide additional MED updates and support a further UK demonstration later this year.





Underwater spread spectrum acoustic communications

Intelligent autonomous underwater vehicles (AUVs) have the potential to replace lengthy and labour-intensive naval missions in hazardous areas. However, critical to their success is their seamless integration into a wireless network of surface ships, submarines, ground and mooring sensor nodes, and surface gateway buoys. This requires scalable underwater communication networks that can connect to, participate in and leave allied mobile (submarine and surface) platforms on an ad-hoc basis, as well as the ability to autonomously adapt to time-varying communication conditions without the need to recover and redeploy. These flexible and self-configurable underwater acoustic networks require an intelligent adaptive protocol stack. SALSA, a European defence cooperation between Germany, the Netherlands, Norway, Sweden and Finland, developed the stack for self-reconfigurable underwater acoustic networks that autonomously adapt to changing environmental conditions and operational needs. ELAC, in cooperation with TNO, the Dutch Government's defence research organisation, implemented the new frequency repetition spread spectrum (FRSS) transmission method which uses JANUS (STANAG 4748), also implemented by ELAC, as the first contact communication method. Although spread spectrum methods are well known in radio communications, ELAC has pioneered their use in underwater acoustic communications with the support of the Fraunhofer FKIE and WTD71, the German military technical service agency. To support this development, ELAC has also developed a new transducer for the VLF (4–8 kHz) and HF (24–32 kHz) frequency bands.

Key performance indicators

Measuring our progress

Good progress in KPIs. Cash conversion consistently strong.

Change in revenue

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

Why is it important?

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

RESULTS

33%

Comment on results

The Group revenue was markedly up on last year, increasing from £137.8m to £182.7m with strong contribution from both divisions. At Communications and Intelligence this was driven by the strong performance at MCL with higher UK MOD activity. At Sensors and Effectors this was mostly a result of increased deliveries by Chess.

Change in adjusted operating profit

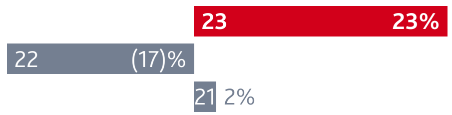
Change in Group operating profit before exceptional items, amortisation of other intangible assets, research and development expenditure credits and non-trading exchange differences, including marking forward exchange contracts to market.

Why is it important?

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

RESULTS

23%



Comment on results

On the back of the much stronger revenue performance, the trading result of the Group improved significantly.

Order book visibility

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

Why is it important?

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

RESULTS

80%

Comment on results

This is a further improvement on the last two years, reflecting the continuing progress in the size and longevity of the order book, with orders now stretching out to 2032. The order book cover for 2023/24 had further increased to over 90% by mid-July 2023.

Key performance indicators continued

Change in adjusted earnings per share

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

Why is it important?

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

RESULTS

17%

Comment on results

The 17% increase compares to a 23% increase in the adjusted operating profit, partly offset by slightly higher net interest charge and higher tax rate.

Operating cash conversion

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

Why is it important?

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

RESULTS

87%

Comment on results

The conversion in the last year maintains a high conversion ratio and was as a result of strong cash control in Communications and Intelligence and a marked turnaround at Chess within the Sensors and Effectors division. Some of this improvement was partly offset by inventory build in both of our overseas subsidiaries, at EID due to the timing of deliveries and at ELAC for its Italian sonar project.

International revenue

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

Why is it important?

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

RESULTS

£63.9m

Comment on results

The increase in 2023 export revenue is driven by higher export sales in Sensors and Effectors, especially for land environment customers of Chess and naval customers of SEA.

Operating review

Strong growth in order intake, revenue, adjusted operating profit and cash

Andrew Thomis
Chief Executive

"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).
  - An 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).
- Dividend increased by 10%.
- Strong cash conversion leading to higher net funds at £15.6m (2022: £11.0m).

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 1.

The adjusted net 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.

Operating review continued

Operating review continued

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, a historic high for the Group, underpinning 80% of the latest market consensus forecast revenue for 2024. Cash flow was robust, with 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 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. However we do not expect the very strong year of product delivery to the UK MOD in 2022/23 to be repeated and overall the Communications and Intelligence division will 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 arose at 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. This should enable Chess in the short term 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 beginning to enter 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, Southeast 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 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 our nations and 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, 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 fill this role for 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 employees 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.

Operating strategy

Organic growth

Cohort reports through two divisions, each containing three of our six small and medium-sized businesses, operating primarily in defence and security markets, and with a strong emphasis on technology, innovation and specialist expertise.

The two new reporting segments are:

- Communications and Intelligence, comprising EID, MASS and MCL; and
- Sensors and Effectors, comprising Chess, ELAC and SEA.

These divisions represent the Group's core specialisms and the business units have been grouped accordingly to reflect their complementary technologies and products.

Within our markets we have sought to identify niches where prospects are attractive and where we have some sustainable competitive advantage. Growth strategies and opportunities vary around the Group.

Operating review continued

Operating strategy continued

Organic growth continued

The Communications and Intelligence division brings together three of our businesses which have a focus on communications systems, intelligence gathering and analysis, including electronic warfare for mainly defence and security customers. They provide this through product system development and supply; and services, including training.

- 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.
- 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.
- 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's armed forces and security services.

The Sensors and Effectors division brings together three of our businesses with a focus on technology products and systems which enable our customers, primarily in the naval and land domain, to detect, acquire, track and respond to threats, whether land, air or sea based.

- 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.
- 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.
- SEA has used its close long-term relationship with the Royal Navy to build confidence with that important customer, which in turn creates a strong platform for export orders. It is also investing in new technologies where there is an opportunity to build a strong competitive position, for instance in lightweight towed-array sonars and, alongside Chess, decoy launchers.

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 recent past have included the award of a €49m order for sonar systems for the Italian Navy's new class of submarine and a follow-on order for the production and delivery of systems for an export navy customer. We have started to receive initial orders for developing and supplying communication and related systems on the UK's new Dreadnought class of submarine, a very significant and strategically important programme.

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.

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. During the last year we have extended a range of long-term support orders for the UK MOD, both within the Communications and Intelligence division (around £30m), and a similar value in the Sensors and Effectors division. These include extensions to work we have been carrying out for several decades. The continued success of our businesses in winning these orders is a good demonstration of our capability and the level of trust our customers hold in us.

Looking forward, this year has begun well with some key export wins for naval systems in Southeast Asia. We expect, after some considerable delay due to a protracted procurement process, to secure some long-term naval development and delivery work from the Portuguese Navy. We also continue to work, as a Group, on some key UK programmes as well as seeking further expansions of existing submarine programmes. These opportunities, if secured, although not expected to have much impact on 2023/24, will lay long-term foundations for the Group, potentially as far out as 2040.

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, and broadly within the capabilities of one of our divisions, 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 slower-moving competitors, even if they have larger resources available.

As we indicated last year, we acquired all of the minority shareholding of Chess for £1.0m (estimate at 30 April 2022: £1.4m) on 30 November 2022.

Operating review continued

Operating strategy continued

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 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 are reflected in rising audit fees, and the need for external support for environmental reporting. The latter only seem to ever grow.

The change this year to divisional reporting was made following discussions with our shareholder community and external analysts. The Board believes that the revised divisional reporting, which amalgamates the existing six business units into two reporting divisions, will provide a clearer understanding of the underlying performance of the Group, as well as a simplified reporting structure. These new divisions will provide sufficient scope for expansion as the Group continues to grow, both organically and through acquisition, whilst ensuring the business units can continue to operate as standalone entities, retaining their agility and flexibility.

The amount of activity between our businesses has grown in the year and we expect that to continue. We will ensure that the necessary coordination and oversight to manage this is provided both within the respective businesses and from our head office to ensure that we are able to deliver these more complex programmes while maintaining the autonomy and agility that are so important for our operating businesses.

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

Financial review

Record operating performance

Simon Walther
Finance Director

"Record revenue driven by growth in UK defence. Strong order intake in both divisions, with order book dominated by Sensors and Effectors."

Revenue analysis

As announced 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.

For clarity, we have omitted the revenue analysis by capability provided in previous years in favour of the new divisional analysis.

The Group has also introduced an analysis of its revenue by domain. This is described in the "Our markets" section of this Annual Report.

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

1. market (and geography) (see table below);

2. product or service (see table below); and

3. domain (see "Our markets" section).

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

Overall, the Group 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 from product (hardware and/or software)

REVENUE

£182.7m

2022: £137.8m

ADJUSTED OPERATING PROFIT

£19.1m

2022: £15.5m

OPERATING CASH FLOW

+£17.9m

2022: +£22.5m

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 by 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.

Financial review continued

Revenue analysis continued

The analysis of the Group's revenue by domain is set out in the Our markets section. This shows that the Group's revenue is dominated by Maritime and Land, a combined 76% of Group revenue (2022: 72%). The next significant area is Joint and Strategic at 8% (2022: 9%) which is mostly Communications and Intelligence support to the UK's Joint Warfare capability. The growth in Land is due to increases in UK MOD activity in Communications and Intelligence, mostly through MCL, and in Sensors and Effectors, through delivery of systems by Chess to both the UK MOD and overseas customers. In absolute terms, Maritime, and Joint and Strategic have slightly increased but, as a proportion of the Group's overall revenue, they have fallen back slightly due to the marked increase in Land which has driven the overall Group revenue growth.

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
Total non-UK domestic defence and security	**4.9**	4.0	**4.3**	4.0	**9.2**	**5**	8.0	6
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

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

Financial review continued

Operational outlook

Order intake and order book

	Order intake		Order book	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Communications 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 external revenue forecasts. This had risen to over 90% in July.

The Group's order intake and order book are the contracted values with customers and do not include any value attributable to frameworks or other arrangements where no enforceable contract exists. The order intake and order book 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 £202.4m, 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.

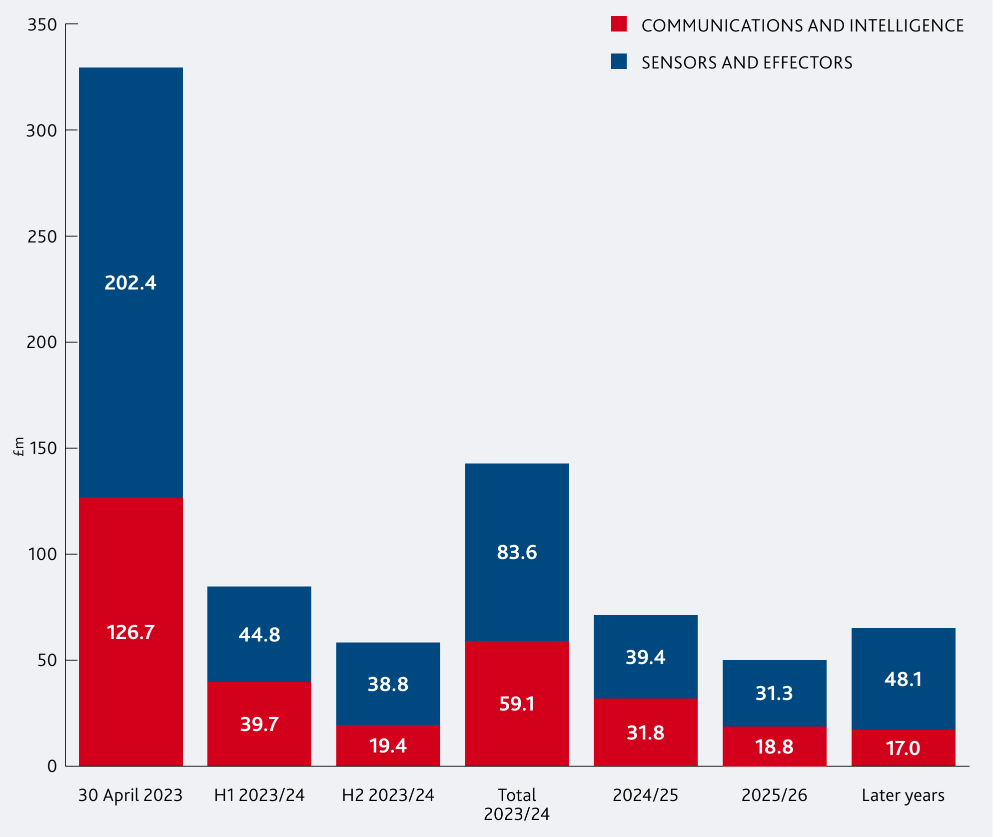
In Europe we continue to win work, including orders of nearly £10m for the German Navy. In Italy we won £8m of orders, comprising extensions to the existing sonar project and some surface ship work. We also won some key orders in Southeast Asia with the order book in this region reinforced by further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

Financial review continued

Operational outlook continued

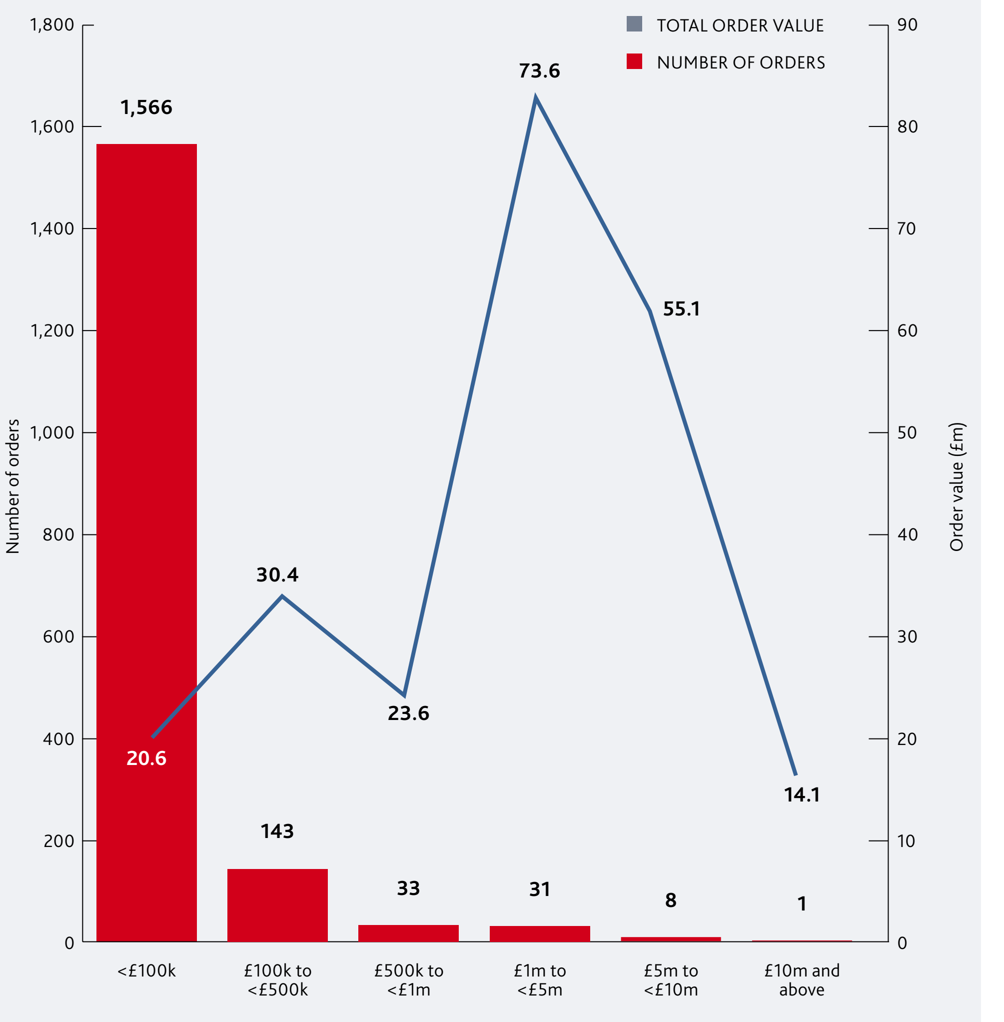
Delivery of the Group's order book into revenue

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



"The Group order book underpins 80% of the 2023/24 latest analyst forecasts for revenue. This has increased to over 90% in July."

Order intake analysis



Financial review continued

Operational outlook continued

Delivery of the Group's order book into revenue continued

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 Communications 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 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 "Order intake analysis" chart on page 23. 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 of £1m to £5m. As a policy, we usually only announce individual orders with a value of over £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, and this has since increased to over 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 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.

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

The Group's facility in place as at 30 April 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.

In the UK, the Group has separate bilateral facilities with each of NatWest and Lloyds for instruments such as forward exchange rate contracts, bank guarantees and letters of credit. In addition, the Group is free to arrange such facilities with other banks where pricing and operational efficiency warrant it. For example, we have 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 2023.

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 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.

In addition to its cash resources, the Group has in issue 41.5m ordinary shares of 10 pence each. Of these shares 0.7m (2022: 0.7m) are owned by the Cohort plc Employee Benefit Trust (EBT), which waives its rights to dividends. In addition, the Group has issued options over ordinary shares through Key Employee Share Option and SAYE schemes to the level of 1.7m at 30 April 2023 (2022: 1.8m).

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).

Financial review continued

Funding resource and policy continued

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 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, and 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: 19.0%). 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 exclude 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 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

Stakeholder engagement

Our stakeholders

Stakeholders are those groups likely to be affected by the actions of a company, or whose actions can affect the operation or business model of the company. The Board has identified the Group's key stakeholders and has taken the following steps to engage with them in order to inform the decisions that the Board takes about the products or services provided by the Group, its strategic direction, its relationship with its workforce and other relevant matters.

Shareholders

Who engaged:

Non-executive Directors, Executive Directors and Company Secretary.

Key areas of interest:

Financial performance, dividends, share price, strategy, business model, remuneration and behaviours towards other stakeholders.

How we engaged:

- We released communications such as trading updates and other important announcements via a regulatory news service. We made our Annual Report available to all shareholders and other interested parties together with notices of general meetings.
- Live Q&As were hosted for shareholders after the preliminary results and interim results webcast presentations.
- The Board together with two of our subsidiary Managing Directors held a Capital Markets Day after the 2022 AGM which was open to all shareholders and provided the opportunity to gain a deeper understanding of two of our subsidiary businesses as well as to engage with the Board and senior management.
- The Remuneration Committee Chair consulted with a number of shareholders regarding their views on our reporting on long-term executive remuneration.
- Regular meetings were held with institutional shareholders and prospective shareholders.
- We made regular updates to information in the Investor section of our corporate website.

What we have done:

- We continued to explore strategic investment opportunities for the Group.
- We introduced amended divisional financial reporting following consultation with our investors. We consider this will provide a simpler reporting structure to the Group and reflect the underlying subsidiaries' core activities.
- We developed our reporting on the long-term executive remuneration plan in this year's Remuneration Committee report to reflect the feedback received from shareholders.
- We continued to comply with the Quoted Companies Alliance Corporate Governance Code (the QCA Code).

FURTHER INFORMATION IS AVAILABLE IN: STRATEGY, CORPORATE GOVERNANCE, BUSINESS MODEL AND SUSTAINABILITY

Our people

Who engaged:

Non-executive Directors, Executive Directors, subsidiary Managing Directors and Group Head of HR.

Key areas of interest:

Safe working environments, development and progression, diversity and inclusion, competitive remuneration and workplace policies.

How we engaged:

- The Board visited all subsidiaries and the Directors were able to tour the sites and engage with employees.
- The Board received monthly health and safety reports which included updates on safety incidents involving employees throughout the Group.
- The Directors and subsidiary Managing Directors attended the Cohort Business Excellence Awards to commend individuals for their achievements.
- Board members contributed to Q&A sessions held for the Leadership Development Programme and the Business Development Conference.
- The Board worked closely with the Group Head of HR to gain a better understanding of employee recruitment and retention across the Group.

What we have done:

- We have developed our understanding of our employees' environments and challenges, which has helped to influence our decision-making process.
- We have supported the development of the cross-Group Leadership Development Programme to nurture leadership talent. The current programme commenced in October 2022 and has 14 participants from across the Cohort Group.
- Key milestones were celebrated at Chess (30 years), MASS (40 years) and EID (40 years) with members of the Board and subsidiary Managing Directors in attendance.
- We have supported an increase in the total number of employees to 1,132 (2022: 1,050).
- We have requested additional reporting on employee recruitment and retention across the Group on a regular basis.

FURTHER INFORMATION IS AVAILABLE IN: SUSTAINABILITY

Stakeholder engagement continued

Customers

Who engaged:
Non-executive Directors, Executive Directors and subsidiary Managing Directors.

Key areas of interest:
Innovative solutions, product development, long-term relationships, value and product availability.

How we engaged:
- The Board received regular updates on key customers through the monthly reporting mechanism, in the presentations to the Board meetings by the subsidiary Managing Directors, and through input from the subsidiary Managing Directors into the strategy planning.
- The Chief Executive was invited to meet with selected customers.
- A number of the Non-executive Directors worked directly with the project teams in our subsidiaries to support product development to satisfy customer requirements.
- We appreciate that communication is a critical element of the product delivery process and our subsidiary management teams actively engaged with the customer, often over long-term programmes of work. This fostered strong relationships with our key customers and enabled us to understand our customers' initiatives and priorities.

What we have done:
- Through regular engagement and open communication with our customers, the Cohort Group has established a clear understanding and a responsive service which we can align to our customers' requirements; this is supported by our Group engagement principles endorsed by the Board.
- The Executive Directors attended a number of each subsidiary's monthly management meetings and provided support on engagement with customers.
- We continued to develop and improve key performance indicators and processes to ensure customer delivery and needs remain a priority.

FURTHER INFORMATION IS AVAILABLE IN: STRATEGY, BUSINESS MODEL AND SUSTAINABILITY

Suppliers

Who engaged:
Executive Directors and subsidiary Managing Directors.

Key areas of interest:
Ethical and social impact, payment practices and long-term partnerships to develop innovative products and solutions.

How we engaged:
- The Board received updates on relationships with key suppliers and strategic partners through the monthly reporting mechanism and the year-end compliance reports.
- Subsidiary management visited suppliers to develop the robustness of our supply chain, and to ensure quality, and timeliness of delivery.
- We engaged with our key suppliers to understand their businesses and governance arrangements as part of our due diligence process.

What we have done:
- To ensure that Cohort's business is conducted ethically, all suppliers need to comply with the principles of the Cohort policies on anti-bribery and anti-slavery.
- The Executive Directors attended a number of each subsidiary's monthly management meetings and provided support on engagement with key suppliers as required.
- Subsidiaries worked with our suppliers to ensure the supply chain is robust. We have seen in some examples, post COVID-19 lockdown, that supply chains have lengthened. We have worked with our supply chain to broaden it and ensure suppliers understand our needs, including holding more stock in the supply chain.
- Chess held a supplier day event during the year.

FURTHER INFORMATION IS AVAILABLE IN: SUSTAINABILITY

Communities

Who engaged:
Non-executive Directors, Executive Directors and subsidiary management teams.

Key areas of interest:
Improving quality of life, environmental and social impact and diversity and inclusion.

How we engaged:
- We are committed to supporting the communities in which we operate and the Board received regular reporting on engagement by our businesses throughout the year.
- Our businesses continued to engage with local schools and colleges supporting them in developing skills for industry, especially in STEM subjects.
- Through supporting community schemes and charitable events which allow our businesses to leave a lasting positive impact.
- We engaged with our advisors and businesses to review our governance arrangements regarding climate-related risks.

What we have done:
- We have supported communities and charities that have a link to our activities (often supporting military veterans or service men and women) with financial donations and a matching scheme for employee funds raised, including SSAFA, the 10th Anniversary Military Wives Concert Series and a 5–25k challenge for Help the Heroes as part of Armed Forces Week.
- The Group hosted school visits and work experience in STEM subjects at some of our operations.
- We reviewed and assessed our climate-related risks across the Group and produced our first report in alignment with the TCFD recommendations.
- We were proud to receive the Gold Award in the 2023 Ministry of Defence Employer Recognition Scheme.

FURTHER INFORMATION IS AVAILABLE IN: SUSTAINABILITY AND STRATEGIC REPORT

Section 172(1) statement

The Directors confirm that, throughout the year, in accordance with Section 172 of the Companies Act 2006, they have continued to act in such a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have had regard (amongst other matters) to the matters set out below:

Section 172 matters	How the Board has had regard to these matters	Page reference
▶ The likely consequences of any decision in the long term	The Board oversees the Group's strategy and closely monitors progress against strategic goals throughout the year both at Group and subsidiary level. The Board believes that the strategy will result in long-term success and increased value for all stakeholders. The Board also carefully considers the Group's commercial and operational risks and how to protect shareholder value. MORE DETAILS OF HOW THE GROUP MANAGES RISK CAN BE FOUND IN THE RISK MANAGEMENT REPORT	41
▶ The interests of the Company's employees	The Board recognises that our people are essential to our success and growth and the Board takes a keen interest in the development and retention of employees across the Group. The Board actively supports the leadership development programme and effective employee engagement initiatives. The Board visited each of the Group's subsidiary businesses during the year to better understand the businesses, their employees and their culture and attended employee and management events.	26–27
▶ The need to foster the Company's business relationships with suppliers, customers and others	While there are circumstances where the Board engages directly with certain stakeholder groups or on certain issues, the structure of the Group means that engagement with suppliers and customers takes place most often at a subsidiary level. The Board supports the senior management teams at the subsidiaries to foster good relationships with their customers and suppliers and, if appropriate, will engage directly, usually through the Executive Directors. The Board monitors the relationship with key customers and suppliers through the Executive Directors and the monthly reports from each subsidiary Managing Director. MORE DETAILS OF HOW THE BOARD ENGAGES WITH STAKEHOLDERS IS INCLUDED IN OUR STAKEHOLDER ENGAGEMENT REPORT	26–27
▶ The impact of the Company's operations on the community and environment	The Board recognises the importance of the impact of its decisions on the community and the environment. In accordance with the Group Environmental Policy endorsed by the Board, each subsidiary carefully manages its impact on the environment as further reported in our Sustainability report. Our subsidiaries engage with their local communities through a variety of mechanisms including charity events, equipment sponsorship for local teams' sporting activities, providing work experience and university, school and college support.	26–27
▶ The desirability of the Company maintaining a reputation for high standards of business conduct	Through our Ethics Policy and our values, the Board sets out the values and standards of behaviour expected from all of its employees and representatives. This is supported by our governance and compliance framework which requires compliance with the law in each jurisdiction where the Group operates and adherence to a wide range of Group policies and standards including comprehensive anti-bribery procedures and our whistleblowing policy. We integrate our values into our businesses and all of our interactions with our customers, partners and suppliers. Our Business Excellence Awards are based on the application of and demonstration of our values by our employees.	26–27, 30–36
▶ The need to act fairly as between shareholders of the Company	The Board recognises that it has to balance competing interests in reaching its decisions. Where there are conflicting interests, the Board will act as equitably and fairly as it is able to take into account the implication for each stakeholder.	26–27

How this works for the Cohort Group

The structure of the Cohort Group means that day-to-day management decisions for our subsidiary businesses are undertaken by the senior management teams within the businesses within their levels of delegated authority. The Board has put in place and oversees a detailed governance and delegation structure. In particular, the Cohort Board oversees the activities and decisions of its subsidiary businesses in the areas of strategy, finance, compliance, human resources, and commercial and risk management.

Section 172(1) statement continued

Principal decisions made during the year

The principal decisions taken by the Board during the year, along with the stakeholder interests considered under S.172 of the Companies Act 2006, are set out below:

Principal decisions and stakeholders considered	Board's decision-making process	Long-term considerations
Dividend Shareholders, our people, customers and suppliers	The Board considered its commitment to a progressive dividend policy which has seen the dividend increase every year since 2006 and by 10% in each of the last three years. It considered the financial resources required to execute our strategy, including organic investment needs and acquisition opportunities, whilst ensuring a sufficient level of dividend cover and equitable treatment of our stakeholders.	The aim of the Board is to ensure that the dividends are consistent with the Company's financial performance without detriment to the strength of the balance sheet and future sustainability. Specifically, we ensure that investment in research and development is appropriate to ensure we remain competitive in the long term. In the last three years, our total research and development spend was £32.6m compared with a total dividend spend in the same period of £14.1m.
Acquisitions Shareholders, operating companies, suppliers, our people, future customers and employees and professional advisers	Throughout the year the Board considered information relating to a number of potential acquisitions, taking into account the Group strategy as well as the impact on the various stakeholders of the Group. In 2022–2023 none of the potential targets reviewed by the Board were considered to be appropriate investments taking into account the Group's long-term strategy. We did complete the acquisition of the minority interest of Chess within our Sensors and Effectors division.	The long-term benefit of the investment against the short-term impact on different stakeholders was considered by the Board.
Capital allocation Shareholders, our people and customers	The Board approved the Group's budget which sets out the capital allocation to deliver the strategy through investment in R&D, capital expenditure, talent and acquisitions. Our strategic objectives and priorities over the short to medium term will determine the allocation weighting.	The Board aims to balance investment for future growth whilst supporting our people and customers in the short term as well as meeting shareholder expectations.
Divisional reporting model All stakeholders	The Board considered that adopting a new simplified divisional reporting approach better presented the performance of the Group to all stakeholders. These new divisions will provide sufficient scope for expansion as the Group continues to grow, both organically and through acquisition, whilst ensuring our subsidiaries can continue to operate as standalone entities, retaining their agility and flexibility. The Chief Executive and Finance Director engaged with major shareholders and institutions to obtain their views and feedback on the proposal prior to implementation.	The Board believes that the simpler reporting model, amalgamating six existing businesses into two reporting divisions, each reflecting the broad capabilities of its component businesses, will help all stakeholders to have a clearer understanding of the underlying performance of the Group going forward and provide a clear framework within which new business additions to the Group can be reported.
Board performance review Shareholders and our people	During the year the Board engaged an external evaluator to review the performance of the Board as a whole, the Chair and the Board Committees. The Board felt that an external evaluator would facilitate a robust and transparent process for the review and would bring an element of objectivity.	The outputs of the review will inform the Board's succession planning and will enable the Board to continue to improve its performance and effectiveness.
Purchase of new site for ELAC SONAR Customers, suppliers, our people and community	The Directors considered this project over several Board meetings to assess not only the financial implications but also environmental and energy considerations, the expected timeframe and how this impacts upon employees, operational undertakings, customers and suppliers. Risks and opportunities in respect of this investment were also fully explored during this period.	The Board was keen that the new facility would be a flexible and energy efficient space that would retain its value, ensure future sustainability and create growth potential for ELAC SONAR.
Renewal of banking facility All stakeholders	The Board considered the financial stability of the Group for the next three to five years and concluded that it was in the best interests of the Group to secure a three-year refinancing deal to provide certainty. The Board considered the financing needs of ELAC SONAR and decided to extend the facility from two UK banks to three banks with Commerzbank (Germany) added to the existing two UK banks.	The revolving credit facility was put in place in May 2022, initially for three years to July 2025. An option was exercised in June 2023 to extend it for a further one year to July 2026 with a further option available to extend again to July 2027. The facility is for £35m (drawn) with an option (accordion) to draw a further £15m providing both stability and flexibility.

Group commitment to sustainability

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

Environmental sustainability

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

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

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

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

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

Chess employees volunteering in Horsham.

Sustainability continued

Environmental sustainability continued

Performance – energy and greenhouse gas (GHG) reporting

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

The GHG emissions have been assessed following the GHG Protocol Corporate Accounting and Reporting Standard and using the 2022 emissions conversion factors published by the Department for Environment, Food and Rural Affairs and the Department for Business, Energy and Industrial Strategy. The assessment follows the dual reporting approach for assessing scope 2 emissions from electricity usage. The financial control approach has been used.

The table to the right summarises the GHG emissions for reporting year 1 May 2022 to 30 April 2023 on both a UK and a Group-wide basis. As a business we have been assessing our UK carbon emissions since 2019 and have provided both last year's UK assessment results and the baseline year for comparison. This year we have included our European subsidiaries for the first time and these are included in our total Group emissions.

Over the assessment period our UK scope 3 emissions have increased due to an increase in travel as the number of international trade shows and customer meetings has continued to revert to pre-COVID-19 pandemic levels. We have continued to use virtual meetings where appropriate. We also note that the accuracy and quality of data collection has continued to improve.

The table below summarises our GHG emissions for the reporting year 1 May 2022 to 30 April 2023:

Scope	Activity	2019/20 Location based tCO_2e	2020/21 Location based tCO_2e	**2022/23 Location based tCO_2e**	**2022/23 Location based tCO_2e (incl. overseas locations)**
Scope 1	Site gas	167.32	189.16	**136.62**	**136.32**
	Van travel and distribution	67.19	48.94	**39.53**	**39.53**
	Company car travel	70.63	71.47	**80.25**	**187.87**
	Site gas oil	38.74	—	**—**	**—**
	Refrigeration and A/C	0.84	1.04	**—**	**61.52**
Scope 1 subtotal		344.71	310.62	**256.10**	**425.24**
Scope 2	Electricity generation	536.47	366.89	**307.10**	**622.13**
	District heating	—	—	**—**	**184.22**
Scope 2 subtotal		536.47	366.89	**307.10**	**806.34**
Scope 3	Flights	1,725.18	637.31[1]	**1,276.34**	**2,276.10**
	Employee-owned car travel (grey fleet)	138.24	106.76	**143.95**	**211.90**
	Electricity transmission and distribution	45.55	32.47	**28.09**	**57.29**
	Hire cars	39.60	26.60	**24.07**	**26.44**
	District heating transmission and distribution	—	—	**—**	**9.70**
	Rail travel	23.08	8.28	**9.03**	**9.05**
	Taxi travel	4.88	3.66	**2.80**	**7.75**
	Bus travel	<0.01	<0.01	**0.10**	**0.67**
Scope 3 subtotal		1,976.52	815.08	**1,484.37**	**2,598.90**
Total tonnes of CO_2e		2,857.71	1,492.59	**2,047.57**	**3,830.48**
Total market-based tCO_2e		N/A	1,438.38	**2,072.39**	**3,873.22**
Tonnes of CO_2e per employee (all scopes)		4.45	1.75	**2.43**	**3.42**
Tonnes of CO_2e per £m turnover (all scopes)		23.58	12.65	**13.57**	**21.20**
Total energy consumption (kWh)[2]		3,791,999	3,273,720	**3,395,507**	**6,355,779**

1. Flight emissions adjusted to account for improved data quality.
2. Total energy consumption includes electricity, gas, company vehicles, grey fleet and hire cars.

The table above includes two columns for 2022/23 reporting. The first is UK only and is thus comparable with the 2019/20 and 2021/22 reported figures. The second 2022/23 column includes our overseas subsidiaries and is not directly comparable. Going forward we will report the entire Group, making the year on year figures comparable.

Energy efficiency

Our subsidiaries continue to develop their energy efficiency commitments and the majority have now introduced or increased the existing provision of EV charging points at their sites to encourage employees to move away from petrol and diesel vehicles. SEA has reduced energy consumption by insulating buildings and installing energy efficient lighting and heating systems and is improving energy monitoring. ELAC conducted an energy audit and implemented several measures to improve efficiency as a result including a renewal of an air compressor, replacement of some roof windows, and an upgrade of some fluorescent lighting to LED lighting.

Energy initiatives

The subsidiaries of the Cohort Group have implemented a range of energy efficiency and waste reduction initiatives. All UK sites have continued to develop and adopt Carbon Reduction Plans, in accordance with PPN 06/21. SEA has provided environmental awareness training to all employees and MASS continues to offset its carbon footprint.

All of the UK subsidiaries offer schemes for employees to lease electric cars as part of their employee benefits offering. This year ELAC SONAR implemented an electric bicycle scheme as a benefit for all employees.

Sustainability continued

Environmental sustainability continued

Waste and recycling

As part of its commitment to continuing to be a zero to landfill business, SEA holds regular product lifecycle reviews to consider reusability and recyclability of components. During the year, Chess Dynamics identified additional recycling opportunities for bubble wrap, nuts and bolts, and plastic cable reels. MCL is implementing a new Environmental Management System which includes recycling of ink cartridges, with the recycling company giving a donation to charity for each collection. The employees at the Cohort head office identified a way to recycle coffee pods. EID has implemented recycling and waste reduction initiatives throughout its facility.

ISO 14001

SEA and EID are ISO 14001 accredited and Chess Dynamics has now achieved ISO 14001 accreditation at two of its three sites and is working towards accreditation at the remaining site. MCL and MASS continue to work towards accreditation.

Looking forward

MASS is planning to replace diesel pool cars with electric or hybrid vehicles as leases expire and is exploring a phased upgrade of lighting to LED in its St Neots site.

SEA is investigating introducing energy generation at all sites and will reinforce a UK sourcing policy for direct materials.

Environmental incidents

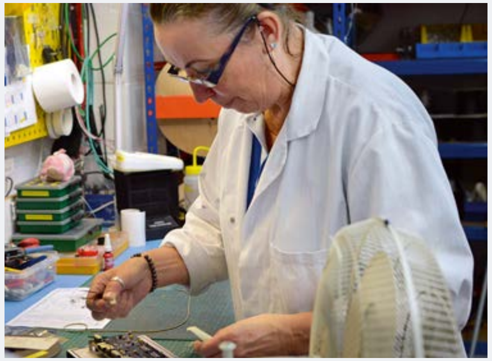
There have been no internal or external environmental incidents throughout this reporting period at any of our locations. Relevant employees receive training updates to enable them to effectively manage such events if they occur.

SEA participated in a big Beach Clean.

People

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

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



NUMBER OF PERMANENT EMPLOYEES AT 30 APRIL 2023

1,132

23	1,132
22	1,050
21	1,005
20	906
19	907

Our values

We believe in PLAYING OUR PART

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

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

We believe in BEING RESULTS DRIVEN

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

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

We believe in INDEPENDENT THINKING

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

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

Sustainability continued

People continued

Employee engagement

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

Board visits to subsidiaries

The Board places great importance on visiting subsidiary sites throughout the year to engage directly with local management and employees. This enables the Directors to understand the priorities for local management so that they can have regard to their interests in decision making.

This year the Board members visited each of the subsidiaries' sites in person. The Board undertook a varied programme including a site tour at each subsidiary, providing an opportunity to engage with employees informally in the workplace.

Group communications

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

Internal communications

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

Employee feedback

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

Reward and recognition

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

The recipients of this year's top award were the leadership team from SEA's Ship Fleet Protection who won several export contracts.

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

Training and development

The success of our business depends on our ability to deliver innovative solutions to our customers. This drives us to attract the best talent and to nurture this ability within our employees, providing them with a stimulating workplace and career development, and supporting the creation of long-term value for our business. Many training schemes operate at subsidiary level, including the use of online solutions such as LinkedIn Learning and Skillcast. In 2022/23 there have been a number of management training courses in the subsidiary businesses including cross-subsidiary HR training for line managers.

At Group level, our leadership development programme is designed to equip our current and future leaders with the skills to effectively deliver the strategic priorities of the business and respond to the competitive and changing environment we operate within. In October 2022 we commenced a new round of our leadership development programme with a group of 14 participants from across the Cohort Group. The Executive Directors and Managing Directors for the subsidiary businesses were able to engage with the individuals who are participating in the leadership development programme to grow the Group in the future through a Q&A session.

Sustainability continued

People continued

Apprenticeship and graduate programmes

Across the Group we run a number of apprenticeship and graduate programmes, incorporating both technical and non-technical specialists. There are currently 14 graduates, 12 apprentices and two internships/student placements in our schemes across the Group. The UK-based Cohort businesses are utilising their apprenticeship levy funding for new apprentices or to add to the skills of existing employees. National apprenticeship week has been supported with presentations on apprenticeships and career paths at local schools.

Joseph Oldham was awarded "Apprentice of the year" for his achievements in his final year of his apprenticeship by the North Devon Manufacturers Association Awards (NDMA).

Health and wellbeing

The subsidiaries took part in many activities during the year to promote the health and wellbeing of their people. Our employee assistance programmes are available for employees to access and are regularly promoted along with other employee benefits. In response to the cost of living crisis and the current economic situation we have been supporting employees with various schemes including wellbeing days, financial seminars and pension updates. More mental health first aiders/ambassadors were trained across the UK businesses.

Once again Mental Health Awareness Week was given particular focus. Some of the activities included:

- Chess Dynamics highlighted the Time to Talk campaign encouraging people to start a conversation and open up about their mental health. The aim was to reduce mental health stigma and create a supportive community where people can feel empowered to seek help when needed. There were webinars on men's mental health, stress and resilience, healthy eating and combating loneliness. There were also wellbeing lunchtime walks.
- MASS offered a Financial Wellness Programme where topics covered included financial resilience, debt support advice and mortgage advice for employees looking to own their own home.

Top right: SEA and MASS employees in the Run2Paris fundraising event.

Right: SEA employees took part in the Help for Heroes Walk for Armed Forces Week.

Far right: Chess employees volunteering for a local charity in Wokingham.

Sustainability continued

MCL STEM

MCL visited a total of six schools in England and Wales over the past 12 months, supporting the national curriculum that focuses heavily on science, technology, engineering and mathematics.

During school visits, MCL talked about critical thinking, problem-solving and innovation using the technology within the business. The most popular feature at its talks was the robot dog SPOT.

Working in an industry with the latest technology, MCL believes it's important to empower younger generations by allowing children a space to learn, question and think about how technology is being used for the good of the world.

Horley Football U11s

MCL sponsored Horley Town U11s by providing the boys with brand new football kit. Grassroots football brings huge benefits to the children and provides a positive contribution to our local community.

Social sustainability

STEM

At a Group level we maintain close links with academic institutions, and we are Enterprise Partners of the Institute of Engineering and Technology. MASS is a signatory of the Tech Talent Charter which promotes and supports the drive for diversity and inclusion in the UK technology sector. MCL has become a member of Business in the Community (BITC) – the King's Responsible Business network – and signed the BITC Race at Work Charter which is a commitment to improving equality of opportunity in the workplace.

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

MCL was involved with 40 coders from across industry and defence who met at MOD Abbey Wood in Bristol for the Robot Dog Olympics. The coders programmed "Spot" the quadruped robot to complete various challenges including a 50 metre sprint, a gymnastics routine and problem solving.

We have partnerships with local schools and colleges including Longsands Academy in Cambridgeshire and UTC Silverstone in Northamptonshire whose students were provided with work experience opportunities. We sponsor awards at several local schools and share industry knowledge as part of the technical modules on these programmes.

Chess Dynamics joined United Kingdom Naval Engineering, Science and Technology (UKNEST)

UKNEST is a not for profit organisation that promotes the engineering, science and technology interests of UK naval defence.

Dr Michael Green, Chess Dynamics' Naval Systems Director, said: "Chess is delighted to join UKNEST, both to collaborate in the delivery of innovation and technology, and to share in the development of future engineers to support and grow the Royal Navy's capabilities for the future."

SEA is also sponsoring an Engineering graduate from UWE as part of the UKNEST scholarship programme.

One of our employees in Bristol has given support to "Code First Girls", which aims to get more women into technology.

Communities and charities

We recognise the enormous contribution that our Armed Forces make to protect our nation and the work that we do helps them carry out their vital tasks more effectively. Across the Group, we employ many military veterans and current reservists, and celebrate their achievements during Armed Forces Week. Chess Dynamics sponsored the Armed Forces Day event in Scarborough. SEA supported the 5–25k walking challenge for Help for Heroes in Armed Forces Week and sponsored the Tenth Anniversary Military Wives Concert Series.

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

SEA was awarded the Gold Award in the 2023 Ministry of Defence Employer Recognition Scheme (ERS), having previously held the Silver ERS; this recognition demonstrates our continued commitment to ex-service personnel.

The SEA Beckington office has supported primary schools with visits to the environmental garden to understand more about insects and their habitats.

Sustainability continued

Social sustainability continued

Communities and charities continued

MASS also supported organisations as part of the National Cyber Security Centre (NCSC) and the IASME Consortium as a credited Assured Service Provider. These NCSC funded Cyber Essentials and Cyber Essentials Plus Programmes have enabled MASS to support charities and legal aid organisations in becoming Cyber Essentials certified. The cyber team at MASS also worked alongside the Eastern Cyber Resilience Centre (ECRC) to provide cyber resilience advice and support to local SMEs in the eastern region of the UK.

MASS's Electronic Warfare team hosted the Electronic Warfare Subject Matter Expert working group meeting as part of its commitment to promoting development and progress in the industry. The Electronic Warfare Subject Matter Expert working group is an opportunity for small and medium-sized companies to come together to learn more about each other's capability and business experience, to support future growth and enhance the UK's sovereign capability.

Across the Group we have sponsored local sports teams' training kits.

Our subsidiaries are active participants in their local communities, engage in local initiatives and provide charitable support. In a challenging year our teams managed to provide valuable support for both local and national charities. One of the events at the Chess Dynamics' Christmas party resulted in a donation of more than £900 for a local charity in Plymouth.

CHARITY DONATIONS IN 2023 BY THE GROUP

£33,000

(2022: £29,000)

SSAFA

Cohort plc is proud to be an active sponsor of the UK Armed Forces charity SSAFA Corporate Friends Scheme. In 2022/23 the Group sponsored the SSAFA Christmas Carol Concert, Run2Paris, annual dinner and industry networking events.

Governance

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

Ethical business conduct

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

Anti-bribery

Cohort has a culture of zero tolerance towards bribery and corruption. The Group has an Anti-Bribery Policy and each of its businesses has implemented that policy and adequate procedures described by the Bribery Act 2010 (the Act) to prevent bribery. Each business within the Group reports annually to the Board on its compliance with the policy and procedures. The Cohort Chief Executive is the Board member responsible for the Group's compliance. As part of its procedures, the Group has implemented training in respect of compliance with the Act for all of its employees on joining. Employees in roles with a greater risk of exposure to bribery are required to undertake annual refresher training.

The Group's Anti-Bribery Policy is reviewed at least every two years or more often if necessary. The policy was last reviewed and updated in January 2022. Our policy is supported by comprehensive procedures to be followed when any member of the Group works with third parties to ensure thorough due diligence is carried out and repeated at regular intervals and that our agents and other third parties have satisfactory standards and procedures in place. This year the anti-bribery procedures were reviewed and strengthened and an exercise was carried out to review all agents, distributors and representatives.

Left: Teambuilding at EID.

Cyber risk and data security

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

The ISP covers the physical and cyber security of our information, including that held on behalf of third parties. It also addresses business continuity and disaster recovery procedures and encompasses our responsibilities in respect of data protection and other non-personal information we handle.

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

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

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

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

Modern slavery

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

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

Whistleblowing

Our whistleblowing line is hosted by SafeCall and provides a channel for confidential and anonymous reporting in more than 68 languages. Details of the service are provided in the local language at our European subsidiaries. The Chief Executive reviews all whistleblowing reports and every report is investigated with support from the General Counsel and Company Secretary. The Senior Independent Director acts as the escalation contact for whistleblowing reports. Our Whistleblowing Policy provides protection and support for whistleblowers raising a genuine concern. The Group's Whistleblowing Policy was reviewed and updated in April 2023.

The Matters Reserved for the Board and the Audit Committee Terms of Reference were refreshed in 2023.

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

Task Force on Climate-related Financial Disclosures (TCFD)

TCFD

This is our first year of reporting under Sections 414CA and 414CB of the Companies Act 2006. With the support of an external sustainability consultancy, we completed this process with input from each of our six subsidiaries to ensure the risks and opportunities identified were representative of our entire business. We recognise that there are steps yet to be taken across the business to integrate climate-related risks and opportunities into our strategic approach and we have identified clear actions to work towards full compliance.

Governance

Board and management oversight of climate change

The Board is ultimately responsible for the Group's risk management framework which includes both climate-related risks and opportunities, as well as ensuring the suitability of any climate-related controls in place. The Audit Committee has assumed responsibility for reviewing the TCFD disclosures.

Given heightened awareness of climate change and the increased scrutiny from stakeholders, the Group recognises that more formalised governance mechanisms are needed to ensure that climate risks and opportunities are given due focus by the Board and senior management. These will be defined and integrated across the business in the coming financial year. In addition, we will develop a clearer long-term definition of the role of the Board in overseeing the management and monitoring of climate-related risks and opportunities.

At a subsidiary level, the risks and opportunities relating to climate change are identified, considered and managed by the Finance Directors for each of the six subsidiaries and reported in the ESG quarterly updates to head office. In March 2023, the Finance Directors attended a TCFD training course to develop their knowledge in this area.

Actions for 2023/24

- Continue to train the Board and senior management on climate and governance related issues.
- Going forward, Beatrice Nicholas will be the Non-executive Director responsible for oversight of climate-related risks and opportunities.

Strategy

Our climate-related risks

Cohort undertook a formal climate heatmapping exercise to identify and assess our climate-related risks and opportunities. This was undertaken in the first half of 2023 with the support of our sustainability consultants. We considered our exposure to physical, transition, liability and transboundary climate risk drivers across short, medium and long-term horizons.

We have defined our timeframes below to align with our business planning approach: short term: one to three years, medium term: three to ten years and long term: ten years+.

As a result of this risk identification process, we have created our own climate risk and opportunities register which identifies nine climate-related potential risks and three opportunities that could impact the Group.

The potential impacts from climate change vary across Cohort's six subsidiaries. The table on pages 37 and 38 amalgamates the Group's nine climate-related risks.

Summary of Cohort's climate risk register

Potential impact	Timeframe	Managing our risk exposure
Physical risk		
1. Extreme weather events		
Extreme weather such as heat, floods, storms and drought are already impacting the global supply of key materials. The production of semiconductors, for example, requires large quantities of clean water and is currently impacted by a prolonged drought in Taiwan. This may affect Cohort's product sourcing, leading to delays. Extreme heat can impact the performance of some sensitive equipment and change the operational requirements in locations, where record-breaking temperatures have been recorded. Extreme heat in Cohort's key geographies may also decrease employee productivity and health and wellbeing during heatwaves. Investment may be required to mitigate these impacts.	Short, medium and long-term risk	Cohort will continue to monitor the exposure of its assets and geographies to extreme weather events. Procurement and finance teams are working to identify materials that are sourced from areas most at risk of extreme weather events and using this to develop an alternative source where possible. We conduct research into temperature-resistant materials that can be used in our products. We are also taking steps to protect the health and wellbeing of our employees during prolonged periods of extreme heat such as changing shift patterns.

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Summary of Cohort's climate risk register continued

Potential impact	Timeframe	Managing our risk exposure
Transition risk		
2. Energy prices		
Rising energy prices and unstable energy supply may lead to increased operational costs if the government seeks to avert energy poverty and fund the energy transition through increased taxes.	Short and medium-term risk	We will be evaluating our opportunities to reduce energy consumption and access cheaper and renewable sources of energy.
3. Inflation fuelled by climate change		
It is possible that climate change will have long-term impacts on inflation globally. This is fuelled by the physical impact climate change will have on food production, manufacturing and logistics.	Medium and long-term risk	As a Group we are continually monitoring and measuring the financial impact inflation will have on the business, including the influence climate change has on the rising cost of materials.
4. Cost of carbon		
Government legislation designed to reduce emissions could lead to increased operational and material costs as the price of carbon is passed on to the emitters. Increased demand for carbon offset credits due to the UK's commitment to become net zero by 2050 could result in higher and/or volatile carbon credit prices.	Long-term risk	Whilst a risk, the immediate impacts are unknown. We track emissions from our subsidiaries. The Board will monitor costs and raise concerns accordingly.
5. Increasing stakeholder expectations		
Customers, investors and regulators are requiring companies to be more climate aware and introduce sustainable products and services. Financial institutions and insurers increasingly look to reduce the risk of losses and/or link capital and loans to ESG performance.	Medium-term risk	Our subsidiaries continually conduct research to identify new and innovative products, including assessing sustainability and climate resilience.

Potential impact	Timeframe	Managing our risk exposure
Liability risk		
6. Policy and regulation		
There is increasing activity by regulators to align Company activity to a low-carbon economy. There is also reputational risk that stakeholders might perceive our response to climate change as insufficient or inaccurate.	Medium and long-term risk	The Group will continue to review emerging policy and regulation that may impact our subsidiaries and will take appropriate action as and when required.
7. Litigation		
Where the Company has been unable to meet contractual requirements as a result of climate change impacts, for example due to climate-related supply chain delays.	Medium and long-term risk	Cohort monitors its regulatory and contractual requirements closely to ensure its exposure to litigation remains minimal.
Trans-boundary		
8. Supply chain disruption		
Supply chains that rely on specialised commodities and key infrastructure can be disrupted by weather and extreme weather events impacting supply facilities and production.	Short and medium-term risk	Each of our subsidiaries will conduct a review of key suppliers and identify those that may be impacted by extreme weather events.
9. Civil unrest/conflict		
Emerging conflicts from transboundary migration due to increasing climate risks have the ability to disrupt supply chains and redirect spending.	Short and medium-term risk	The Group will continue to monitor how this emerging risk will impact our sector.

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Climate-related opportunities

Many of the themes that arise from mapping our climate-related risks also manifest as strategic opportunities. We believe Cohort is well positioned to take advantage of increasing investor and customer focus on the transition to a low-carbon economy through the development of climate-resilient products and supporting our customers to reach their own net zero commitments.

Opportunity	Description
1. Innovating in climate resilient products	Investing in innovative equipment that helps customers adapt their defence capability to extreme weather events and climatic conditions.
2. Responding to climate-driven security threats	Climate change will have an impact on natural resource distribution and habitability in some parts of the world. This could lead to aggressive conflicts either to gain control of natural resources or to divert internal unrest. The UK and its allies will need to ensure that they are ready to deal with such aggression, and the Group offers products and services that will assist in this.
3. Helping countries to manage increased migration	Increased migration flows from the regions most affected by climate change will pose a political and security challenge for destination countries including the UK and its allies. The Group provides sea-based and land-based sensor systems that are an essential element in responding to this.

Actions for 2023/24

- Review the impact climate change will have on the availability of key materials for Cohort's subsidiaries.
- Explore how we can better quantify the potential financial impacts of Cohort plc's priority climate risks and opportunities.
- Develop bespoke scenarios to deepen our understanding of the impact of climate change on our business.

Scenario analysis

This year, we employed a qualitative approach to scenario analysis to consider the potential implications of climate change for our business. We have mapped our risks to two public scenarios which align with the two risk categories to which our business is most exposed:

- transition risk, manifesting predominantly in energy costs and availability, supply chain disruption, and new energy technologies; and
- physical risk, manifesting in extreme heat and floods and storms.

This exercise allowed us to consider key business dependencies and capabilities which may help us mitigate these risks. Next year, work to develop bespoke climate scenarios will be carried out to support our financial planning.

Given our exposure to risks related to energy transition, we selected scenarios from the International Energy Agency: Net Zero Emissions by 2050 Scenario (NZE) and Stated Policies Scenario (STEPS). In the table below, we outline the impacts on our business in terms of risks and opportunities.

	Risks
Above 2.5° (STEPS informed)	Physical risks: ▶ Physical risks are swifter to materialise ▶ Increased heat, floods and storms disrupt global supply chains, from sourcing of materials to transport and logistics Transition risks: ▶ Transition risks are slower to materialise, but may be unpredictable, and are linked to physical risks ▶ Policy and regulation will intensify as it keeps up with demand from global institutions to reach net zero faster ▶ Energy demand and costs may be unpredictable
Below 1.5° (NZE informed)	Physical risks: ▶ Physical risks are low Transition risks: ▶ Transition risks materialise rapidly ▶ New energy technologies are adopted rapidly, with the risk of scarcity and competitor first-mover advantage ▶ Supply chain disruption likely to occur but could be influenced by other geopolitical reasons ▶ Energy demand and costs may be unpredictable

Task Force on Climate-related Financial Disclosures continued

Risk management

Setting out of risk identification process

Climate change has not yet been fully integrated into the Group's wider risk management review process, but this has been identified as a key area to focus on and progress next year. The Group's risk register is reviewed annually and updated accordingly. At a subsidiary level, management teams are responsible for identifying and assessing new risks, as well as managing existing risks, including the identification of new and emerging climate-related risks.

Risk mapping process

To identify our climate-related risks, we took a structured approach to ensure that the Group's climate risk register is representative of each of our subsidiaries. The Finance Directors from each subsidiary attended a full day workshop in March 2023 and participated in a series of activities hosted by our sustainability consultants to identify and begin to measure the impact of a wide range of climate-related risks.

The information obtained through this process allowed us to prioritise our top nine risks. We then assessed the magnitude and likelihood of each issue to determine which topics present the greatest threat to Cohort as a group and the potential impact on key resources and relationships such as our people, assets and other stakeholders. The climate heatmap illustrates the results and our prioritised risks. Supply chain disruption risks have emerged as the area where Cohort has the greatest exposure. Actions to mitigate these will be prioritised.

Likelihood			
(3) Likely		▶ Energy costs	▶ Supply chain disruption
(2) Possible	▶ Increased stakeholder expectations	▶ Extreme weather events ▶ Inflation ▶ Policies and compliance	
(1) Unlikely	▶ Cost of carbon ▶ Civil unrest	▶ Liability	
	(1) Low	(2) Moderate	(3) High

Magnitude

Actions for 2023/24

- Embed our climate-related risks into our Group strategy and risk management process, to enable us to integrate stronger consideration of sustainability issues, including climate change, into our risk management.

Metrics and targets

As Cohort takes steps to further understand its climate-related financial risks and opportunities, we will consider adopting appropriate metrics and targets that would allow such risks and opportunities to be tracked.

Cohort has been reporting scope 1 and 2 and limited scope 3 emissions since the introduction of the Streamlined Energy and Carbon Reporting (SECR) regulations in 2019. This has focused the Group's awareness of carbon over the past three years and our ability to substantiate our overall environmental impact.

We are also aware of the increasing stakeholder focus on scope 3 emissions and we will begin work to understand our full scope 3 emissions and the associated carbon-related risks across our whole value chain.

Our full SECR report can be read on page 31.

Actions for 2023/24

- Consider adopting metrics and targets that would allow the Group to monitor and track its climate-related financial risks and opportunities.
- Explore how to quantify the impact of scope 3 supply chain emissions.

Risk management and principal risks

Risk management

Risk management

The key risks and the approach we take to their management are set out below. Certain additional risks are explained elsewhere in the Annual Report. Specifically, the impact of the war in Ukraine, the COVID-19 pandemic and resulting economic market risks are discussed in the Chairman's statement and Operational review and the cyber risk to the Group is discussed within the Corporate governance report, alongside our ethical and behavioural risks. Our risk in respect of our key resource, our employees, is explained within this Risk management section but also expanded upon in the Business model and Stakeholder engagement sections of this report. Our risks in respect of the environment, including climate change, are addressed specifically in our TCFD reporting. These should be considered alongside this section to give a complete picture of our risks and their management and control.

The Group reviews, analyses and addresses the risks it faces through the Audit Committee, Board, Group Executive and subsidiary management meetings, and subsidiary project and functional reviews.

Depending upon the nature of the risk, review and action may be on an annual basis. In most cases the review is more frequent. Project risks are generally reviewed monthly.

Risk management framework

"The Group reviews, analyses and addresses the risks it faces through the Audit Committee, Board, Group Executive and subsidiary management meetings, and subsidiary project and functional reviews."

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Business risk		
Capacity to grow the Group		
As an AIM-listed group, Cohort's strategy is to grow, both organically and by acquisition. This gives rise to the risk of the Group not having the capacity to grow in line with our strategic objectives. Specific elements of this risk include our ability to win new business and design new and competitive products and solutions, whilst ensuring that we meet our obligations to our customers and identify and execute suitable value-adding acquisitions. It also includes having sufficient people of the right skill sets to deliver our existing commitments and develop our future products and solutions (see "Employees" below).	The elements of this broad business risk are addressed below, especially the risks in respect of customers, operations, acquisitions and treasury. At a higher level, our federated model of relatively small, independent businesses enables us to respond more quickly to changing market and business conditions. Through this independence, each business is able to retain a good degree of innovation and responsiveness. This model also allows our businesses to keep close to customer requirements and technical changes to enable them to identify the need for new products and solutions and how best to achieve this, whether through our own development or utilising third-party technologies. To ensure that the business growth opportunities are value adding, whether new business, products, services or acquisitions, appropriate controls are in place in our subsidiaries' businesses and at Group level to lessen the risks of such undertakings.	Unchanged
Market risk		
Customers		
The Group's single most important customer remains the UK MOD. £62.3m of revenue came directly from this source in 2023 (2022: £46.3m), 34% (2022: 34%) of Group revenue. In addition, £36.6m (2022: £18.5m) of Group revenue, 20% (2022: 13%), was sourced ultimately from the UK MOD but received via other contractors. Any event which affects the Group's reputation with the UK MOD could also put this revenue at risk.	The increase in the proportion of the Group's revenue to its ultimate primary customer in 2023 compared with 2022 reflects the stronger performance, within Communications and Intelligence, at MCL as well as the overall decline in revenue at EID where the UK MOD is a much smaller customer. In the immediate future we expect the revenues, direct and indirect with the UK MOD, to remain at least at this absolute level, but as we see a recovery in revenue at EID for the next two years, the proportion of the Group's revenue with the UK MOD is expected to fall back to historical levels. Revenue from the Portuguese MOD, which is also a home market for the Group, was higher at £4.9m (3%) in 2023 (2022: £3.9m; 3%). The increase in revenue from the Portuguese domestic customer was a result of increased sales of communications equipment. Germany is also a home market for the Group following the acquisition of ELAC SONAR (ELAC). Sales of £4.3m (2%) in 2022/23 (2022: £4.0m; 3%) were virtually in line with last year. Non-defence sales (which include security) decreased to £16.8m (9%) from £18.0m (13%). The decrease was due largely to a decrease in security work performed for public sector entities. £58.4m of revenue (32%) was delivered to defence and security export customers this year compared with £48.8m (35%) in 2022. The absolute increase is largely due to the Sensors and Effectors division, specifically recovery at Chess. The relative proportion has declined as the increased export sales were overtaken by the higher activity seen at the UK MOD. £54.4m (2022: £33.6m), 30% (2022: 24%) of Group revenue, representing 55% (2022: 53%) of revenue derived from the UK MOD, was in relation to the Astute and other submarine programmes, nuclear deterrent programme and operational support to the Royal Navy, Royal Air Force and Joint Forces, all of which have been confirmed as high-priority areas following the UK Government's latest Strategic Defence and Security Review. This revenue stream is expected to be maintained in the coming financial year following some key order wins during 2022/23.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks		
Employees		
The Group's main resource is our employees. We are not a capital intensive business and as such our value, and our customers' value, derives from the ability of the Group to recruit, retain and train employees with the right skills and flexibility. In some of our key areas, resources are limited, and it is a risk if we cannot maintain sufficient numbers and appropriate skills.	As highlighted in the People section of our Sustainability report, we endeavour to provide an environment in which skilled employees are attracted to our business through the nature and variety of work and the level of responsibility we can provide. We maintain close links with our military and security customers, which provide a primary source of domain experts for our businesses. We, in return, are keen to support people initiatives for and within those organisations, including the UK MOD's Armed Forces Covenant. We maintain close links with academic institutions in our neighbourhoods and further afield where appropriate skills exist. We have apprenticeship and graduate recruitment schemes which ensure that the Group is able to develop its own people and that skills are maintained into the future, especially in light of shrinking military establishments. In the last year, as our order book has expanded and operating activity has returned to near pre-COVID-19 levels, we have been expanding our workforce across the Group, especially at Chess, ELAC and SEA. In some cases, we have experienced a challenging environment to recruit the right skills with challenges in both availability and cost. In some specific areas, especially software and cyber, we have seen even more marked wage inflation. In all cases we have continued to engage closely with our employees, ensuring we develop and compensate them appropriately and continue to offer a working environment that they find both interesting and rewarding. We have already put in place an Employee Value Proposition programme at MASS and are rolling this out across the Group to ensure we attract and retain the key skills the Group requires now and into the future.	Increased
Suppliers		
As is typical in the defence sector, the Group is reliant on certain key suppliers for specific elements of its technical and product offerings. This reliance is long term, with product duration in this sector often being tens of years.	This risk is managed through close liaison with suppliers, good project management and having contingency plans to contract with alternative suppliers or bring the work in house. The long-term life of many defence products requires a regular review of product life and capability, and the Group supports the customer in this respect through funded ongoing product support and re-life tasks. We have continued to see some suppliers struggling to meet delivery schedules because of the global supply chain disruptions caused by the ongoing Ukrainian war and the tailwinds of COVID-19. This has been particularly noticeable where the level of a supplier's output to the defence sector is low, and the supplier is more dependent on the commercial aerospace and automotive markets. We have seen continued delayed delivery times, particularly for semiconductors and certain other components. We have, where appropriate, ordered products and components ahead of schedule to ensure we meet customer expectations. This has resulted in a higher working capital commitment. In the last year, lead times have steadied, but remain longer than we had previously seen pre-COVID-19. We have seen the additional impact of inflation, especially in supplies of products with high energy inputs, e.g. ceramics. As discussed below in operations, we continue to try and manage this inflation by looking for alternatives or passing on costs where we can through higher pricing. Many longer-term contracts include an index-based price adjustment which automatically compensates for some or all supply inflation. In most cases, bought-in parts and equipment are a small proportion of total cost, so the inflationary impact can be managed. Nevertheless, this remains a higher risk for the Group in the coming year.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
Operations (project development)		
The subsidiary trading and business risks are similar across divisions. i. Bid risk – the businesses bid on contracts where the scope of work may not be well or fully defined by the customer. ii. Fixed-price contracts – these are often of a long-term nature (greater than 12 months) and typically include delivery of hardware and software, some of which may be developed as part of the contract. iii. Due to the nature of their niche technical skills requirement, Chess, EID, ELAC, MASS and SEA all have a fixed level of core software and hardware engineering and technical expertise.	This is typical in defence and is managed through bid/no bid reviews at the appropriate level using experienced personnel, including the Cohort Executive and Board. These projects are managed by dedicated project management teams, monthly reviews by the subsidiary board and regular interaction with the customer and key suppliers. Revenue and costs are recognised taking account of risk and the estimated cost at completion (including any contingency). This cost base is carefully monitored at budget time and by rolling quarterly forecasts to identify any potential risk of low utilisation and thus under-recovery of cost, or over-utilisation leading to the inability to meet customer commitments. Risks from higher inflation and lengthening delivery times have been seen across the Group. We have increased stock holdings of key components to ensure delivery risk is mitigated as far as possible. In the case of inflation, we have tried to fix prices with our supplier base and where this is not possible have used index-based pricing, particularly in long-term contracts, to protect our margins. We have seen component prices rise, in some cases significantly, and have as far as possible reflected these costs in bids and tenders. The risk of employee shortages is mitigated, in the short term, by the use of sub-contractor employees. In the long term, a programme of skills assessment and training is in place to ensure continued flexibility of the Group's engineering and technical resources. As highlighted previously, we saw operational, project and commercial weaknesses at Chess. Changes were made in 2020/21 and further work completed during 2021/22. We saw the benefits from these changes in 2022/23 in Chess's operating performance, even after recognising further costs on some legacy issues which we now consider are closed. The acquisition of ELAC in December 2020 added further manufacturing and testing capability to the Group. ELAC, having been owned by various public listed companies over the last 20 years, has very good control processes in place. However, its win of the large Italian submarine sonar contract is a significant development and delivery step for the business and the Group put in place a Project Advisory Committee (PAC) to act as a review panel for the project and to be able to advise ELAC and the Cohort Board. This PAC comprises individuals with extensive experience in the submarine and sonar domains.	Unchanged
Operations (MCL)		
MCL's revenue visibility is short at typically three to six months. This carries risk to employee utilisation and predictability of revenue and profit.	MCL's employee levels are low, 2023: 43 (2022: 39), and its people are flexible and possess multiple skills, enabling them to take on design, integration and support tasks across the full range of MCL's product offering. MCL has a long-term strategy to improve its visibility by securing longer-term contracts, utilising the Group's size and financial stability. Its year-end order cover for 2023/24 is lower than last year's record high at 60% (2022/23: 80%; 2021/22: 55%) however, this is expected to rise rapidly as a result of continued activity from the UK MOD, already securing a further 5% order cover in the first month of trading. MCL has significant exposure to the UK MOD (over 90% of its revenue). As we reported last year, the marked increase in the UK MOD budget and agreed four-year spending plan gave MCL some positive momentum and we saw this translate into orders during 2022/23. MCL is very much the Group's weathervane in respect of UK MOD spend.	Decreased

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Operational risks continued		
Managed service contracts		
The Group (through both its divisions) operates a number of off-site managed service contracts. These contracts are long term in nature (typically five years at commencement) and have dedicated project managers. The contracts are fixed price in terms of revenue with opportunities for additional tasks enhancing volume and return. The long-term nature of these contracts does expose the Group to the impact of high inflation.	The Group carefully manages the partnership with its customer and supplier base in all these cases to ensure the customer receives value for money, with skilled Group employees providing a dedicated, flexible and responsive approach. The primary risk to these managed service contracts is termination or loss through competition. We mitigate this risk through the partnering approach adopted by the Group and our close engagement with customers to ensure their needs are met. Both divisions secured long-term service contracts with the UK MOD to support various products and services, including Torpedo Launcher Systems and Sea Gnat countermeasures systems at SEA and extensions and renewals to various UK MOD managed service contracts supplied by MASS. The Group manages the inflation risk in these contracts through index-based pricing. Elements of these long-term contracts are contracted by the customer as required (e.g. purchases of spares) and are priced at that point in time, taking account of actual costs.	Unchanged
Export contracts		
The Group's subsidiaries seek to win and deliver solutions and services outside its geographical home markets, the UK, Germany and Portugal. The risks that arise for the Group relate to the need to comply with local and domestic legislation, and to ensure we receive payment in circumstances where political and credit risk may be much higher than in our domestic markets. There is also a risk that export licences may not be granted or may be cancelled. The timing of some export contracts can be more difficult to predict.	The Group's long-term strategy is to grow its export business, both in terms of volume and markets. This provides mitigation against reliance on any single customer, in particular the UK MOD. Total export activity in 2023 represented 32% (2022: 35%) of the Group's revenue. Revenue derived directly and indirectly from the UK, German and Portuguese defence ministries represents 54% (2022: 47%), 2% (2022: 3%) and 3% (2022: 3%) of the Group total respectively. Within Communications and Intelligence, stronger orders from the UK MOD accounts for the overall drop in the proportion of export sales for the Group. Our commercial employees are highly experienced at dealing with the various regulatory processes associated with the export of defence goods and services, including export licence applications and information security requirements. In particular we have a strong Group-wide Anti-Bribery Policy to ensure compliance with the UK's 2010 Bribery Act. We have seen delays to export licence approvals in Germany which has delayed revenue. This situation appears to be a result of increased levels of administrative oversight and we expect some form of delay to persist into 2023/24. The Group has experienced a very low level of bad debts, including from export contracts. We take a case-by-case approach to payment risk, making use of various treasury and commercial arrangements where necessary to ensure payment. We regularly monitor any potential political risk to any of our export markets, and we do not commit resources to markets where export licences might be difficult to obtain. Cost pressures driven by the Ukraine war and COVID-19 tailwinds, which are still impacting a small percentage of our export markets, have placed individual customer defence budgets under pressure. We may see more positive demand drivers from export markets arising from changes in regional security stances and disputes, notably Ukraine and Southeast Asia. The unpredictability of some export contracts, especially in terms of timing, remains a risk. Any increase in defence spending by NATO members may have both a positive impact on the volume and predictability of the Group's revenue.	Unchanged
Partners		
The Group, especially in the defence sector, often secures business through teaming and partnering with other suppliers and this is often a requirement of securing work with the UK MOD in order to ensure the end customer receives the best solution. This creates a risk that the Group's revenue or profit will be affected by poor performance of partner business.	The Group takes an active part in these arrangements and, through regular (usually monthly) project review meetings and other communication, ensures that the team (including our partners) delivers to the customer and meets the needs of the individual team members.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Strategic risk		
Acquisitions		
The buying (and selling) of businesses is a risk in respect of value, distraction, integration and ongoing obligations and undertakings.	The Group's acquisition risk is mitigated as far as practicable by the acquisition process being led at the Cohort Board level, making use of a skilled and experienced internal team augmented by external expertise and resources as and when required. Our approach to acquisitions is set out more fully in our Business model. During the year ended 30 April 2023, the Group continued to review potential businesses with a view to them joining the Cohort Group.	Unchanged
Financial risks		
Treasury		
A key risk is that the Group deposits monies with banks that are a credit risk, putting our cash resources at risk. A risk for the Group is that its pools of cash and facilities, in the UK, Germany and Portugal, are insufficient for local needs. In addition to our own cash, the Group has facilities with banks to provide debt (structured and overdraft) and other financial products (bonds, foreign exchange instruments, etc.) to enable us to carry out our operations efficiently and to execute our strategy of growth by acquisition and organically. Under the facility agreement with its banks, the Group is required to meet certain covenants every quarter. There is a risk that the Group does not meet some or all the covenants and that the facility is amended or cancelled as a consequence.	The Group prepares a monthly cash forecast to ensure that cash in the UK, Germany and Portugal is sufficient for local needs over the following three-month period. The shareholder agreement in respect of EID enables dividends to be paid from EID to the UK. In July 2022, the Group completed a new banking facility with Commerzbank, Lloyds and NatWest. NatWest remains the Group's primary bank in the UK, especially for clearing purposes and day-to-day transactions. Commerzbank performs a similar role in Germany. The facility is a revolving credit facility for three years out to July 2025 with options to extend for a further two years to July 2027. In June 2023 the facility was extended by one year to July 2026. The facility is for £35.0m with an accordion in place to extend it by a further £15.0m to £50.0m in total. Of the Group's existing facility at 30 April 2023 (£35.0m), £25.8m was drawn at 30 April 2023. The existing and new facilities provide the Group with a flexible arrangement to draw down for acquisitions and overdrafts. The Group's banking facility for three years (with an option to extend for a further year to July 2027) and our strong net funds position as at 30 April 2023 provide the Group with a robust financial strength for at least the next 12 months. The Group's new facility is available to all the Group's entities (excluding EID) through an offset arrangement. The existing and new facilities are secured against all the Group's UK and German businesses (and assets) including the Group's shares in EID. EID has facilities with local banks in Portugal, none of which have security over its assets. These facilities are for clearing bank purposes, overdraft, foreign exchange contracts, guarantees and letters of credit. The Group regularly monitors its covenant position and considers the impact of proposed transactions upon our banking covenants to ensure that they are not breached. It also has regular (no less than twice yearly) meetings with its banking providers to ensure that any potential issues or risks are identified and communicated early and that any implications for covenants can be addressed. The Group has remained in compliance with its banking covenants in 2023 and expects to continue to do so. The impact of IFRS 16 'Leases' is ignored for the purpose of our banking covenants.	Unchanged

Risk management and principal risks continued

Unchanged Increased Decreased

Nature of risk	Mitigation and progress	Change
Financial risks continued		
Currency risk		
The Group has contracts with overseas customers and suppliers requiring payment or receipt in currencies other than sterling (in the UK) and euros (in Germany and Portugal). The Group's exposure to credit risk at 30 April 2023 in respect of financial derivatives (forward foreign exchange contracts) was £13.3m of payable and £18.6m of receivable (2022: £10.7m of payable and £23.8m of receivable). The financial derivatives at 30 April 2023 were held with NatWest and Investec Bank (30 April 2022: NatWest and Investec Bank). These are disclosed in detail.	The Group manages its exposure to currency risk by using forward foreign currency exchange contracts. The level of forward cover is determined on an individual contract basis, taking into account the net currency exposure to receipts and purchases. Forward contracts are only put in place when the award of customer contracts has taken place or is considered highly probable. There is a risk of weaker margin or bid loss if exchange rates materially deteriorate from the Group's perspective between bid and contract. There is also an opportunity of margin improvement from favourable exchange rate movements in the same period. The Group does not enter into speculative forward exchange contracts. At 30 April 2023, the Group's primary foreign exchange contracts were to cover exposures to the US dollar at SEA, which has a number of sales in US dollar, and increased euro buys for supplies, mainly at MCL. The Group does not hedge the exposure to euro/sterling fluctuations that arise from its ownership of either EID or ELAC. The currency risks the Group faces have increased, especially in respect of the US dollar requiring the Group to review more regularly its supplies to be paid in foreign currency.	Unchanged
Revenue		
The Group has risk in respect of: i. milestone and acceptance failure on projects; and ii. unrecoverable trade debts. The recognition of revenue is discussed at length in the accounting policies and critical accounting judgements of the notes to the accounts and, as such, may from time to time have a degree of risk. The 2023 net bad debt charge was £0.7m (2022: £0.2m) on Group revenue of £182.7m (2022: £137.8m). Financial assets exposed to credit risk at 30 April: (see table below)	The Group takes a prudent approach to revenue and credit risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis. The Group uses project control processes and regularly reviews project progress to ensure recognition of revenue and takes account of external milestones and customer acceptance as well as the internal costs incurred. The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing ensure minimal bad debts. The Group also uses letters of credit and other methods of payment guarantee, including customer advances, especially in respect of overseas customers, to ensure any export debt risk is minimised. Significant debt receivable in foreign currency is hedged using forward exchange contracts. The credit risk of the major debtor of the Group, the UK MOD, is considered very low. The Group's risk to trade receivables is higher in some of our non-defence markets where our customers are not all government bodies. The Group also has a risk, even for government business, where we contract via a prime contractor. This risk has been low historically, especially in the defence sector, but collapses such as Carillion in the past highlight that prime contractor risk needs to be monitored. The cash and bank deposit risk is discussed under the Treasury section above.	Unchanged

	2023 £m	2022 £m
Trade receivables	**22.9**	24.4
Other receivables including contract assets	**32.7**	31.8
Cash and bank deposits	**41.5**	40.4

Board of Directors and Company Secretary

Member of the Board of Directors
Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee
Ⓒ Chair

Board of Directors

Nick Prest CBE
Chairman

Nick became Chairman of Cohort on flotation in March 2006.

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

Andrew Thomis
Chief Executive

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

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

Simon Walther
Finance Director

Simon joined Cohort as Finance Director in May 2006.

After graduating with a BSc in Toxicology and Pharmacology from University College London, Simon went on to qualify as a Chartered Accountant with Touche Ross in 1992. Simon moved to the Peninsular and Oriental Steam Navigation Company (P&O) in 1993 where he was appointed as Chief Accountant for P&O European Ferries in 1995. He has over 25 years' industry-relevant experience, with previous senior finance roles at Alvis and BAE Systems.

Edward Lowe
Independent Non-executive Director

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

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

Board of Directors and Company Secretary continued

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

Jeff Perrin
Independent Non-executive Director and Senior Independent Director

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

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

Beatrice Nicholas
Independent Non-executive Director

Dr Beatrice Nicholas joined Cohort on 1 September 2021.

Beatrice started her career at the GEC Hirst Research Centre in 1984, moving to GEC Marconi Avionics in 1995, where she held several senior management positions. As part of the wider consolidation in the sector, GEC Marconi Avionics became part of BAE Systems in 1999 and then Selex Galileo Limited in 2012, subsequently part of the Leonardo Group.

In 2010 she was appointed Senior Vice President with responsibility for leading the electronic warfare business. In 2013, she was appointed Director of Engineering for the Airborne and Space division of Leonardo UK Limited, with responsibility for the execution of all engineering projects within the division.

Between 2017 and early 2022, she established and operated an independent consultancy, Beatrice Nicholas Consulting Limited, advising on diversity and inclusion.

Raquel McGrath
Company Secretary and General Counsel

Raquel was appointed as Company Secretary and General Counsel from 1 October 2020.

Raquel graduated from the University of Bristol in 1991 with a Bachelor of Laws LLB (Hons) followed by Law Society Finals at the College of Law, Chester, in 1993. She started her career as a Solicitor and Articled Clerk with Slaughter and May in London before moving to Melbourne to work with Allens as a Senior Associate. Raquel has held the role of General Counsel and Company Secretary at a number of UK AIM-listed and large private companies. Raquel joined Cohort plc in November 2019 before taking over the role of Company Secretary from Simon Walther in October 2020, in addition to being appointed General Counsel for the Cohort Group.

Stanley Carter retired as a Non-executive Director on 27 September 2022.

Corporate governance report

Nick Prest CBE
Chairman

Introduction

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

Since 2018 Cohort has applied the QCA Corporate Governance Code (the QCA Code), being appropriate for a company with the size and structure of Cohort, and our Corporate governance report for the year ended 30 April 2023 is based upon the QCA Code.

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

As Chairman of the Board, I take primary responsibility for corporate governance. An important part of my role is to build strong relationships with shareholders and other stakeholders and to ensure that the views expressed by shareholders are communicated to and considered by the Board.

In September 2022, Stanley Carter retired from the Board. Stanley remains a major shareholder in the Company.

The voting pattern at our 2022 AGM indicated a broad measure of shareholder support in relation to corporate governance matters. We nevertheless continue to keep these matters under close review and to pay careful attention to shareholder views.

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

Governance structure

Corporate governance framework

The Board of Directors[1]
Nick Prest CBE (Chair), Jeff Perrin (Senior Independent Director), Edward Lowe, Beatrice Nicholas, Andrew Thomis (Chief Executive), Simon Walther (Finance Director)

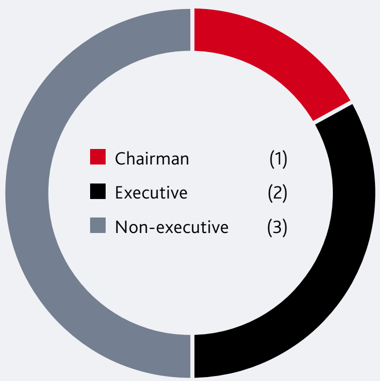
Audit Committee
Jeff Perrin (Chair)
Edward Lowe
Beatrice Nicholas

Remuneration Committee
Edward Lowe (Chair)
Jeff Perrin
Nick Prest CBE
Beatrice Nicholas

Nomination Committee
Nick Prest CBE (Chair)
Jeff Perrin
Edward Lowe

1. Stanley Carter retired from the Board with effect from the end of the 2022 AGM on 27 September 2022.

Board composition



Corporate governance report continued

Deliver growth

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

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

The Group's Business model is set out in our Strategic report. We believe this promotes long-term value for our shareholders as demonstrated by our five years' financial performance (see page 116) and our key performance indicators, as set out in our Strategic report, are shown for the last three years.

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

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

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

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

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

Cohort places a great deal of importance on communication with all shareholders and details of how we achieve this are set out in Stakeholder engagement. The Company also meets with its institutional shareholders and analysts and receives regular feedback from its institutional shareholders, either directly or via its NOMAD, Investec. The Board is keen to ensure that shareholders are provided with the opportunity to engage with the Board and has continued to host live Q&A sessions following the 2021/22 financial year announcement in July 2022 and the interim results announcement in December 2022. Recordings of these sessions can be accessed on our website (cohortplc.com).

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

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

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

Consideration of all of the Group's stakeholders is an integral part of the Board's discussions and decision making. Stakeholders include shareholders, our employees, customers, partners, suppliers and local communities. Further details are set out in our Stakeholder engagement report.

In particular, we believe that our employees are the key to our success. We are not a capital-intensive business but depend upon the skills, capabilities and flexibility of our employees, and our business model (see Strategic report) depends upon us being agile and responsive (see People in our Sustainability report). The Board receives a monthly report on health and safety across the Group.

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

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

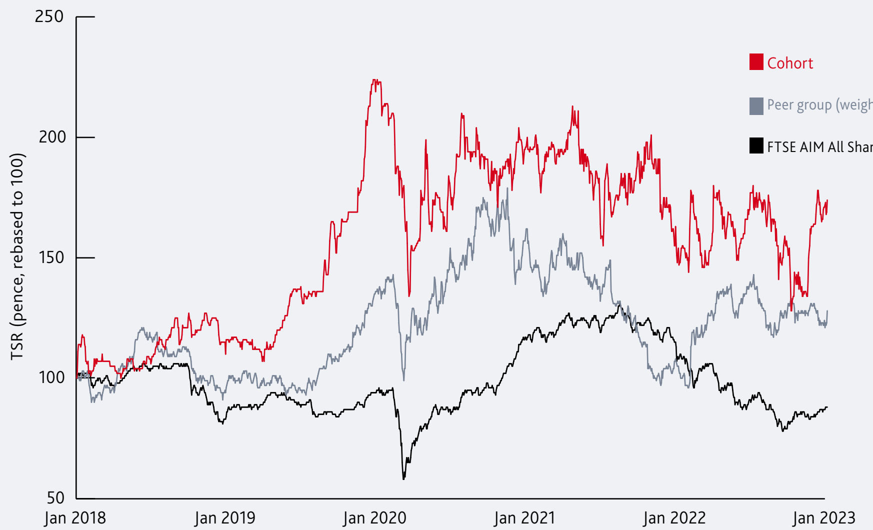
Principle 4. Embed effective risk management, considering both opportunities and threats, throughout the Group

The Board and Group approach to risk is set out in the Audit Committee report and the Risk management section.

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

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

Total shareholder return five-year performance



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

Corporate governance report continued

Deliver growth continued

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

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

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

Maintain a dynamic management framework

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

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

The Board

As at 30 April 2023, the Board of Directors comprised two Executive Directors, Andrew Thomis and Simon Walther, three Non-executive Directors, Jeff Perrin, Beatrice Nicholas and Edward Lowe, and me.

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

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

Board Committees

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

The reports of the three Committees are reported separately.

Audit Committee

The Audit Committee comprises three independent Non-executive Directors in accordance with the QCA Code, being Jeff Perrin (Chair), Beatrice Nicholas and Edward Lowe. The Audit Committee's role is set out in the Audit Committee report.

Nomination Committee

The Board established a Nomination Committee in April 2021. The Nomination Committee comprises two independent Non-executive Directors, Jeff Perrin and Edward Lowe, and me as Chair. The Nomination Committee's role is set out in the Nomination Committee report. The Committee meets as required.

Remuneration Committee

The Committee comprises Edward Lowe (Chair), Beatrice Nicholas, Jeff Perrin and me. The Board is of the opinion that the composition of the Committee is compliant with the UK Corporate Governance Code (the UK Code) as it is composed of three independent Non-executive Directors (one serving as Chair) and a Chairman who was independent on appointment. All four members of the Committee have considerable experience of managing remuneration schemes for senior executives in public and private companies, both large and small.

The Remuneration Committee's role is set out in its report.

Company Secretary

Raquel McGrath acts as secretary to the Board and its Committees. The Company Secretarial department supports the Board, ensuring good information flows and advising on all corporate governance matters.

Attendance at Board and Committee meetings

Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary including meetings with the subsidiary Managing Directors to review strategic and financial plans and, as mentioned above, the Board also holds a strategy day in addition to the scheduled meetings.

The scheduled Board and Committee meetings and attendance of the members during the year ended 30 April 2023 were as follows:

	Board (9 scheduled meetings)	Audit Committee (3 meetings)	Remuneration Committee (2 meetings)	Nomination Committee (no meetings)
N Prest CBE (Chairman)	9/9	—	2/2	—
S Carter (Non-executive Director)[1]	1/3	—	—	—
B Nicholas (Independent Non-executive Director)	9/9	3/3	2/2	—
J Perrin (Independent Non-executive Director and Senior Independent Director)	9/9	3/3	2/2	—
E Lowe (Independent Non-executive Director)	9/9	3/3	2/2	—
A Thomis (Chief Executive)	9/9	—	—	—
S Walther (Finance Director)	9/9	—	—	—

1. Stanley Carter resigned from the Board on 27 September 2022.

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

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

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

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

	Defence sector	Financial	General management	Other public company (board level)	Public sector
N Prest	■		■	■	■
A Thomis	■		■		■
S Walther	■	■			
E Lowe	■		■		
S Carter[1]	■		■		■
J Perrin	■	■	■	■	
B Nicholas	■		■		

1. Stanley Carter resigned from the Board on 27 September 2022.

The Board biographies give an indication of the breadth of skills and experience.

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

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

Corporate governance report continued

Maintain a dynamic management framework continued

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

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

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

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

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

It is important that this largely informal process is supplemented periodically with a formal review of Board performance. This year, the Board completed its first external evaluation facilitated by Independent Audit Limited (IAL), an independent third-party organisation. The review was led by Jonathan Hayward. The scope included an evaluation of the performance of the Board, the Board Committees, individual Directors, and the Chair. IAL was selected via a competitive procurement process led by me together with the Company Secretary which included interviews with three shortlisted candidates. IAL has no connection with the Company or any Director.

The evaluation was focused on completing an independent assessment of the Board's effectiveness, performance and compliance with the Quoted Companies Alliance Corporate Governance Code, the UK Financial Reporting Council Guidance on Board effectiveness, internationally recognised board best practices and IAL's own experience of best practice.

Together with the Company Secretary, I agreed the objectives, process and scope with IAL. In the first instance, an online questionnaire was designed and sent to all Board members and the Company Secretary to complete. A separate questionnaire was sent to each of the Managing Directors of our subsidiaries. Jonathan Hayward then attended and observed a Board meeting, having reviewed the Board pack and associated materials in advance. IAL was also provided with access to an annual cycle of Board and Committee papers, which included strategy documentation. Confidential interviews were then conducted between IAL and each of the Directors, the Group Head of Strategy and the Company Secretary. A full written report was presented to the Board and was discussed in depth with Jonathan Hayward at an additional Board meeting convened for this purpose.

The findings concluded that Cohort's Board comprises highly committed and engaged Directors who bring a wealth of industry-specific experience and offer meaningful support to the Executive Directors. The Board was found to be transparent and collegial with a strong focus on financial oversight. The Audit Committee is considered thorough and effective and the depth of experience of the Chair was greatly valued by the finance team. The Board will give early consideration to the appointment of a replacement for the current Chair of the Audit Committee, whose term will end in July 2024. The Remuneration Committee is well led by its Chair and has successfully implemented a new executive Long Term Incentive Plan. Improvements to the remuneration disclosures in the Remuneration report have been implemented this year and the Remuneration Committee will continue to work closely with the Audit Committee to review the Group's outcomes against the performance targets set under the executive remuneration scheme. Actions will be taken to address certain areas for improvement arising from the evaluation, including an increased focus on reviewing progress against strategic goals throughout the year, an increased focus on succession planning and enhanced reporting to the Board on people and employee engagement. IAL has reviewed this summary of the findings of the Board evaluation.

The Board will continue to evaluate Board effectiveness in 2024 and will report any relevant findings together with our progress on the actions arising from this year's external Board evaluation in the 2024 Annual Report.

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

The Group has a strong ethical culture, supported by our policies and processes as further described in the Governance section of our Sustainability report.

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

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

Group management

The Cohort Board holds nine scheduled meetings per calendar year; in addition the Board meets to conduct business and strategic reviews which are not recorded as formal Board meetings. The Board also holds regular ad-hoc discussions as required to consider particular issues. As a Board, we visit each of the subsidiaries at least once a year and individual Non-executive Directors will visit subsidiaries as required to assist with matters within their area of expertise. The Non-executive Directors and I meet at least once a year without the Executive Directors present.

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

Subsidiary management

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

Build trust

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

The Board communicates how the Company is governed and how it is performing by maintaining a dialogue with shareholders and other stakeholders through the mechanisms described in this report and in Stakeholder engagement.

Board Committees

The reports to shareholders of the Audit, Nomination and Remuneration Committees are shown separately.

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

Nick Prest CBE
Chairman

Audit Committee report

Jeff Perrin
Independent Non-executive Director and Senior Independent Director

Auditor's remuneration

	2023 £'000	2022[1] £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated accounts	**104**	78
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**369**	320
Total audit fees	**473**	398
Other accounting services	**—**	—
Interim review fee	**57**	48
Total non-audit fees	**57**	48
Total fees paid to the auditor and its associates	**530**	446
Charged to profit for the year	**530**	446

1. The 2022 figures include cost overruns of £31,000.

Introduction

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

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

Jeff Perrin is Chair of the Audit Committee, being a qualified Chartered Certified Accountant and having experience of the defence industry in this and previous roles. Jeff Perrin has offered himself for re-election at the 2023 AGM as discussed in the Nomination Committee report.

The current terms of reference of the Audit Committee were reviewed and updated in March 2023.

Consideration of the financial statements

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

Areas of judgement

Revenue and profit recognition on fixed-price contracts

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

Recoverability of trade and other receivables

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

Goodwill

The Group has recognised goodwill and other intangible assets in respect of the acquisitions of businesses within its two reporting divisions, Communications and Intelligence (EID, MASS and MCL) and Sensors and Effectors (Chess, ELAC and SEA). The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and, in each case, are amortised over the expected life of the earnings associated with the other intangible assets acquired. The goodwill, which is not subject to amortisation but to at least annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived. This includes, but is not limited to, reputation, customer relations, contacts and market synergies with existing Group members. The goodwill relating to acquisitions made by the Group has been tested for impairment as at 30 April 2023; this is an area of judgement. In each case there was no impairment. The Group's 2023 post-tax WACC of 12.8% is higher than the 2022 equivalent of 10.8%, which reflects higher interest rates and higher volatility in respect of Cohort plc's shares. These post-tax WACC amounts are equivalent to a pre-tax WACC of 18.1% (2022: 16.2%).

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

Provisions

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

Audit Committee report continued

Consideration of the financial statements continued

Alternative performance measures (APMs)

The Group reports a number of APMs which are not in accordance with the reporting requirements of IFRS. The Audit Committee has reviewed these during the year ended 30 April 2023 to ensure they are appropriate and that in each case:

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

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

Adjusted operating profit

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

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

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Adjusted operating profit	**19.1**	15.5	18.6	18.2	16.2
Operating profit (IFRS)	**15.3**	11.1	7.8	10.7	5.9

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

It is the Board's opinion that the trading performance of the Group is better reflected by the adjusted operating profit.

Adjusted earnings per share

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

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

Independent auditor

Although not applicable to Cohort plc, the Audit Committee has considered the Financial Reporting Council's recently published standard on Audit Committees and External Audit: Minimum Standard. This is considered good practice and where appropriate the Cohort plc Audit Committee has followed the responsibilities outlined in this standard, specifically:

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

The independent auditor presented its audit plan to the Audit Committee prior to the Audit Committee meeting held in March 2023. The plan was reviewed and approved at that meeting with specific areas of focus by the independent auditor discussed in detail for the ensuing audit.

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

The analysis of RSM UK Audit LLP (2022: RSM UK Audit LLP) remuneration is shown in the table above. The payments made to RSM UK Audit LLP in 2022 include additional fees incurred as part of that audit.

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

Jeff Perrin
Chair of the Audit Committee

Nomination Committee report

Nick Prest CBE
Chairman

The Nomination Committee is chaired by me and the other members are two independent Non-executive Directors, Jeff Perrin and Edward Lowe.

Key responsibilities

The Committee is appointed by the Board and its terms of reference are available on the Company's website (cohortplc.com). The Committee meets as required and no formal meeting was needed in the reporting year. The members of the Nomination Committee did, however, discuss the various matters for which the Committee is responsible in the course of other meetings and undertook work to support the Executive Directors in relation to appointments below Board level and were engaged in reviewing the relevant outputs from the Board evaluation process (refer to the Corporate governance report for further details).

The key responsibilities of the Committee are:

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

Re-appointment of Directors

The Company's Articles of Association require any Director who has not been appointed or re-appointed at either of the two previous Annual General Meetings of the Company to retire, and for one third of the Directors to retire by rotation each year. This year, Simon Walther and Jeff Perrin, being eligible, each offers himself for re-election at the 2023 AGM. For Jeff Perrin this will be for a term of one year because Jeff Perrin will have served on the Board for nine years from July 2024 and will be subject to annual re-election thereafter. The Board has considered the performance and commitment to the role of each of Simon Walther and Jeff Perrin and has recommended their re-election to the Board on the basis that their contribution is, and continues to be, important to the Company's long-term sustainable success.

Nick Prest CBE
Chair of the Nomination Committee

Remuneration Committee report

Edward Lowe
Independent Non-executive Director

I am pleased to present the Remuneration Committee (the Committee) report for the year ended 30 April 2023.

This report is split into three sections:

- this annual letter summarising the work of the Committee in 2022/23;
- a statement of the current Directors' Remuneration Policy (the Policy), including the LTIP; and
- the Annual report on remuneration, which provides details of the remuneration earned by Executive Directors and the Non-executive Directors in the year ended 30 April 2023.

Remuneration policy

The view of the Committee is that the Directors' Remuneration Policy (the Policy) has, as intended, supported delivery of the strategy, and focused the management team on delivering strong financial and operational performance.

The new policy for Long Term Incentive Plans (LTIP) was implemented in 2021/22 and the first year when new long-term incentives will vest, partly in cash and partly in shares, under the new policy will be in 2024/25 based on performance over the three-year period ended 30 April 2024.

It is to be noted that the remuneration of the Group's subsidiary Managing Directors is structured very similarly to that of the Executive Directors. The Committee has also been keen to promote the involvement of all Cohort employees in the long-term success of the Group and to this end has been pleased to see continuing interest by employees in the Share Incentive Plan (SIP) and the Save as You Earn (SAYE) schemes.

Performance related pay

The current year (2022/23) has seen a slightly stronger than expected trading performance and another very strong year of order intake, laying a good foundation for 2023/24 and beyond. The Group cash performance was also very strong and provides the Group with the firepower to deliver its record order book and continue its strategy.

The Group's financial performance for the year resulted in in-year bonus for the Executive Directors at 87% of maximum (maximum pay out being 15% of salary) and long-term performance awards (under the old LTIP) at 50% of the maximum level (maximum level being 50% of salary). Full details are shown below.

The Committee must be satisfied with the level of performance during the performance period taking account of a range of factors and has the ability to adjust awards if it considers that the calculated numbers are out of line with the underlying business performance of the Group.

The Committee considered that the calculated level of award was an appropriate and merited outcome in the light of the strong recovery of the Group's performance.

Outlook for 2023/2024

The Committee also considered it appropriate to award basic salary increases of 6.5% to the Executive Directors with effect from 1 May 2023.

For 2023/2024 we will be continuing with the in-year performance bonus (as set out in the table below) and the new Long Term Incentive Plan (LTIP) which commenced 1 May 2021. Such awards will be in line with the Cohort Executive Incentive plan December 2021.

The Committee remains committed to ensuring that executive remuneration is in line with best practice and appropriately incentivises the Executive Directors over the long term to deliver the Cohort strategy. The committee will review the policy in 2023 to ensure that it is fulfilling its objectives and that it remains competitive with industry peers.

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

Edward Lowe
Chair of the Remuneration Committee

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Base salary	To provide competitive fixed remuneration to attract, motivate and retain Executive Directors of a calibre required to deliver growth for the business.	Normally reviewed annually by the Committee considering remuneration levels for comparable companies of a similar size and complexity, industry sector or location. Individual salary adjustments take into account each Executive Director's performance and the Group's financial circumstances, with significant adjustments infrequent and normally reserved for material changes in role, a significant increase in the size or complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance.	No prescribed maximum salary or maximum increase in salary. Increases are awarded having given consideration to those awarded across the wider workforce.	Not applicable.
Benefits	As above.	Executive Directors are entitled to benefits such as family private health insurance, income protection during periods of long-term illness absence and life assurance. Executive Directors are eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with emerging market practice.	A maximum is not pre-determined. Benefit values can vary year on year depending on premiums and the maximum is the cost of providing the relevant benefits. The maximum level of participation in all-employee share plans is subject to the limits imposed by the Inland Revenue.	Not applicable.
Retirement allowance	To reward sustained contribution by providing retirement benefits.	The Company pays a retirement allowance in lieu of pension contributions. Where this is operated via salary sacrifice the Company passes on the National Insurance saving of 10% of the sacrificed salary back to the Executive as additional retirement allowance, in line with its general workforce practices.	For Cohort Executive Directors the retirement allowance is set at 4% of basic salary in line with the current general workforce contribution level. National Insurance saving on allowance delivered via salary sacrifice is set at 10% of the salary sacrificed.	Not applicable.
In-year performance bonus	Rewards the achievement of annual financial business performance targets which support the strategic direction of the business.	Paid annually in cash. 0% to 10% of salary payable based on full year adjusted operating profit performance against budget calculated as follows: ▶ Zero if performance below 95% of budget. ▶ Linear increase from 0% to 10% as performance goes from 95% to 105% of budget. Plus 0% or 5% of salary payable based on full year operating cash flow performance against budget calculated as follows: ▶ Zero if performance is below budget. ▶ 5% if performance is at or exceeds budget. Recovery provisions apply in cases of restatement of financial results for the relevant financial year.	15% of salary.	Actual performance compared to budget for the financial year for adjusted operating profit and operating cash flow (both excluding the impact of any in-year acquisitions and disposals). Both adjusted operating profit and operating cash flow shall be calculated after deducting the costs of all bonus payments, including the cost of Restricted Shares. Financial measures determine 100% of the bonus calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances.

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Long-term performance awards – scheme ceased 30 April 2023	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable growth and the interests of shareholders. Encourages long-term shareholding and discourages excessive risk taking. This scheme came to an end with the completion of the year ended 30 April 2023 and this report includes the final rewards to the Executive Directors under this scheme.	Annual award based on the historical annualised profit growth of the Group over a (up to[1]) four-year performance period prior to award comprised of: 1. Up to 50% of basic salary split: ▶ two fifths as a cash bonus; ▶ two fifths as Restricted Shares; and ▶ one fifth in either cash or Restricted Shares at the Executive's discretion. The award increases from 0% to 50% of salary on a linear basis as achievement against the performance measure increases from 0% to 10%. 2. An award of share options with market value exercise price at the discretion of the Remuneration Committee. Restricted Shares vest in four equal tranches, 25% on award and 25% on each of the following three anniversaries of award, subject to continued employment. No dividends are paid on Restricted Shares before vesting. Tax and National Insurance (employee and employer) are borne on awards of Restricted Shares by the Company on behalf of the Executive. Recovery provisions for both cash and Restricted Shares apply in cases of restatement of financial results for the relevant financial year.	Cash and Restricted Shares valued at up to 50% of basic salary. In addition, the income tax and National Insurance (employee and employer) arising from the award of Restricted Shares is settled by the Company on the Executive's behalf. An option award over a maximum number of shares calculated as 20% of basic salary divided by exercise price. These option awards have not been made since 1 May 2022, this part of the current award scheme having ceased on 30 April 2022.	Compound annualised growth rate per share[2] in adjusted profit before interest and tax (after excluding non-controlling interests) between the year ended 30 April 2019 and the year ended 30 April 2023. For the avoidance of doubt, amortisation of other intangible items, marking forward exchange contracts to market at the period end and such exceptional items as the Committee, in its absolute discretion, decides shall be excluded from the calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances. The level of award of share options is discretionary and is based on the Remuneration Committee's overall assessment of both the individual performance of each Executive Director and the financial performance of the Group.
Long-term performance awards – scheme to operate from 2021/22 onwards with first awards under this scheme, if earned, vesting in the year ending 30 April 2025 **First award approved in the Remuneration Committee meeting of 2 November 2021**	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable growth and the interests of shareholders. Encourages long-term shareholding and discourages excessive risk taking.	Annual award based on the future annualised profit growth of the Group over a three-year performance. An additional two-year holding period applies after the end of the three-year vesting period. Up to 125% of basic salary split: ▶ one third as a cash bonus; and ▶ two thirds as performance shares. No award of share options. Awards will vest subject to the performance criteria set out above and following audit clearance of the Group accounts in the relevant third year. Executive Directors are required to hold any shares arising from the vesting of their award, net of any shares sold to meet personal tax and social security obligations, for a period of two years from the vesting date. An overall reward period of five years. Employers' National Insurance is borne by the Company. Recovery provisions for both cash and performance shares apply in cases of restatement of financial results for the relevant financial year.	Cash and performance shares valued at up to 125% of basic salary for the base year. The income tax and employee National Insurance on all awards are settled by the Executive. Employers' National insurance is settled by the Company on all awards. The shares element is awarded as number of shares based on the two thirds of salary figure divided by the average mid-market share price of Cohort plc shares for the five business days prior to the award under this scheme.	Compound annualised growth rate per share[2] in adjusted profit before interest and tax (after excluding non-controlling interests) between the base year and the vesting year three years later. For the avoidance of doubt, amortisation of other intangible items, marking forward exchange contracts to market at the period end and such exceptional items as the Committee, in its absolute discretion, decides shall be excluded from the calculation. The Committee has discretion to adjust the awards if it considers that the calculated numbers are out of line with the underlying performance of the Company or the Executive, or in other exceptional circumstances. The calculation of awards under this scheme will be disclosed in Remuneration Committee reports as awards vest. Thus, for the year ended 30 April 2024, the calculation of first awards under the LTIP scheme (which commenced on 1 May 2021) will be reported in the Annual Report for the year ended 30 April 2024.

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

Remuneration Committee report continued

Cohort plc Executive Directors' Remuneration Policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance measure and target
Share ownership levels	To increase alignment between Executives and shareholders.	Executive Directors are encouraged to build a holding of shares in the Company during their tenure with the Company. The Committee keeps the level of the Executive Directors' shareholding under review. Sale of shares in the Company by an Executive Director is only allowed with the approval of the Chairman.	Levels were set for 2021 onwards.	CEO at 200% of salary. FD at 150% of salary. Subsidiary MDs at 100% of salary.
Chairman and Non-executive Directors' fees	To provide compensation in line with the demands of the roles at a level that attracts high-calibre individuals and reflects their experience and knowledge.	Base fee for Chairman and Non-executive Directors. Normally reviewed annually. The Company reimburses any reasonable expenses that a Non-executive Director incurs in carrying out their duties as a Director, including travel, hospitality related and other modest benefits, if appropriate. If there is a temporary material increase in the time commitments for Non-executive Directors, the Board may pay extra fees to recognise the additional workload. The Non-executive Directors are entitled to participate in the Company private health insurance scheme at their own expense should they wish to do so.	No maximum. Fees are set taking into account internal benchmarks such as the salary increase for the general workforce and external benchmarks of fees paid by companies of a similar size and complexity.	Not applicable.
Service contracts		The Executive Directors have service agreements with the Company which can be cancelled by either party giving six months' notice at any time or 12 months' notice in the event of losing office following a change of control arising as a result of any person or persons acquiring more than 50% of the voting rights at a general meeting of the Company.	Not applicable.	Not applicable.

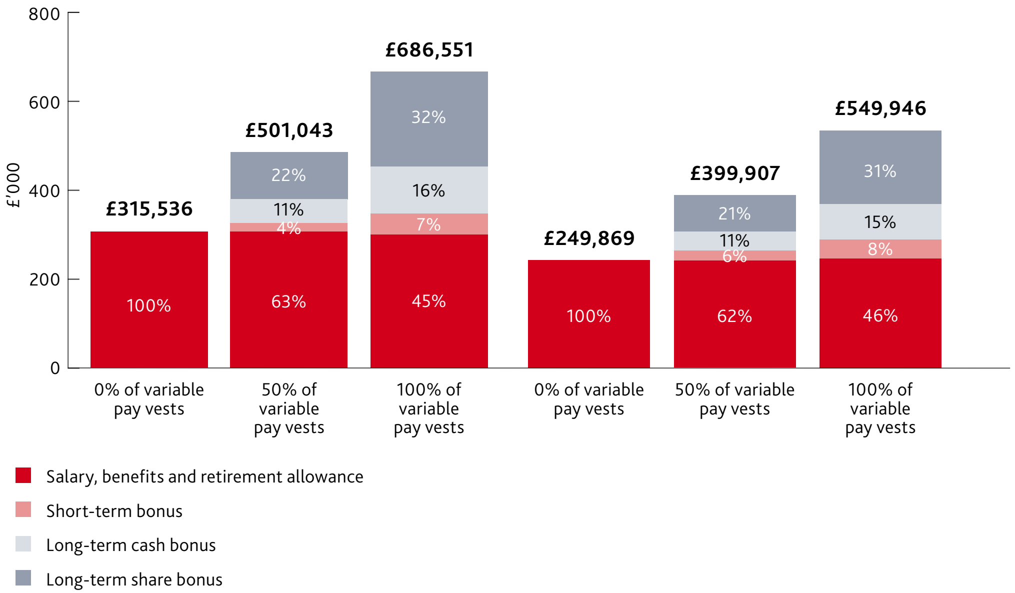
Remuneration Committee report continued

Illustration of the application of the Remuneration Policy

The charts below illustrate how the Policy would function for minimum, 50% of maximum and maximum performance for each Executive Director for the year beginning 1 May 2023. These charts address the new LTIP policy with the current Policy, which ceased on 30 April 2023, addressed as part of actual remuneration received in the Remuneration summary. Actual LTIP options vested will be disclosed in the year of vesting once awards crystallise and compared to the maximum potential award.

Chief Executive – Andrew Thomis

Finance Director – Simon Walther



Assumptions for charts above:

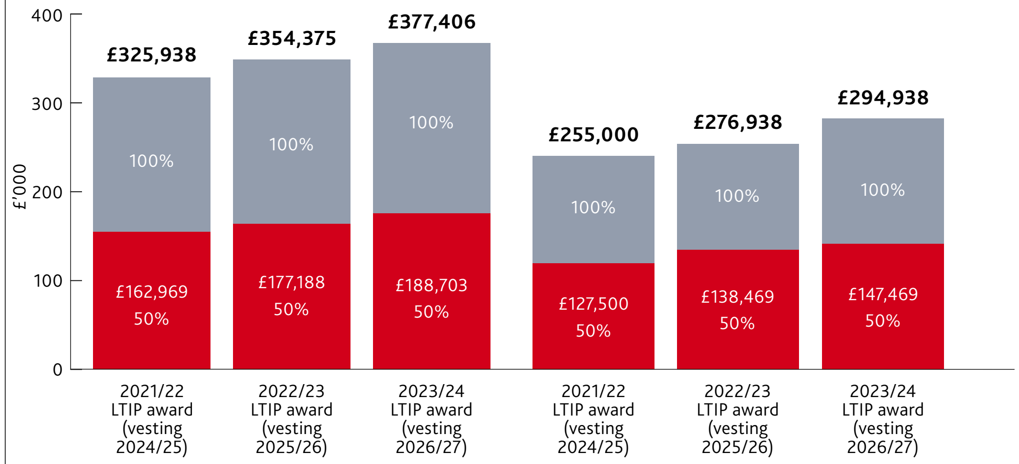
1) Salary levels are based on those applying from 1 May 2023. The retirement allowance is 4% of annual basic salary. Other benefits relate to private health insurance and executive medical.

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

An illustration of proposed and existing LTIPs, under the new scheme, is provided below:

Chief Executive – Andrew Thomis

Finance Director – Simon Walther



Remuneration summary

The actual application of the Remuneration Policy for the Executive Directors for the year ended 30 April 2023 was as follows:

	Salary* £	In-year bonus £	Long-term bonus £	Share awards £	Benefits in kind £	Retirement allowance** £	Emoluments £	Pension contributions £	Total £
A Thomis	283,500	37,015	28,571	80,862	4,629	11,340	445,917	364	446,281
S Walther	221,550	28,927	22,328	63,192	2,185	8,862	347,044	364	347,408

* This will rise by 6.5% for the CEO to £301,925 and the FD to £235,950 from 1 May 2023.

** Retirement allowance.

From 1 April 2019, the Company has paid (and will continue to pay) to the Executive Directors 4% of annual salary as a retirement allowance. This payment does not count towards the Executive Directors' determination of bonus. This is in line with pension contribution rates to the wider workforce.

Remuneration Committee report continued

Annual Report on Remuneration

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

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

Directors' interests in the equity of Cohort plc

	At 30 April 2023 Number of 10p ordinary shares	At 30 April 2022 Number of 10p ordinary shares
N Prest CBE	**1,791,738**	1,791,738
A Thomis	**245,141**	234,623
S Walther	**227,581**	221,553
J Perrin	**4,000**	4,000

S Carter retired from office on 27 September 2022; at 30 April 2022 he held an interest of 9,094,202 shares.

The Directors in office during the year under review and their interests in the equity of the Company are shown in the table above. The changes in the Executive Directors' equity interests in the Company between 30 April 2023 and 30 April 2022 are analysed as follows:

	A Thomis	S Walther
At 30 April 2022	234,623	221,553
Shares awarded under Restricted Share Scheme	2,790	2,180
Shares acquired under Cohort plc Share Incentive Plan	355	355
Cohort plc shares purchased through Cohort plc SAYE scheme	933	1,021
Additional PCA falling into scope	495	—
Automatic dividend reinvestment in shares (within an ISA and/or a SIPP)	5,962	2,485
Shares sold on transfer to ISA	(17)	(13)
At 30 April 2023	**245,141**	**227,581**

The Executives' shareholdings at 30 April 2023 represent 376% of Andrew Thomis' and 447% of Simon Walther's annual salaries respectively (at 30 April 2022 the respective levels were 473% and 571%) and are based upon the market price of Cohort plc shares at those respective dates: £4.35 at 30 April 2023 and £5.44 at 30 April 2022. These levels exceed shareholding targets set by the Remuneration Committee.

Of the above shareholdings at 30 April 2023, 11,296 (2022: 20,470) of Andrew Thomis' and 8,836 (2022: 16,015) of Simon Walther's are held on trust by the EBT as part of the Restricted Share Scheme and do not receive a dividend.

None of the Chairman's or the Non-executive Directors' shareholdings are held as part of the Restricted Share Scheme (2022: £nil).

Remuneration Committee report continued

Annual Report on Remuneration continued

Performance incentives

The Cohort Executive Directors' bonus scheme was agreed by the Board on 19 June 2013 following a recommendation from the Committee. This scheme has applied for the year ended 30 April 2023. This is the final year for which this scheme will apply.

At the Committee meeting held on 11 July 2023, the following awards were made to the Executive Directors:

i. in-year and long-term cash bonuses totalling £116,828 for the year ended 30 April 2023 (2022: £42,373). See the split in table 2; and

ii. Restricted Share awards were approved as follows:

	In respect of the year ended 30 April 2023		In respect of the year ended 30 April 2022	
	Actual number of shares	**Estimated value of shares £**	Actual number of shares	Actual value of shares £
A Thomis	**8,736**	**42,857**	2,790	15,429
S Walther	**6,827**	**33,492**	2,180	12,055
	15,563	**76,349**	4,970	27,484

The in-year performance achieved resulted in 13% of salary being awarded as an in-year bonus for the year ended 30 April 2023 (5% for the year ended 30 April 2022). The long-term performance achieved was below the maximum over the performance period resulting in cash bonus payments of 10.08% (2022: 3.81%) of salary and Restricted Share awards with a value of 15.12% (2022: 5.71%) of salary, together 25.20% of salary, for the year ended 30 April 2023 (9.52% for the year ended 30 April 2022).

The total estimated value received by the Executive Directors in respect of the Share awards, including income tax and employee National Insurance, was £144,054 in respect of the year ended 30 April 2023 (2022: £59,660). The Restricted Share awards in respect of the year ended 30 April 2022 were approved at the Committee meeting of 12 July 2022 and were awarded on 11 August 2022. The Restricted Share awards in respect of the year ended 30 April 2023 are expected to be awarded in August 2023. The actual number of shares awarded was calculated using the average mid-market share price for the year ended 30 April 2023 of 490.6 pence (2022: 553.0 pence). The total estimated Restricted Share award value is based on the Executive's marginal tax and National Insurance rates prevailing at time of award.

Ordinary shares under option outstanding at 30 April 2023 were as shown in Table 1 on the next page. No share options were awarded in 2023 or 2022 as stated in last year's update to the Remuneration Policy.

The mid-market price of Cohort plc 10 pence ordinary shares at 30 April 2023 was 491.0 pence (2022: 544.0 pence); the lowest and highest market prices in the year were 391.0 pence and 560.0 pence respectively.

No bonuses are payable or share options awardable to the Non-executive Directors. Cash and share bonus schemes for the Group Executive Management have been established for the year ended 30 April 2023, with a similar framework to that of the Cohort Executive Directors, with varying levels of percentage of salary. Three Managing Directors received awards at higher percentage levels than the Executive Directors, the highest being 55% of salary (of a maximum of 65% of salary).

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

Chairman and Non-executive Directors

Nick Prest CBE was appointed in February 2006. Jeff Perrin was appointed Non-executive Director on 1 July 2015. Edward Lowe was appointed Non-executive Director on 1 July 2019. Beatrice Nicholas was appointed Non-executive Director on 1 September 2021. These appointments can be terminated upon three months' notice being given by either party.

Directors' remuneration

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

Beatrice Nicholas' salary was increased from £51,500 with effect from 1 May 2023 to reflect her increased role in respect of the Group's TCFD compliance.

Remuneration Committee report continued

Annual Report on Remuneration continued

Directors' remuneration continued

Table 1: Directors' share options

	At 1 May 2022 Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2023 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
Cohort plc 2016 share option scheme (approved)								
– Option price of £3.760 per share	7,978	—	—	—	**7,978**	25 Aug 2017	26 Aug 2020	7
Cohort plc 2016 share option scheme (unapproved)								
– Option price of £3.760 per share	1,809	—	—	—	**1,809**	25 Aug 2017	26 Aug 2020	7
– Option price of £3.900 per share	9,846	—	—	—	**9,846**	10 Aug 2018	11 Aug 2021	7
– Option price of £4.875 per share	7,569	—	—	—	**7,569**	28 Aug 2019	29 Aug 2022	7
– Option price of £6.200 per share	8,411	—	—	—	**8,411**	28 Aug 2020	29 Aug 2023	7
– Option price of £5.390 per share	9,675	—	—	—	**9,675**	16 Aug 2021	16 Aug 2024	7
Save As You Earn (SAYE) scheme								
– Option price of £4.475 per share	933	—	(933)	—	**—**	6 Sep 2019	7 Sep 2022	
– Option price of £6.700 per share	902	—	—	(902)	**—**	4 Sep 2020	5 Sep 2023	
– Option price of £5.830 per share	1,333	—	—	—	**1,333**	3 Sep 2021	1 Oct 2024	
– Option price of £5.32 per share	—	1,921	—	—	**1,921**	5 Sep 2022	1 Oct 2025	
	48,456	1,921	(933)	(902)	**48,542**			

	At 1 May 2022 Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2023 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
S Walther								
Cohort plc 2016 share option scheme (approved)								
– Option price of £3.900 per share	307	—	—	—	**307**	10 Aug 2018	11 Aug 2021	7
– Option price of £6.200 per share	4,645	—	—	—	**4,645**	28 Aug 2020	29 Aug 2023	7
Cohort plc 2016 share option scheme (unapproved)								
– Option price of £3.900 per share	7,397	—	—	—	**7,397**	10 Aug 2018	11 Aug 2021	7
– Option price of £4.875 per share	5,922	—	—	—	**5,922**	28 Aug 2019	29 Aug 2022	7
– Option price of £6.200 per share	1,936	—	—	—	**1,936**	28 Aug 2020	29 Aug 2023	7
– Option price of £5.390 per share	7,569	—	—	—	**7,569**	16 Aug 2021	16 Aug 2024	7
Save As You Earn (SAYE) scheme								
– Option price of £4.475 per share	1,021	—	(1,021)	—	**—**	6 Sep 2019	7 Sep 2022	
– Option price of £6.700 per share	376	—	—	—	**376**	4 Sep 2020	5 Sep 2023	
– Option price of £5.830 per share	926	—	—	—	**926**	3 Sep 2021	1 Oct 2024	
– Option price of £5.32 per share	—	1,015	—	—	**1,015**	5 Sep 2022	1 Oct 2025	
	30,099	1,015	(1,021)	—	**30,093**			

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

Both Andrew Thomis and Simon Walther have participated in the Cohort plc Share Incentive Plan (SIP) which was launched on 1 September 2018. As at 30 April 2023, contributions were made by each of £1,200. This would convert to 275 Cohort plc ordinary shares as at 30 April 2023 based on the closing share price of 435.0 pence per share. On 23 September 2022, contributions of £1,800 each were converted to 355 ordinary shares each at 506.0 pence per share.

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

Andrew Thomis exercised 933 share options held under the Cohort plc SAYE scheme on 21 February 2023 when the mid-market price of Cohort plc ordinary shares was 538.0 pence per share. All shares were retained.

Simon Walther exercised 1,021 share options held under the Cohort plc SAYE scheme on 11 October 2022 when the mid-market price of Cohort plc ordinary shares was 447.5 pence per share. All shares were retained.

The aggregate amount of gains made by the Directors as a result of exercising share options during the year was £816 (2022: £4,033).

Remuneration Committee report continued

Annual Report on Remuneration continued

Directors' remuneration continued

Table 2: Directors' remuneration

	Salary 2023 £	In-year cash bonus 2023 £	Long-term cash bonus 2023 £	Restricted Share awards 2023 £	Benefits in kind 2023 £	Retirement allowance 2023 £	Emoluments 2023 £	Pension contributions 2023 £	Total 2023 £
Executive Directors									
A Thomis	**283,500**	**37,015**	**28,571**	**80,862**	**4,629**	**11,340**	**445,917**	**364**	**446,281**
S Walther	**221,550**	**28,927**	**22,328**	**63,192**	**2,185**	**8,862**	**347,044**	**364**	**347,408**
Non-executive Directors									
N Prest	**115,000**	—	—	—	—	—	**115,000**	—	**115,000**
S Carter*	**19,304**	—	—	—	—	—	**19,304**	—	**19,304**
E Lowe	**58,750**	—	—	—	—	—	**58,750**	—	**58,750**
J Perrin	**55,000**	—	—	—	—	—	**55,000**	—	**55,000**
B Nicholas	**47,500**	—	—	—	—	—	**47,500**	—	**47,500**
Total	**800,604**	**65,942**	**50,899**	**144,054**	**6,814**	**20,202**	**1,088,515**	**728**	**1,089,243**

* S Carter retired from the Board on 27 September 2022.

	Salary 2022 £	In-year cash bonus 2022 £	Long-term cash bonus 2022 £	Restricted Share awards 2022 £	Benefits in kind 2022 £	Retirement allowance 2022 £	Emoluments 2022 £	Pension contributions 2022 £	Total 2022 £
Executive Directors									
A Thomis	270,000	13,500	10,285	33,492	2,700	10,800	340,777	364	341,141
S Walther	211,000	10,550	8,038	26,168	2,064	8,440	266,260	364	266,624
Non-executive Directors									
N Prest	102,500	—	—	—	—	—	102,500	—	102,500
S Carter	46,250	—	—	—	—	—	46,250	—	46,250
E Lowe	50,000	—	—	—	—	—	50,000	—	50,000
J Perrin	50,000	—	—	—	—	—	50,000	—	50,000
B Nicholas	31,250						31,250		31,250
Total	761,000	24,050	18,323	59,660	4,764	19,240	887,037	728	887,765

The Restricted Share awards include tax and employee National Insurance.

CEO remuneration as a multiple of the average remuneration of all employees

	2020	2021	2022	**2023**
Salary	5.76	5.58	5.59	**5.63**
Total remuneration	10.27	9.31	7.89	**8.38**

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

Relative spend on pay

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

	Total remuneration expenditure £'000	Other expenditure as a percentage of total remuneration: Dividends paid to shareholders £'000	%	Profit retained £'000	%
2023	**65,682**	**5,124**	**8**	**9,374**	**14**
2022	59,764	4,684	8	5,308	9
2021	51,881	4,247	8	1,652	3
2020	47,815	3,853	8	5,074	11

The total shareholder return performance graph is shown in the Corporate governance report.

Directors' report

Introduction

The Directors present their report and the audited financial statements of Cohort plc for the year ended 30 April 2023. Cohort plc is a company incorporated in and operating from England. Its registered address is One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW.

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

- Strategic report
- Corporate governance report
- Audit Committee report
- Remuneration Committee report
- The financial statements together with the notes to those financial statements

Principal activities

The principal activity of the Company is that of a holding company. The principal activities of the Group are described in our Operating review. The Company's subsidiary undertakings, including those located outside the UK, are listed in note 11 of the financial statements within their respective reporting segments.

Business review

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

Since 30 April 2023, the Group has extended its banking facility for a further year to 18 July 2026 with an option to extend it for a further year to July 2027. The facility terms have not changed with this extension and are explained in detail in the Strategic report.

Dividends

The Directors recommend a final dividend of 9.15 pence (2022: 8.35 pence) per 10 pence ordinary share which, subject to shareholder approval, is due to be paid on 3 October 2023 to ordinary shareholders on the register on 25 August 2023. Together with the interim dividend of 4.25 pence paid on 14 February 2023, the full dividend for the year will be 13.40 pence (2022: 12.20 pence), an increase of 10% over last year.

Directors and their interests

Brief biographies of the current Directors are set out on pages 48 and 49 (Board of Directors). All current members of the Board were in office throughout the year and up to the date of signing these accounts. Stanley Carter served on the Board as a Non-executive Director in the year, retiring on 27 September 2022. Details of the Directors' interests in the equity of the Company are disclosed in the Remuneration Committee report.

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

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

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

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

Disclosure	Report
Directors who served throughout the year	Remuneration Committee report
Directors retiring by rotation	Nomination Committee report
Directors' biographies	Board of Directors
Directors' interests	Remuneration Committee report
Directors' share options	Remuneration Committee report

Table 2: Significant shareholdings and voting rights

As at 10 July 2023, the following interests of shareholders in excess of 3% have been notified to the Company:

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
S Carter	21.91	9,085,884	Direct
Schroders Investment Management	11.43	4,738,327	Direct
Liontrust Asset Management	11.41	4,730,266	Direct
Canaccord Genuity Wealth Management	9.66	4,003,898	Direct
N Prest	4.32	1,791,738	Direct
Unicorn Asset Management	3.31	1,373,000	Direct
Herald Investment Management	3.26	1,352,500	Direct

Research and development

During the year ended 30 April 2023 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure, was £11.8m (2022: £11.3m).

Directors' report continued

Going concern

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

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through a facility which was renewed in July 2022 and extended in June 2023, out to July 2026. Both the current domestic economic conditions and continuing UK Government budget pressures, including defence, create uncertainty, particularly over the level of demand for the Group's products.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, and its order book extending out to 2032, show that the Company should be able to operate within the level of its current facility.

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

Capital structure

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

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

Subject to the provisions of the Company's Articles and the Companies Act 2006, at a general meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought at the Annual General Meeting on 26 September 2023 are set out in the Notice of Annual General Meeting.

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

At 30 April 2023, the EBT held 718,157 Cohort plc ordinary shares, 1.73% of the issued share capital (2022: 663,845; 1.61%). The maximum number of shares held at any time in the year ended 30 April 2023 was 718,157 (1.73%) of the issued share capital at that time. Shares in Cohort plc are acquired and disposed of by the EBT for the purposes of satisfying employee share options, Share Incentive and Restricted Share Schemes, and the Long Term Incentive Plan, details of which are shown in note 20.

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

Under its Articles, the Company has authority to issue up to half of its issued shares as new ordinary shares. This approximates to 20.7m shares at 30 April 2023.

Change of control

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

International Financial Reporting Standards (IFRS)

The Group and parent company's reported results for the year ended 30 April 2023 are prepared in accordance with UK adopted International Accounting Standards (IFRS). Information about the use of financial instruments by the Company and its subsidiaries is given in note 18 to the financial statements.

Fixed assets

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

Employee consultation

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

Disabled employees

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

Donations

During the year ended 30 April 2023 the Group made charitable donations of £33,000 (2022: £29,000), mainly in respect of military and local charities. The Group made no political donations during the year (2022: £nil).

Environment

The Company is required to disclose its UK energy use and associated greenhouse gas emissions (GHG) under the Streamlined Energy and Carbon Reporting (SECR) Regulations, which came into force on 1 April 2019. Details of our report are set out in our Sustainability report. This is the fourth year that the Company has undertaken a GHG emissions assessment to comply with SECR. This year, Cohort is making its first disclosure in accordance with the Task Force on Climate-related Financial Disclosures (TCFD). This is included in our Strategic report.

Provision of information to the auditor

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

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

Approved by the Board of Directors on 31 July 2023 and signed on its behalf by:

Raquel McGrath
Company Secretary

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

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

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

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

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

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

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

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

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

By order of the Board on 31 July 2023

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Independent auditor's report
to the members of Cohort plc

Opinion
We have audited the financial statements of Cohort Plc (the parent company) and its subsidiaries (the Group) for the year ended 30 April 2023 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated and Company statement of financial position, Consolidated and Company cash flow statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Summary of our audit approach

	Group	Parent company
Key audit matters	Revenue recognition – policies and assessment of project accounting Goodwill impairment Recoverability of trade receivables and contract assets	Investment in Subsidiaries impairment
Materiality	Overall materiality: £950,000 (2022: £750,000) Performance materiality: £712,000 (2022: £562,500)	Overall materiality: £950,000 (2022: £750,000) Performance materiality: £712,000 (2022: £562,500)
Scope	Our audit procedures covered 99% of revenue, 94% of adjusted operating profit (Absolute Value*) and 72% of total assets (post consolidation adjustments**).	

* We have calculated the absolute value of each component subject to a full scope audit and compared this to the aggregate of the absolute value of the adjusted operating profit for all components in the Group.

** We have calculated this % based on each component's total assets 30 April 2023 position post consolidation adjustments.

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

Key audit matters

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

Revenue recognition – policies and assessment and project accounting (Group)

Key audit matter description

The Group has set out the critical accounting judgements in relation to revenue recognition on page 115. Contract assets and liabilities arising under IFRS 15 are set out in notes 13 and 14.

The application of the appropriate revenue recognition criteria is key to the recognition of revenue within the financial statements and has been deemed a key audit matter due to the judgement and estimation involved within the input model of accounting for complex projects.

The Group derives revenue from a range of contract types including those where control passes at a point in time, support and licence contracts as well as complex contracts that are operated on an input model over time.

For projects that are operated on an input model over time the degree of completion is measured by reference to costs incurred at the reporting date as a percentage of the total estimated costs to complete the project.

The assumptions underlying the cost to complete estimates involve significant judgement, and any changes in estimation could have a material impact on the revenue recognised in relation to those contracts.

The effect of these matters is that, as part of our risk assessment, we determined that the cost to complete estimates have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and revenue recognition.

Note that we have also identified fraud risks with regard to point in time revenue (occurrence completeness and cut off) and over time revenue limited to ongoing contracts at year end (existence, valuation, completeness and cut off).

How the matter was addressed in the audit

1. Audit of revenue recognition policies and review of the accounting policies with management to check that they remain consistent and appropriate based on the performance obligations, contractual terms and relevant accounting standards.
2. Challenged management's assessment of the performance obligations and allocated price in the contracts sampled to check this has been performed in accordance with IFRS 15.
3. Performed tests of detail on a sample of accrued revenue and deferred revenue items to check the items are accounted for in accordance with the revenue recognition policy as well as specific cut off testing for revenue recorded either side of the year end.
4. Recalculated the revenue recognised on a sample of contracts corroborating the details to the underlying contracts and anticipated margin to project managers' assessment of costs to complete.
5. Challenged project managers' estimates of costs to complete through assessment of historical accuracy of budgets for contracts closed in the period.

Revenue recognition – policies and assessment and project accounting (Group) continued

6. Held discussions with project managers on the projects tested in detail to challenge forecasts and discuss the risks within the contract risk register and the calculation and inclusion of project contingencies.
7. Reviewed the post year end trading of projects to ascertain whether there had been any change in the estimated costs to complete that should have been considered at the period end date.
8. Reviewed correspondence with customers where delays or risks were identified to corroborate the current contract position.
9. Audited the disclosures in the financial statements and considered their completeness, accuracy and appropriateness.
10. Performed detailed data analytics procedures over the transaction cycle for revenue to identify potential high risk journals that we then traced to source documentation to confirm appropriateness.

Impairment of goodwill (for the Group) and investment in subsidiaries (Cohort plc Company only)

Key audit matter description

The Group has a goodwill balance of £50.1m (2022: £50.1m) relating to historic acquisitions as described in note 9 in the consolidated financial statements. In addition, the parent company holds significant investments in subsidiaries at cost of £88.5m (2022: £91.1m).

Management assesses goodwill and investments in subsidiaries for impairment using discounted cash flow (DCF) models to estimate the value in use of the Group's cash-generating units (CGUs) and compare this to the carrying values of the CGU.

The use of a DCF model requires management to make estimates involving judgement, including forecasts of revenue and profitability and application of appropriate discount rates and as a result the matter was considered to be one of the most significant in the Group and parent company audits and therefore determined to be a key audit matter.

How the matter was addressed in the audit

1. Corroborated inputs to the DCF models to relevant external and internal financial information and challenged management assumptions.
2. Comparison of historical forecasted performance to current year actual financial performance to assess reliability of forecasting.
3. Comparison of forecast financial performance to post-year-end trading to assess reliability of forecasting.
4. Verification of management's discount rate to externally available sources.
5. Engagement with RSM valuation specialist in regard to consideration of discount rate applied in management's DCF models.
6. Challenged forecasts focused on the three CGUs for which the DCF models showed lowest headroom.
7. Challenged management on the allocation of central cost to cash generating units.
8. Audit of management's sensitivity analysis and check of arithmetic accuracy.
9. Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness.

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

Key audit matters continued

Recoverability of trade receivables and contract assets	
Key audit matter description	The Group recognises trade receivables of £22.9m (2022: £24.4m) and contract assets of £25.9m (2022: £24.1m) in the balance sheet. There is a risk that trade receivables and contract assets recognised at the reporting date are not recoverable or will not be recovered in full. Management provides for specific trade receivable and contract asset balances where there is an indication of risk of recovery. This is assessed on a contract-by-contract basis and takes into account the parties involved within the contract and the status of the end user. Due to the element of judgement in the need for and level of provision we have assessed this to be a key audit matter.
How the matter was addressed in the audit	1. Reviewed the ageing of receivables and obtained explanations for aged debt that has not been provided for or recovered. 2. Discussed with management how they have identified customers and balances that would likely be severely adversely impacted by current macroeconomic factors either due to location or industry. 3. Reviewed the contract asset balances from the prior year to trace to invoicing and receipt. 4. Challenged the recoverability of receivables or contract assets that have been outstanding for extended periods where no provision has been made. 5. Challenged management on the recovery of assets relating to contracts deemed as of high risk from our work on revenue recognition. 6. Audit of the disclosures in the financial statements and consideration of their completeness, accuracy and appropriateness.

Our application of materiality

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

	Group	Parent company
Overall materiality	£950,000 (2022: £750,000)	£950,000 (2022: £750,000)
Basis for determining overall materiality	5% of adjusted operating profit	4% of net assets – capped at Group materiality
Rationale for benchmark applied	Adjusted operating profit is the key benchmark against which the business is assessed by management and investors.	The holding company is primarily focused on the investments that it holds.
Performance materiality	£712,000 (2022: £562,500)	£712,000 (2022: £562,500)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £48,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £48,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of 20 components, 13 of which are based in the UK, two in Canada, one in USA, two in Germany and two in Portugal.

Full scope audits were performed for 6 components, specified procedures for 1 component to respond to identified fraud risks at the Group level, and identified risk of litigation and claims at Group level and specified procedures over completeness and cut off revenue assertions*** and analytical procedures at the Group level for 13 components.

	Number of components	Revenue	Adjusted Operating Profit (Absolute Value)	Total Assets**
Full scope audit	6	95%	94%	72%
Specified procedures***	1	4%	—	—
Analytical procedures	13	1%	6%	28%
Total	20	100%	100%	100%

Further specific audit procedures over the Group consolidation and areas of significant judgement including impairment of goodwill, business combinations, share-based payments, defined benefit pension liability, leases and taxation were performed.

Of the above, a full scope audit for one component was undertaken by component auditors.

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

Conclusions relating to going concern

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

- obtaining an understanding of relevant controls over the going concern models prepared by management, including the review of the inputs and assumptions used in those models;
- testing the accuracy of management's models, including agreement to the most recent Board approved budgets and forecasts;
- auditing the forecasts prepared by management from year end 30 April 2023 to 30 April 2026 by challenging the key assumptions of these forecasts by:
  - comparing forecast revenue with the Group's order book and historical performance;
  - evaluating the historical accuracy of forecasts prepared by management;
  - assessing the sensitivity of the available headroom on facilities, cash position of the Group;
  - assessing the headroom available on covenants; and
  - review of post-year-end trading of the Group and comparison to the forecasts supplied by management; and
- auditing the sufficiency of going concern disclosures in the financial statements, including whether commentary regarding the new facility entered into by the Group is appropriate.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement (set out on page 68), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

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

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

The most significant laws and regulations were determined as follows:

Legislation/regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
UK Companies Act, UK adopted International Accounting Standards / Financial Reporting Standard 101 'Reduced Disclosure Framework'	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from internal/external tax advisers. Inspection of correspondence with local tax authorities. Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.
AIM listing rules	Review of announcements made during the year via RNS to identify potential instances of non-compliance.
Other indirect laws and regulations	We have held discussions with those charged with governance and inquired of management as to whether there have been any non-compliance with other laws and regulations that may materially impact the Group. The key indirect laws we identified as material to the business were export controls, defence contracting and anti-bribery and corruption legislation.

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

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition – policies and assessment and project accounting	Please refer to the Key audit matters section above regarding how the matter was addressed in the audit.
Management override of controls	Testing the appropriateness of journal entries and other adjustments. Assessing whether the judgements made in making accounting estimates are indicative of a potential bias. Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
Recoverability of receivables and contract assets	Please refer to the Key Audit Matters section above regarding how the matter was addressed in the audit.
Assignment of cost to projects	Obtained understanding on the controls in place around the application of costs to each project. Discussed with management the processes in place to monitor and challenge the application of cost on each project. Performed test of details tracing the underlying cost to project either through use of purchase order reference or time sheet posting.

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

Use of our report

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

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

31 July 2023

Consolidated income statement
for the year ended 30 April 2023

	Notes	**2023 £'000**	2022 £'000
Revenue	1	**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	1	**15,251**	11,090
Comprising:			
Adjusted operating profit	1	**19,064**	15,525
Amortisation of other intangible assets (included in administrative expenses)	9	**(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 year end (included in cost of sales)	18	**(1,082)**	716
Exceptional items (included in administrative expenses)			
Gain on acquisition of JSK		**—**	342
Cost of acquisition of JSK		**—**	(70)
Adjustment to earn-out on acquisition of Chess	29	**—**	438
		15,251	11,090
Finance income	4	**134**	6
Finance costs	5	**(1,458)**	(868)
Profit before tax		**13,927**	10,228
Income tax charge	6	**(2,675)**	(1,541)
Profit for the year	3	**11,252**	8,687
Attributable to:			
Equity shareholders of the parent		**11,356**	9,202
Non-controlling interests		**(104)**	(515)
		11,252	8,687

Earnings per share		Pence	Pence
Basic	8	**27.92**	22.55
Diluted	8	**27.86**	22.42

All profit for the year is derived from continuing operations.

The accompanying notes form part of the financial statements.

Consolidated statement of comprehensive income
for the year ended 30 April 2023

	2023 £'000	2022 £'000
Profit for the year	**11,252**	8,687
Items which may be subsequently reclassified to profit or loss:		
Foreign currency translation differences on net assets of oversea subsidiaries	**(1,070)**	(422)
Items that will not be subsequently reclassified to profit and loss:		
Changes in retirement benefit obligations	**1,919**	1,002
Other comprehensive income for the period, net of tax	**849**	580
Total comprehensive income for the year	**12,101**	9,267
Attributable to:		
Equity shareholders of the parent	**12,205**	9,785
Non-controlling interests	**(104)**	(518)
	12,101	9,267

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**

Company statement of changes in equity
for the year ended 30 April 2023

Company	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2021	4,104	29,956	(1,068)	923	(2,362)	21,672	53,225
Profit for the year	—	—	—	—	—	14,513	14,513
Transactions with owners of the Company, recognised directly in equity							
Issue of new shares	17	571	—	—	—	—	588
Equity dividends	—	—	—	—	—	(4,684)	(4,684)
Vesting of Restricted Shares	—	—	—	—	—	279	279
Own shares purchased	—	—	(2,923)	—	—	—	(2,923)
Own shares sold	—	—	282	—	—	—	282
Net loss on selling own shares	—	—	363	—	—	(363)	—
Share-based payments	—	—	—	572	—	—	572
Deferred tax adjustment in respect of share-based payments	—	—	—	(204)	—	—	(204)
Transfer of share option reserve on vesting of options	—	—	—	(291)	—	31	(260)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	962	—	962
Total contributions by and distributions to owners of the Company	17	571	(2,278)	77	962	9,776	9,125
At 30 April 2022	4,121	30,527	(3,346)	1,000	(1,400)	31,448	62,350
Profit for the year	—	—	—	—	—	5,199	5,199
Transactions with owners of the Company, recognised directly in equity							
Issue of new shares	25	957	—	—	—	—	982
Equity dividends	—	—	—	—	—	(5,124)	(5,124)
Vesting of Restricted Shares	—	—	—	—	—	218	218
Own shares purchased	—	—	(586)	—	—	—	(586)
Own shares sold	—	—	111	—	—	—	111
Net loss on selling own shares	—	—	220	—	—	(220)	—
Share-based payments	—	—	—	1,522	—	—	1,522
Deferred tax adjustment in respect of share-based payments	—	—	—	(36)	—	—	(36)
Transfer of share option reserve on vesting of options	—	—	—	(370)	—	32	(338)
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,400	—	1,400
Total contributions by and distributions to owners of the Company	25	957	(255)	1,116	1,400	105	3,348
At 30 April 2023	**4,146**	**31,484**	**(3,601)**	**2,116**	**—**	**31,553**	**65,698**

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

Consolidated and Company statement of financial position
as at 30 April 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Assets					
Non-current assets					
Goodwill	9	**50,145**	50,145	**—**	—
Other intangible assets	9	**5,969**	9,641	**—**	—
Right of use asset	10a	**8,521**	9,615	**431**	172
Property, plant and equipment	10b	**15,304**	12,310	**62**	140
Investment in subsidiaries	11	**—**	—	**88,493**	91,110
Deferred tax assets	17	**1,600**	1,361	**178**	85
		81,539	83,072	**89,164**	91,507
Current assets					
Inventories	12	**32,041**	22,777	**—**	—
Trade and other receivables	13	**55,612**	56,161	**18,522**	18,438
Derivative financial instruments	18	**42**	793	**—**	—
Cash and cash equivalents	15	**41,454**	40,367	**—**	—
		129,149	120,098	**18,522**	18,438
Total assets		**210,688**	203,170	**107,686**	109,945
Liabilities					
Current liabilities					
Trade and other payables	14	**(58,040)**	(53,985)	**(8,981)**	(10,498)
Derivative financial instruments	18	**(1,041)**	(861)	**—**	—
Lease liability	10a	**(1,660)**	(1,515)	**(60)**	(117)
Bank borrowings	15	**(9)**	(29,362)	**(6,734)**	(35,510)
Provisions	16	**(8,687)**	(8,878)	**—**	—
Other payables	29	**—**	(1,400)	**—**	(1,400)
		(69,437)	(96,001)	**(15,775)**	(47,525)
Non-current liabilities					
Deferred tax liabilities	17	**(1,467)**	(1,353)	**—**	—
Lease liability	10a	**(7,473)**	(8,631)	**(376)**	(70)
Bank borrowings	15	**(25,837)**	(8)	**(25,837)**	—
Provisions	16	**(1,404)**	(1,139)	**—**	—
Retirement benefit obligations	26	**(5,292)**	(6,848)	**—**	—
		(41,473)	(17,979)	**(26,213)**	(70)
Total liabilities		**(110,910)**	(113,980)	**(41,988)**	(47,595)
Net assets		**99,778**	89,190	**65,698**	62,350

	Notes	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Equity					
Share capital	19	**4,146**	4,121	**4,146**	4,121
Share premium account		**31,484**	30,527	**31,484**	30,527
Own shares	21	**(3,601)**	(3,346)	**(3,601)**	(3,346)
Share option reserve		**2,116**	1,000	**2,116**	1,000
Other reserves	29	**—**	(1,400)	**—**	(1,400)
Retained earnings		**62,876**	53,068	**31,553**	31,448
Total equity attributable to the equity shareholders of the parent		**97,021**	83,970	**65,698**	62,350
Non-controlling interests		**2,757**	5,220	**—**	—
Total equity		**99,778**	89,190	**65,698**	62,350

The accompanying notes form part of the financial statements.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit after tax was £5,199,000 (2022: £14,513,000).

The financial statements on pages 74 to 116 were approved by the Board of Directors and authorised for issue on 31 July 2023 and are signed on its behalf by:

Andy Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Consolidated and Company cash flow statements
for the year ended 30 April 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Net cash inflow from operating activities	23	**16,522**	19,525	**4,523**	13,880
Cash flows from investing activities					
Interest received		**134**	6	**352**	269
Purchases of property, plant and equipment	10b	**(5,231)**	(2,005)	**(10)**	(31)
Purchase of non-controlling interest in Chess		**(1,016)**	—	**(1,016)**	—
Capital repayment		**—**	—	**3,834**	—
Acquisition of JSK (net of cash acquired)		**—**	(372)	**—**	—
Net cash (used in)/generated from investing activities		**(6,113)**	(2,371)	**3,160**	238
Cash flows from financing activities					
Issue of new shares		**982**	588	**982**	588
Dividends paid	7	**(5,124)**	(4,684)	**(5,124)**	(4,684)
Purchase of own shares	21	**(586)**	(2,923)	**(586)**	(2,923)
Sale of own shares	21	**111**	282	**111**	282
Repayment of borrowings	15	**(4,000)**	(50)	**(4,000)**	—
Repayment of lease liabilities	10a	**(1,954)**	(1,916)	**(122)**	(112)
Net cash used in financing activities		**(10,571)**	(8,703)	**(8,739)**	(6,849)
Net (decrease)/increase in cash and cash equivalents		**(162)**	8,451	**(1,056)**	7,269
Represented by:					
Cash and cash equivalents and short-term borrowings brought forward		**40,367**	32,294	**(6,178)**	(13,447)
Cash flow		**(162)**	8,451	**(1,056)**	7,269
Exchange		**1,249**	(378)	**500**	—
Cash and cash equivalents and short-term borrowings carried forward		**41,454**	40,367	**(6,734)**	(6,178)

	At 1 May 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**
Company				
Cash and bank	—	—	—	**—**
Short-term deposits	—	—	—	**—**
Cash and cash equivalents	—	—	—	**—**
Loan	(29,332)	(505)	4,000	**(25,837)**
Overdraft	(6,178)	500	(1,056)	**(6,734)**
	(35,510)	(5)	2,944	**(32,571)**
Debt	(35,510)	(5)	2,944	**(32,571)**

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

Net funds exclude IFRS 16 lease liabilities.

Notes to the financial statements
for the year ended 30 April 2023

1. Segmental analysis

For management and reporting purposes, the Group, during the year ended 30 April 2023, operated through its two trading divisions: Communications and Intelligence, and Sensors and Effectors. During the year the Group changed its reporting basis from individual subsidiaries to these reporting divisions as more fully disclosed in "Who we are" (page 3) These divisions are the basis on which the Company reports its primary business segment information in accordance with IFRS 8. Whilst each division internally reports by reference to the sectors it sells to, these are considered by the Board to have similar economic characteristics in terms of the nature of the services and their customer base and therefore disaggregated information is not regularly reported to the Board. On this basis, the Board, which is deemed to be the chief operating decision maker, considers each trading division a separate operating segment.

The principal activities of the trading subsidiaries are described in the Strategic report.

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

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

Business segment information about these subsidiaries is presented below:

2023	Communications and Intelligence £'000	Sensors and Effectors £'000	Eliminations £'000	Group £'000
Revenue				
External revenue	86,195	96,518	—	182,713
Inter-segment revenue	184	513	(697)	—
	86,379	97,031	(697)	182,713
Segment adjusted operating profit	14,911	9,320	—	24,231
Unallocated corporate expenses	—	—	—	(5,167)
Adjusted operating profit	14,911	9,320	—	19,064
Charge on marking forward exchange contracts to market value at the year end	(280)	(641)	—	(1,082)
Amortisation of other intangible assets	(86)	(3,585)	—	(3,672)
Research and development expenditure credits (RDEC)	270	671	—	941
Operating profit	14,815	5,765	—	15,251
Finance cost (net of income)	(89)	(560)	—	(1,324)
Profit before tax	14,726	5,205	—	13,927
Income tax charge				(2,675)
Profit after tax				11,252

2023 Other information	Communications and Intelligence £'000	Sensors and Effectors £'000	Central £'000	Group £'000
Capital additions	972	4,248	11	5,231
Depreciation of property, plant and equipment	534	1,754	88	2,376
Depreciation of right of use assets	414	1,255	107	1,776

Notes to the financial statements continued
for the year ended 30 April 2023

1. Segmental analysis continued

2023 Balance sheet	Portuguese assets £'000	German assets £'000	Communications and Intelligence £'000	Sensors and Effectors £'000	Eliminations £'000	Group £'000
Assets						
Segment tangible assets	12,969	30,045	31,135	87,286	(6,901)	111,520
Goodwill and other intangible assets	2,364	11,453	17,262	38,852	—	56,114
Current tax asset						—
Deferred tax asset						1,600
Cash						41,454
Consolidated total assets	15,333	41,498	48,397	126,138		210,688
Liabilities						
Segment liabilities	(7,924)	(14,805)	(27,732)	(47,398)	(6,334)	(81,464)
Current tax liability						(2,143)
Deferred tax liability						(1,467)
Bank borrowings						(25,837)
Consolidated total liabilities	(7,924)	(14,805)	(27,732)	(47,398)		(110,911)

The above figures include 100% of Chess and EID. The non-controlling interest, 18.16% for Chess to 30 November 2022 and 20.00% for EID, is reported separately in the income statement and Group reserves.

Notes to the financial statements continued
for the year ended 30 April 2023

1. Segmental analysis continued

2022	Communications and Intelligence £'000	Sensors and Effectors £'000	Eliminations £'000	Group £'000
Revenue				
External revenue	68,369	69,396	—	137,765
Inter-segment revenue	114	—	(114)	—
	68,483	69,396	(114)	137,765
Segment adjusted operating profit	12,253	7,469	—	19,722
Unallocated corporate expenses	—	—	—	(4,197)
Adjusted operating profit	12,253	7,469	—	15,525
(Charge)/credit on marking forward exchange contracts to market value at the year end	(15)	587	—	716
Costs of acquisition of JSK (50%)	—	(70)	—	(70)
Gain on acquisition of JSK (50%)	—	342	—	342
Adjustment to earn-out on acquisition of Chess	—	—	—	438
Amortisation of other intangible assets	(216)	(6,649)	—	(6,865)
Research and development expenditure credits (RDEC)	288	716	—	1,004
Operating profit	12,310	2,395	—	11,090
Finance cost (net of income)	(86)	(550)	—	(862)
Profit before tax	12,224	1,845	—	10,228
Income tax charge				(1,541)
Profit after tax				8,687

2022 Other information	Communications and Intelligence £'000	Sensors and Effectors £'000	Central £'000	Group £'000
Capital additions	930	1,043	32	2,005
Depreciation of property, plant and equipment	411	1,698	100	2,209
Depreciation of right of use assets	380	1,206	98	1,684

Notes to the financial statements continued
for the year ended 30 April 2023

1. Segmental analysis continued

2022 Balance sheet	Portuguese assets £'000	German assets £'000	Communications and Intelligence £'000	Sensors and Effectors £'000	Eliminations £'000	Group £'000
Assets						
Segment tangible assets	19,455	11,692	35,457	76,506	(8,747)	101,656
Goodwill and other intangible assets	12,883	2,450	27,781	41,192	—	59,786
Deferred tax asset						1,361
Cash						40,367
Consolidated total assets	32,338	14,142	63,238	117,698		203,170
Liabilities						
Segment liabilities	(15,713)	(10,926)	(32,888)	(42,554)	(5,503)	(82,561)
Current tax liability						(696)
Deferred tax liability						(1,353)
Bank borrowings						(29,370)
Consolidated total liabilities	(15,713)	(10,926)	(32,888)	(42,554)		(113,980)

The above figures include 100% of Chess and EID. The non-controlling interest, 18.16% for Chess to 30 November 2022 and 20.00% for EID, is reported separately in the income statement and Group reserves.

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

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

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

Geographical segments

The Group's subsidiaries are all located in the UK with the exception of EID, which is located in Portugal, and ELAC, which is based in Germany. For an analysis of the Group's revenue by geographical location of the customer, please refer to the "Revenue by market and geography" table in the finance review (page 21).

All Group assets, tangible and intangible, are located in the UK with the exceptions of EID, which is located in Portugal, and ELAC, which is based in Germany.

Market segments

For an analysis of the Group's revenue by market sector please refer to the "Revenue by domain" table in the Business review (page 7).

For an analysis of the Group's total revenue, broken down by type of deliverable, please refer to the "Revenue by type of deliverable" table in the Finance review (page 21).

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

Further information on revenue by market segment and capability can be found in the Strategic report.

Notes to the financial statements continued
for the year ended 30 April 2023

1. Segmental analysis continued

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2023 is as follows:

	2023					2022				
	UK MOD £'000	Portuguese MOD £'000	Customer A £'000	Customer B £'000	Customer C £'000	UK MOD £'000	Portuguese MOD £'000	Customer A £'000	Customer B £'000	Customer C £'000
Communications and Intelligence	**62,078**	**4,891**	**460**	**—**	**—**	40,280	3,924	5,749	—	1,554
Sensors and Effectors	**185**	**—**	**5,622**	**10,598**	**9,011**	6,041	—	2,609	8,945	7,259
	62,263	**4,891**	**6,082**	**10,598**	**9,011**	46,321	3,924	8,358	8,945	8,813

Customer C in 2023 is not the same as customer C in 2022.

2. Employee benefit expense (including Directors)

	2023 £'000	2022 £'000
Wages and salaries	**54,437**	50,177
Social security costs	**7,075**	6,275
Retirement benefit obligations (see note 26):		
Defined contribution schemes	**2,540**	2,421
Defined benefit scheme	**288**	319
Share-based payments	**1,522**	572
	65,862	59,764

Average number of employees (including Directors)

	2023 Number	2022 Number
Engineering and production	**598**	614
Managed services	**105**	116
Total operational	**703**	730
Administration and support	**385**	303
	1,088	1,033

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

3. Profit for the year

The profit for the year has been arrived at after charging/(crediting):

	Notes	2023 £'000	2022 £'000
Net foreign exchange losses/(gains)	18	**1,082**	(716)
Research and development costs		**11,781**	11,298
Depreciation of property, plant and equipment	10b	**2,376**	2,209
Depreciation of right of use assets	10a	**1,776**	1,684
Amortisation of other intangible assets	9	**3,672**	6,865
Cost of inventories recognised as expenses		**64,348**	42,997
Staff costs (excluding share-based payments)	2	**64,340**	59,192
Share-based payments	20	**1,522**	572

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

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

4. Finance income

	2023 £'000	2022 £'000
Interest on bank deposits	**134**	6

All finance income is in respect of continuing operations.

Notes to the financial statements continued
for the year ended 30 April 2023

5. Finance costs

	2023 £'000	2022 £'000
Loans	**1,047**	542
Finance leases	**37**	6
Interest paid on lease liabilities (see note 10a)	**234**	251
Retirement benefit obligations (see note 26)	**140**	69
	1,458	868

All finance costs are in respect of continuing operations.

6. Income tax charge

	2023 £'000	2022 £'000
Current tax charge/(credit):		
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 credit:		
In respect of this year	**(96)**	(733)
In respect of prior years	**(68)**	(3)
	(164)	(736)
	2,675	1,541

The corporation tax is calculated at 19.5% (2022: 19.0%) of the estimated taxable profit for the year, as disclosed below.

The deferred tax includes a credit of £987,000 in respect of amortisation of other intangible assets (2022: £1,541,000), and a credit of £271,000 (2022: charge of £136,000) in respect of marking forward exchange contracts to market at the year end. The deferred tax is further explained in note 17.

The tax charge for the year is reconciled to profit per the Consolidated income statement for the year ended 30 April 2023 as follows:

	2023 £'000	2022 £'000
Profit before tax on continuing operations	**13,927**	10,228
Tax at the UK corporation tax rate of 19.5% (2022: 19.0%)	**2,716**	1,943
Tax effect of expenses and reserve movements that are not deductible in determining taxable profit	**294**	94
Tax effect of R&D tax credits in Portugal	**(319)**	(631)
Tax effect of exceptional items that are not recognised in determining taxable profit	**—**	(135)
Tax effect of other timing differences not reflected in deferred tax	**(112)**	583
Tax effect of statutory deduction for share options exercised	**(49)**	(72)
Tax effect of foreign tax rates	**455**	94
Tax effect of deferred tax movement on share options to be exercised	**117**	(32)
Tax effect of other prior year adjustments	**(427)**	(303)
Tax charge for the year	**2,675**	1,541

The UK corporation tax for the year ended 30 April 2023 is calculated at 19.5%, based upon eleven months at 19.0% and one month at 25.0%. The UK corporation tax rate for the year ended 30 April 2022 is calculated at 19.0%, based upon 12 months at 19.0%. The Portuguese corporation tax rate calculated for the year ended 30 April 2023 is 31.0% (2022: 22.2%) and the German corporation tax rate calculated for the year ended 30 April 2023 is 31.6% (2022: 31.7%).

In addition, a deferred tax charge of £39,000 (2022: charge of £204,000) was recognised directly in equity in respect of share options.

As announced in the Budget on 3 March 2021, the UK tax rate increased to 25% from 1 April 2023. This will have a consequential effect on the Group's future UK tax charge.

7. Dividends

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2022 at 8.35 pence per ordinary share (2021: 7.60 pence)	**3,393**	3,106
Interim dividend in respect of the year ended 30 April 2023 at 4.25 pence per ordinary share (2022: 3.85 pence)	**1,731**	1,578
	5,124	4,684
Proposed final dividend for the year ended 30 April 2023 at 9.15 pence per ordinary share (2022: 8.35 pence per ordinary share)	**3,650**	3,423

Notes to the financial statements continued
for the year ended 30 April 2023

7. Dividends continued

The cost of the proposed final dividend, which is an estimate, is subject to approval by shareholders at the AGM to be held on 26 September 2023 and has not been included as a liability in these financial statements. If approved, this dividend will be paid on 3 October 2023 to shareholders on the register as at 25 August 2023.

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc representing 1.73% (2022: 1.61%) of the Company's called up share capital, has agreed to waive all dividends due to it in accordance with an arrangement dated 20 November 2009.

8. Earnings per share

The earnings per share are calculated as follows:

	2023			2022		
	Weighted average number of shares Number	**Earnings £'000**	**Earnings per share Pence**	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence
Basic earnings (net profit attributable to equity holders of Cohort plc)	**40,673,953**	**11,356**	**27.92**	40,813,569	9,202	22.55
Share options	**88,038**			230,101		
Diluted earnings	**40,761,991**	**11,356**	**27.86**	41,043,670	9,202	22.42

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

The weighted average number of shares for the years ended 30 April 2023 and 30 April 2022 is after deducting the own shares, which are held by the Cohort Employee Benefit Trust.

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

		2023			2022		
	Notes	**Weighted average number of shares Number**	**Earnings £'000**	**Earnings per share Pence**	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence
Basic earnings		**40,673,953**	**11,356**	**27.92**	40,813,569	9,202	22.55
Charge/(credit) on marking forward exchange contracts at the year end (net of tax credit of £271,000 (2022: charge of £136,000))	18	**—**	**811**	**—**	—	(580)	—
Costs on acquisition of JSK		**—**	**—**	**—**	—	70	—
Gain on acquisition of JSK		**—**	**—**	**—**	—	(342)	—
Adjustment to earn-out on acquisition of Chess		**—**	**—**	**—**	—	(438)	—
Amortisation of other intangible assets (see below)		**—**	**2,672**	**—**	—	4,772	—
Adjusted earnings		**40,673,953**	**14,839**	**36.48**	40,813,569	12,684	31.08
Share options		**88,038**	**—**	**—**	230,101	—	—
Diluted adjusted earnings		**40,761,991**	**14,839**	**36.40**	41,043,670	12,684	30.90

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

Notes to the financial statements continued
for the year ended 30 April 2023

8. Earnings per share continued
The following table shows the adjustment to earnings in respect of amortisation of other intangible assets for calculating the adjusted earnings per share.

	2023					2022				
	Amortisation of other intangible assets (note 9) £'000	Deferred tax credit thereon £'000	Net £'000	Non-controlling interest £'000	Attributable to equity shareholders of the Group £'000	Amortisation of other intangible assets (note 9) £'000	Deferred tax credit thereon £'000	Net £'000	Non-controlling interest £'000	Attributable to equity shareholders of the Group £'000
Chess	**1,564**	**(339)**	**1,225**	**—**	**1,225**	3,288	(433)	2,855	(518)	2,337
EID	**86**	**(19)**	**67**	**(13)**	**54**	216	(48)	168	(34)	134
ELAC	**1,430**	**(451)**	**979**	**—**	**979**	3,274	(1,034)	2,240	—	2,240
JSK (SEA)	**592**	**(178)**	**414**	**—**	**414**	87	(26)	61	—	61
	3,672	**(987)**	**2,685**	**(13)**	**2,672**	6,865	(1,541)	5,324	(552)	4,772

Notes to the financial statements continued
for the year ended 30 April 2023

9. Goodwill and other intangible assets

Goodwill	Communications and Intelligence £'000	Sensors and Effectors £'000	Group £'000
Cost			
At 1 May 2021	17,093	28,570	45,663
Acquisition of ELAC SONAR	—	6,170	6,170
Acquisition of JSK	—	312	312
At 1 May 2022	17,093	35,052	52,145
At 30 April 2023	**17,093**	**35,052**	**52,145**
Amortisation			
At 1 May 2021	—	2,000	2,000
Charge for the year ended 30 April 2022	—	—	—
At 1 May 2022	—	2,000	2,000
Charge for the year ended 30 April 2023	—	—	—
At 30 April 2023	**—**	**2,000**	**2,000**
Net book value			
At 30 April 2023	**17,093**	**33,052**	**50,145**
At 30 April 2022	17,093	33,052	50,145
Other intangible assets			
Cost			
At 1 May 2021	30,265	43,851	74,116
Acquisition of JSK	—	1,413	1,413
At 1 May 2022	30,265	45,264	75,529
At 30 April 2023	**30,265**	**45,264**	**75,529**
Amortisation			
At 1 May 2021	29,794	29,229	59,023
Charge for the year ended 30 April 2022	216	6,649	6,865
At 1 May 2022	30,010	35,878	65,888
Charge for the year ended 30 April 2023	86	3,586	3,672
At 30 April 2023	**30,096**	**39,464**	**69,560**
Net book value			
At 30 April 2023	**169**	**5,800**	**5,969**
At 30 April 2022	255	9,386	9,641

Notes to the financial statements continued
for the year ended 30 April 2023

9. Goodwill and other intangible assets continued

Goodwill arises on the acquisition of subsidiaries. These subsidiaries are the cash-generating units to which goodwill has been allocated. The goodwill relating to the individual subsidiaries has been included in the division against which each subsidiary reports.

The acquisition of JSK completed 20 August 2021.

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

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

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

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

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

	Basis of estimate
Cash flow	As in previous years, the cash flows for the years ending 30 April 2024, 2025 and 2026 are based upon the cash-generating units' budgets and forecasts for those years. These cash flows are based upon the revenue, margin and overhead cost forecasts for each business taking account of the run-off of order book, renewal of existing business and winning of new business. Historically, these cash flow forecasts have been a reasonable forecast of actual performance over the period of measurement. Costs reflect inflation rates, currently assumed at 5% (2022: 5%). With regard to the revenue, margin and overhead cost forecasts, the key assumptions underlying these inputs are that current projects contracted will continue as per agreement, that government defence spending will remain largely consistent in the future and that each cash-generating unit will continue to be as successful in competing for new contracts as it has been historically. At 30 April 2023, just over £142m (80% of latest consensus forecasts) of revenue for 2024 was already under contract and, as such, the main assumptions related to revenue volumes are in periods for 2025 and after where there is greater uncertainty and risk.
Growth rate	The cash flows for each UK-based cash-generating unit from years four to twenty inclusive are based upon the forecast cash flow for the year ending 30 April 2026 to which a growth rate of 1.5% is applied each year (2022: 1.5%). This rate reflects a prudent view of recent UK growth rates and is below the historically higher UK growth rate of 2.25%. The growth rate is similar for all of the UK-based cash-generating units as a significant proportion of their business is with the same customer, the UK MOD. As a significant proportion of the business is with the UK Government, a more prudent growth rate has been used to reflect lower expected growth rates of UK Government expenditure. In the case of EID, its main customer is the Portuguese MOD. As such, the growth rate assumed for EID's future cash flows is 1.0% (2022: 1.0%), reflecting the expected growth rate for Portuguese Government expenditure. In the case of ELAC, its domestic customer, the German Bundeswehr, does not form a significant proportion of its revenue with much of its business from export customers. A growth rate of 1.5% has been assumed for ELAC in 2023 (2022: 1.5%). The longevity of the cash flows used reflects the length of our order books and the long duration of the customer platforms and applications we supply and support. Our order book currently includes deliveries out to 2032.

WACC comprises a number of elements as follows:

	Basis of estimate
Value of equity	Calculated as the issued share capital of the Group (Cohort plc) multiplied by the closing share price at 30 April 2023 of £4.35 (2022: £5.44).
Risk free interest rate	Based upon ten-year UK Government gilt rate of 3.64% (2022: 1.99%). The ten-year gilt rate has been used given current uncertainty over longer-term projections. Previously the 30-year gilt rate was used.
Beta factor	Derived from analyst estimates provided by the Group's Nomad (Investec) and reflects a range of outcomes from 0.20 to 0.60 (2022: 0.20 to 0.60).
Equity risk premium	The equity risk premium of the Group of 10.78% (2022: 9.96%) to which is added a further range of risk premium of 4% to 8% to reflect customer market risk and the low liquidity and risk of AIM stocks.
Cost of debt	The Group is in a net funds position. The Group loans at 30 April 2023 have an average interest cost of 6.31% per annum as at that date (2022: 1.84% per annum).

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was in a range from 20.4% to 35.6% (2022: 16.2% to 20.5%). The Group WACC has been deemed appropriate to use for each cash-generating unit as all funding is cross-guaranteed and therefore the same cost of funding is incurred by each cash-generating unit. The increase in the Group's pre-tax WACC is due to higher interest rates and volatility (Beta factor) in respect of Cohort plc shares.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2023 within either of the divisions. Sensitivity was applied to the impairment tests to deliver a material impairment of goodwill. If the post-tax WACC is increased to over 13.8% (pre-tax WACC of over 28.4%), goodwill within Sensors and Effectors relating to SEA (£22.4m) and ELAC (£7.7m) equals recoverable value. A similar impairment would occur should the growth rate drop by 0.7%; however, this is considered unlikely as this falls significantly behind the historical UK growth rate and current expectations of growth in the defence sector. This goodwill is the most sensitive to impairment due to a current high level of divisional current assets. This impairment would arise if the higher equity risk was applied to the post-tax WACC calculation.

The other intangible assets arose on the acquisition of subsidiaries and are mainly in respect of contracts and prospects acquired. The Communications and Intelligence other intangible asset will be fully amortised by 30 April 2024. The Sensors and Effectors other intangible asset will be fully amortised by 30 April 2029.

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

	2023		2022	
	Communications and Intelligence £'000	**Sensors and Effectors £'000**	Communications and Intelligence £'000	Sensors and Effectors £'000
Contracts acquired	**169**	**1,041**	255	3,559
Customer relationships	**—**	**4,759**	—	5,827
	169	**5,800**	255	9,386

Notes to the financial statements continued
for the year ended 30 April 2023

10. Fixed assets
a) Right of use assets

Cost	Group Property £'000	Group Fixtures and equipment £'000	Group Total £'000	Company £'000
At 1 May 2021	8,632	1,067	9,699	351
Additions	3,906	482	4,388	69
Disposals	(62)	(130)	(192)	—
Foreign exchange movements	(46)	(14)	(60)	—
At 1 May 2022	12,430	1,405	13,835	420
Additions	387	257	644	366
Disposals	—	(216)	(216)	—
Foreign exchange movements	79	22	101	—
At 30 April 2023	**12,896**	**1,468**	**14,364**	**786**

Depreciation	Group Property £'000	Group Fixtures and equipment £'000	Group Total £'000	Company £'000
At 1 May 2021	2,147	476	2,623	151
Charge for the year	1,394	290	1,684	97
Disposals	(19)	(51)	(70)	—
Foreign exchange movement	(10)	(7)	(17)	—
At 1 May 2022	3,512	708	4,220	248
Charge for the year	1,434	342	1,776	107
Disposals	—	(192)	(192)	—
Foreign exchange movement	27	12	39	—
At 30 April 2023	**4,973**	**870**	**5,843**	**355**
Net book value at 30 April 2023	**7,923**	**598**	**8,521**	**431**
Net book value at 30 April 2022	8,918	697	9,615	172

Lease liabilities	Group Property £'000	Group Other £'000	Group Total £'000	Company £'000
At 1 May 2021	7,045	510	7,555	221
New lease liabilities	3,838	463	4,301	69
Interest charge	232	19	251	9
Payments	(1,602)	(314)	(1,916)	(112)
Foreign exchange movement	(39)	(6)	(45)	—
At 1 May 2022	9,474	672	10,146	187
New lease liabilities	366	279	645	366
Interest charge	217	17	234	5
Payments	(1,626)	(328)	(1,954)	(122)
Foreign exchange movement	52	10	62	—
At 30 April 2023	**8,483**	**650**	**9,133**	**436**
Current	1,410	250	1,660	60
Non-current	7,073	400	7,473	376
At 30 April 2023	**8,483**	**650**	**9,133**	**436**
Current	1,243	272	1,515	117
Non-current	8,231	400	8,631	70
At 30 April 2022	9,474	672	10,146	187

Amounts recognised in Consolidated income statement	**2023 £'000**	2022 £'000
Interest expense on lease liabilities (note 5)	**234**	251
Depreciation expense	**1,776**	1,684
	2,010	1,935

The Company's right of use asset is in respect of its property lease at Theale (net book value £391,000; 2022: £100,000) and vehicles (net book value £40,000; 2022: £72,000).

Notes to the financial statements continued
for the year ended 30 April 2023

10. Fixed assets continued
b) Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2021	10,159	13,006	23,165
Additions	276	1,729	2,005
Disposals	—	(130)	(130)
Acquired	—	49	49
Foreign exchange movement	—	(94)	(94)
At 1 May 2022	10,435	14,560	24,995
Additions	2,125	3,106	5,231
Disposals	—	(546)	(546)
Foreign exchange movement	(9)	219	210
At 30 April 2023	**12,551**	**17,339**	**29,890**
Depreciation			
At 1 May 2021	2,760	7,869	10,629
Charge in the year	349	1,860	2,209
Eliminated on disposal	—	(130)	(130)
Foreign exchange movement	—	(23)	(23)
At 1 May 2022	3,109	9,576	12,685
Charge in the year	332	2,044	2,376
Eliminated on disposal	—	(533)	(533)
Foreign exchange movement	—	58	58
At 30 April 2023	**3,441**	**11,145**	**14,586**
Net book value			
At 30 April 2023	**9,110**	**6,194**	**15,304**
At 30 April 2022	7,326	4,984	12,310

The net book value of the Company's property, plant and equipment was £62,000 at 30 April 2023 (2022: £140,000). This was after additions of £10,000, net disposals of £nil and a depreciation charge of £89,000 for the year ended 30 April 2023.

The net book value of fixed assets held under finance leases at 30 April 2023 was £nil (2022: £35,000).

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

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

Notes to the financial statements continued
for the year ended 30 April 2023

11. Investment in subsidiaries

	Company 2023 £'000	Company 2022 £'000
Investment in subsidiaries	**88,493**	91,110

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

Name of company	Registered office	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned					
Systems Consultants Services Limited (SCS)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Formerly a provider of technical consultancy In the process of being struck off
MASS Limited	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Ltd. (SEA)	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Holding company of Systems Engineering & Assessment Ltd and Beckington Castle Ltd
Marlborough Communications (Holdings) Limited	1 Perrywood Business Park, Honeycrock Lane, Redhill, Surrey RH1 5DZ	England	Ordinary	100%	Holding company of Marlborough Communications Limited
Thunderwaves, S.A.	6. Rua do Alecrim 26E 1200-018, Lisbon	Portugal	Ordinary	100%	Holding company of EID
Cohort Deutschland GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Holding company for ELAC SONAR GmbH
Chess Technologies Limited (Chess)	One Waterside Drive, Arlington Business Park, Theale, Reading RG7 4SW	England	Ordinary	100% (2022: 81.84%)	Holding company of Chess Dynamics Limited, Chess Dynamics Inc and Vision4ce Limited
Held through a subsidiary					
MASS Consultants Limited (MASS)	Enterprise House, Great North Road, Little Paxton, St. Neots, Cambridgeshire PE19 6BN	England	Ordinary	100%	Electronic warfare, managed services, secure communications and digital services
Systems Engineering & Assessment Ltd	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to the defence and transport markets and is also the holding company of JS Residual Ltd
JS Residual Ltd	Riverside Road, Pottington Business Park, Barnstaple, Devon EX31 1LY	England	Ordinary	100%	Subsidiary of Systems Engineering & Assessment Ltd and holds investment in SEA's Canadian operations Dormant
Marlborough Communications Limited (MCL)	1 Perrywood Business Park, Honeycrock Lane, Redhill, Surrey RH1 5DZ	England	Ordinary	100%	Designs, sources and supports advanced electronic and surveillance technology
Beckington Castle Ltd	Beckington Castle, 17 Castle Corner, Beckington, Frome BA11 6TA	England	Ordinary	100%	Property company holding freehold of Beckington Castle and SEA's Bristol office

Notes to the financial statements continued
for the year ended 30 April 2023

11. Investment in subsidiaries continued

Name of company	Registered office	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Held through a subsidiary continued					
Chess Dynamics Limited	Quadrant House, North Heath Business Park, North Heath Lane Horsham, West Sussex RH12 5QE	England	Ordinary	100%	Design and production of detection and tracking systems, as well as counter-UAV solutions for the defence and security markets
Empresa de Investigação e Desenvolvimento de Electrónica, S.A. (EID)	Quinta dos Medronheiros-Lazarim, 2820-486 Charneca da Caparica, Lisbon	Portugal	Ordinary	80%	Designs and manufactures advanced communications systems for the defence and security markets
8963665 Canada Inc.	1100, Boul Rene-Levesque O, Porte 2500, Montreal (Quebec), Canada H3B 5C9	Canada	Ordinary	100%	The holding company of the Group's investment in JSK Naval Support Inc.
JSK Naval Support Inc.	193 Brunswick Blvd, Quebec, Canada H9R 5N2	Canada	Ordinary	100%	Delivers and supports SEA products and services into the Canadian Navy
Vision4ce Limited	Unit 4, Wokingham Commercial Centre, Molly Millars Lane, Wokingham RG41 2RF	England	Ordinary	100%	Software solutions for detection, tracking and C-UAV systems
Chess Dynamics Inc	7060 S Tucson Way A, Centennial, CO 80112 USA	USA	Ordinary	100%	US representative of Chess's UK business
ELAC SONAR GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Supplies advanced sonar systems and underwater communications to global customers in the naval market
ELAC SONAR Unterstützungskasse GmbH	Neufeldtstraße 10, 24118 Kiel, Germany	Germany	Ordinary	100%	Social institution of ELAC SONAR GmbH which provides pension related support benefits to ELAC SONAR GmbH employees

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

Company

The Company's investments in subsidiaries are as follows:

	Chess £'000	Cohort Deutschland £'000	MASS £'000	MCL £'000	SCS £'000	SEA £'000	Thunderwaves £'000	Total £'000
At 1 May 2021	18,797	24	14,650	16,521	1,584	26,560	12,902	91,038
Additions	—	—	—	—	—	—	—	—
Share-based payments	104	60	178	47	—	101	15	505
Vested in year	—	—	(104)	(25)	—	(76)	(50)	(255)
Deferred tax on share-based payments charged directly to equity	(10)	—	(79)	(16)	—	(73)	—	(178)
At 1 May 2022	18,891	84	14,645	16,527	1,584	26,512	12,867	91,110
Additions	1,016	—	—	—	—	—	—	1,016
Share-based payments	117	85	203	56	—	116	3	580
Vested in year	(88)	—	(123)	(25)	—	(71)	(33)	(340)
Deferred tax on share-based payments charged directly to equity	—	—	—	—	—	(39)	—	(39)
Capital repayments	—	—	—	—	—	—	(3,834)	(3,834)
At 30 April 2023	**19,936**	**169**	**14,725**	**16,558**	**1,584**	**26,518**	**9,003**	**88,493**

Notes to the financial statements continued
for the year ended 30 April 2023

12. Inventories

	2023 £'000	2022 £'000
Raw materials	**13,669**	16,094
Work in progress	**11,273**	3,055
Finished goods	**7,099**	3,628
Total	**32,041**	22,777

The inventory at 30 April 2023 is stated after stock provision of £4,348,000 (2022: £4,991,000).

13. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade receivables (net of provision for doubtful debts)	**22,917**	24,410	**—**	—
Contract receivables	**25,862**	24,121	**—**	—
Prepayments and accrued income	**6,833**	7,630	**853**	345
Amounts due from subsidiary undertakings	**—**	—	**17,669**	18,093
	55,612	56,161	**18,522**	18,438

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

The average credit period taken on sales of goods is 33 days (2022: 44 days). Of the trade receivables balance, £11.5m was considered overdue at 30 April 2023 (30 April 2022: £8.2m). Overdue is defined as trade receivables still outstanding beyond invoice terms (typically 30 days). The allowance for doubtful debt is determined by management's best estimates, by reference to the particular receivables over which doubt may exist. None of the other receivables were past due.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. One of the largest trade receivables, to which the Group is exposed at 30 April 2023, is the UK MOD (customer B below) with a balance outstanding of £1.7m (2022: £2.3m). Customers who represent more than 5% of trade receivables include:

	2023 £m	2022 £m
Customer A	**2.1**	3.2
Customer B	**1.7**	2.3
Customer C	**1.9**	1.9
Customer D	**1.4**	2.5

Customers A and D in 2023 are not the same as customers A and D in 2022.

Trade receivables include £1.4m (2022: £7.3m) denominated in foreign currency. The predominant currency of the trade receivables is pounds sterling.

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

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

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

Ageing of past due but not impaired receivables	2023 £'000	2022 £'000
<30 days	**5,167**	2,510
30–60 days	**1,563**	961
60–90 days	**271**	106
>90 days	**4,477**	4,655
	11,478	8,232

Of the amount in >90 days, £2,825,000 trade and other receivables were overdue for greater than one year.

Movement in the allowance for doubtful debts (reported within trade receivables)	2023 £'000	2022 £'000
Balance at 1 May	**657**	943
Expected credit losses recognised	**703**	228
Released on recovery of debt previously provided	**(174)**	(503)
Foreign exchange movement	**16**	(11)
Balance at 30 April	**1,202**	657

Contract receivables	2023 £'000	2022 £'000
Opening balance	**24,121**	26,112
Acquired	**—**	571
Contract amendment	**—**	(4,405)
Contract receivable recognised in revenue	**40,090**	15,960
Contract receivable invoiced	**(38,515)**	(13,993)
Foreign exchange movement	**166**	(124)
Closing balance	**25,862**	24,121

The Group order book at 30 April 2023 and its expected recognition as revenue in future periods is shown in the Financial review. The order book at 30 April 2022 is shown in the Five-year record.

Notes to the financial statements continued
for the year ended 30 April 2023

14. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Advance receipts	**13,824**	20,593	**—**	—
Trade payables and accruals	**15,323**	9,648	**132**	172
Current tax liabilities	**2,143**	696	**—**	—
Social security and other taxes	**3,136**	3,290	**334**	299
Accruals and deferred income	**23,614**	19,758	**1,392**	1,640
Amounts due to subsidiary undertakings	**—**	—	**7,123**	8,388
	58,040	53,985	**8,981**	10,499

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing contract costs. Advance receipts reflect invoicing ahead of work done in accordance with contracted terms. The average credit period taken for trade purchases is 38 days (2022: 37 days), based upon each Group business's standard payment terms. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms (see Risk management).

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

Social security and other taxes include employment taxes and VAT.

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

Total payable includes £7.7m (2022: £3.0m) denominated in foreign currency.

Contract liabilities	**2023 £'000**	2022 £'000
Opening balance	**20,593**	14,658
New advances	**37,747**	23,647
Advances consumed in delivery of contract	**(44,621)**	(18,488)
Acquired	**—**	797
Foreign exchange movement	**105**	(21)
Closing balance	**13,824**	20,593

15. Bank borrowings

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Bank overdrafts	**—**	—	**6,734**	6,178
Bank loans	**25,837**	29,332	**25,837**	29,332
Finance leases	**9**	38	**—**	—
	25,846	29,370	**32,571**	35,510

These borrowings are repayable as follows:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
On demand or within one year	**9**	29,362	**6,734**	35,510
In the second year	**—**	8	**—**	—
In the third to fifth years inclusive	**25,837**	—	**25,837**	—
	25,846	29,370	**32,571**	35,510
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(9)**	(29,362)	**(6,734)**	(35,510)
Amount due for settlement after 12 months	**25,837**	8	**25,837**	—

The weighted average interest rates paid were as follows:

	2023 %	2022 %
Bank loans (variable)	**3.31**	1.84
Finance leases (fixed)	**4.34**	5.10

The variable rates are based upon the Bank of England or European Central Bank interest rates. The year end interest rate applying to the bank loans drawn in sterling was 5.65% (2022: 1.97%) and in euros was 4.49% (2022: 1.62%).

On 18 July 2022, the Group agreed a new facility for £35m with an extended banking syndicate comprising Lloyds, NatWest and Commerzbank. The facility has an option to draw down a further £15m. The facility is provided for three years with options to extend for a further two years to July 2027. On 14 June 2023 the Group exercised its option to extend the facility to July 2026. The facility is secured over all of the Group's assets excluding EID, which is not part of the facility arrangement and maintains its own facilities locally in Portugal. The new facility is available to the Group (excluding EID) in respect of acquisition financing and overdraft.

Notes to the financial statements continued
for the year ended 30 April 2023

15. Bank borrowings continued

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

	Sterling £'000	Euro £'000	Total £'000
At 1 May 2021	18,000	11,742	29,742
Borrowing drawn down	—	—	—
Borrowing repaid	—	—	—
Foreign exchange movement	—	(410)	(410)
At 1 May 2022	18,000	11,332	29,332
Borrowing drawn down	—	—	—
Borrowing repaid	(4,000)	—	(4,000)
Foreign exchange movement	—	505	505
At 30 April 2023	**14,000**	**11,837**	**25,837**

At 30 April 2023, the Group had available £9.2m (2022: £10.7m) of undrawn banking facility. The Directors consider the carrying amount of bank borrowings approximates their fair values.

The Group, including ELAC as from 18 July 2022, has entered into separate bilateral arrangements with each of its banks, Lloyds and NatWest, for ancillary facilities including bonding, letters of credit and foreign exchange contracts.

Similar bilateral arrangements exist for EID with its bank in Portugal. In addition, EID has an overdraft facility of €2.5m with Santander which is renewable on a six-month rolling basis. This facility was undrawn at 30 April 2023.

The Group's cash at 30 April 2023 of £41.5m is held with the following banks:

	2023 £'000	2022 £'000	Moody's long-term credit rating of bank as at 2023
National Westminster Bank plc	**33,581**	19,754	A1*/A2
Barclays Bank PLC	**—**	265	A1
Lloyds Bank plc	**1**	26	A1
Novo Banco	**11**	11	B2
Santander Bank	**267**	506	A2
Banco Comercial Português	**2,962**	7,185	Baa3
Caixa Geral de Depósitos Bank	**1,220**	1,175	Baa2
Commerzbank	**3,125**	10,894	A1
Other banks and cash	**287**	551	
	41,454	40,367	

16. Provisions

Group	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2021	747	3,179	3,926
On acquisition and review of provisional fair values	—	6,554	6,554
Charged/(released) to the income statement	377	(771)	(394)
Utilised	(71)	—	(71)
Foreign exchange movement	(13)	16	3
At 1 May 2022	1,040	8,978	10,018
Charged/(released) to the income statement	527	(467)	60
Utilised	(8)	—	(8)
Foreign exchange movement	21	—	21
At 30 April 2023	**1,580**	**8,511**	**10,091**
Provisions due in less than one year	1,046	7,641	8,687
Provisions due in greater than one year	534	870	1,404
At 30 April 2023	**1,580**	**8,511**	**10,091**
Provisions due in less than one year	916	7,963	8,879
Provisions due in greater than one year	124	1,015	1,139
At 30 April 2022	1,040	8,978	10,018

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

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

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

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

Notes to the financial statements continued
for the year ended 30 April 2023

17. Deferred tax

	Accelerated tax depreciation £'000	Other intangible assets £'000	Revaluation of building £'000	Other short-term timing differences £'000	Share options £'000	Derivatives £'000	Group £'000
At 1 May 2021	(376)	(3,692)	(320)	1,759	372	122	(2,135)
On acquisition	—	(424)	—	2,035	—	—	1,611
(Charge)/credit to the income statement in respect of the current tax year	(80)	1,541	7	(733)	(16)	(13)	706
(Charge)/credit to the income statement in respect of prior tax years	(35)	—	—	(24)	62	—	3
Effect of change in tax rate	—	—	—	11	14	—	25
Foreign exchange movement	—	—	—	1	1	—	2
Recognised in the income statement	(115)	1,541	7	(745)	61	(13)	736
Recognised in equity	—	—	—	—	(204)	—	(204)
At 1 May 2022	(491)	(2,575)	(313)	3,049	229	109	8
(Charge)/credit to the income statement in respect of the current tax year	(155)	987	(8)	(204)	(86)	(109)	425
(Charge)/credit to the income statement in respect of prior tax years	(16)	—	—	107	(23)	—	68
Effect of change in tax rate	(89)	(148)	(90)	26	(7)	—	(308)
Foreign exchange movement	—	—	—	(20)	(1)	—	(21)
Recognised in the income statement	(260)	839	(98)	(91)	(117)	(109)	164
Recognised in equity	—	—	—	—	(39)	—	(39)
At 30 April 2023	**(751)**	**(1,736)**	**(411)**	**2,958**	**73**	**—**	**133**

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

	2023 £'000	2022 £'000
Deferred tax assets	**1,600**	1,361
Deferred tax liabilities	**(1,467)**	(1,353)
	133	8

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

The Company's deferred tax balance at 30 April 2023 was an asset of £178,000 (2022: £85,000), being £146,000 (2022: £50,000) in respect of other short-term timing differences, accelerated tax depreciation of £24,000 (2022: £16,000) and share options of £8,000 (2022: £19,000).

The corporation tax rate in the UK for the year ended 30 April 2023 was 19.50% (2022: 19.00%) which has been applied by Cohort in calculating its income tax (see note 6).

For deferred tax balances in respect of EID (Portugal), the rate used was 22.45% (2022: 22.20%). For ELAC (Germany) the rate used was 31.58% (2022: 31.70%).

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

18. Derivative financial instruments

The Group has derivative financial instruments as follows:

	2023 £'000	2022 £'000
Assets		
Foreign currency forward contracts	**42**	793
Liabilities		
Foreign currency forward contracts	**(1,041)**	(861)

The changes in marking the outstanding foreign currency forward contracts to fair value (which are based upon quoted market valuations) are credited or charged to the Consolidated income statement as "credit/(charge) on marking forward exchange contracts to market at the year end". They are in respect of trading contracts undertaken by the Group and in respect of Communications and Intelligence and Sensors and Effectors and are disclosed within their respective operating profits in the segmental analysis (see note 1; 2022: Communications and Intelligence and Sensors and Effectors). They are considered to be level 2 classification. The loss (2022: gain) to the Consolidated income statement for the year ended 30 April 2023 was as follows:

	2023 £'000	2022 £'000
Foreign currency forward contracts	**(1,082)**	716

Notes to the financial statements continued
for the year ended 30 April 2023

18. Derivative financial instruments continued

Currency derivatives

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

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

2023	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2022	13,313	14,834	(8,962)	(10,507)	10,515	14,220	(1,736)	(2,361)
Contracts matured in period	(10,491)	(11,738)	8,962	10,507	(379)	(509)	1,736	2,361
New contracts in period	1,981	2,221	(8,652)	(9,678)	45	56	(4,628)	(5,628)
At 30 April 2023	**4,803**	**5,317**	**(8,652)**	**(9,678)**	**10,181**	**13,767**	**(4,628)**	**(5,628)**
Fair value adjustment	(72)	—	146	—	778	—	147	—
At 30 April 2023 at spot rate	**4,731**	**—**	**(8,506)**	**—**	**10,959**	**—**	**(4,481)**	**—**

The total fair value adjustment is £999,000 (2022: £67,000) and the change in the forward exchange fair values for the year ended 30 April 2023 is £1,082,000 (30 April 2022: £716,00), which is included in the operating profit of the Group as a loss (2022: gain).

2022	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
At forward exchange rates								
At 1 May 2021	17,480	19,314	(971)	(1,075)	4	5	(4,913)	(6,813)
Contracts matured in period	(6,685)	(7,434)	942	1,044	(4)	(5)	4,913	6,813
New contracts in period	2,518	2,954	(8,933)	(10,476)	10,515	14,220	(1,736)	(2,361)
At 30 April 2022	13,313	14,834	(8,962)	(10,507)	10,515	14,220	(1,736)	(2,361)
Fair value adjustment	(861)	—	142	—	794	—	(142)	—
At 30 April 2022 at spot rate	12,452	—	(8,820)	—	11,309	—	(1,878)	—

Liquidity risk

The maturity of the outstanding contracts was as follows:

At 30 April 2023	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
Within one year	2,740	3,054	(8,652)	(9,678)	4,152	5,621	(4,628)	(5,628)
Within two years	1,305	1,429	—	—	—	—	—	—
Greater than two years	758	834	—	—	6,029	8,146	—	—
At 30 April 2023 at forward rate	**4,803**	**5,317**	**(8,652)**	**(9,678)**	**10,181**	**13,767**	**(4,628)**	**(5,628)**

Notes to the financial statements continued
for the year ended 30 April 2023

18. Derivative financial instruments continued
Liquidity risk continued

At 30 April 2022	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Buy £'000	Sell US$'000	Sell £'000	Buy US$'000
Within one year	4,739	5,428	(8,016)	(9,414)	379	509	(1,736)	(2,361)
Within two years	759	834	(946)	(1,093)	4,107	5,565	—	—
Greater than two years	7,815	8,572	—	—	6,029	8,146	—	—
At 30 April 2022 at forward rate	13,313	14,834	(8,962)	(10,507)	10,515	14,220	(1,736)	(2,361)

The following significant exchange rates applied at 30 April:

	2023		2022	
	US$	**Euro**	US$	Euro
Exchange rates at 30 April	**0.7961**	**0.8827**	0.7953	0.8394

Sensitivity analysis
A 10% strengthening of sterling against the above currencies at 30 April 2023 would increase the reported operating profit by £3,193,000 (2022: decrease the reported operating profit by £1,186,000) in respect of marking these forward contracts to market value.

19. Share capital

	2023 Number	2022 Number
Allotted, called up and fully paid 10 pence ordinary shares	**41,458,477**	41,212,901

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

	Number
At 1 May 2021	41,041,666
Share options exercised	171,235
At 1 May 2022	41,212,901
Share options exercised	245,576
At 30 April 2023	**41,458,477**

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

During the year ended 30 April 2023, 245,576 ordinary shares (2022: 171,235) in Cohort plc were issued to satisfy share options.

Notes to the financial statements continued
for the year ended 30 April 2023

19. Share capital continued
New shares were issued as follows:

Price per share (£)	Number of shares	Proceeds from new shares issued £
1.675	10,700	17,923
1.975	10,300	20,343
3.400	9,703	32,990
3.725	8,000	29,800
3.760	18,471	69,451
3.900	31,079	121,208
4.085	24,770	101,185
4.425	88,140	390,020
4.475	44,413	198,748
	245,576	981,668

£24,558 was added to the share capital with the balance (£957,109) added to the share premium account.

Notes to the financial statements continued
for the year ended 30 April 2023

20. Share options

The Group grants new share options under the Cohort plc 2016 share option scheme to senior management and key employees. Previous options have been granted under the Cohort plc 2006 and 2016 share option schemes. Additionally the Group operates a Restricted Share Scheme (RSS), which closed at the end of April 2023, and a Long Term Incentive Plan (LTIP) for senior management. The Group also operates a Save As You Earn (SAYE) scheme and a Share Incentive Plan (SIP), both of which are available to all employees.

The following options were outstanding at 30 April 2023:

Scheme and grant date	Exercise price £	Vesting date	Expiry date	30 April 2023 Vested	30 April 2023 Not vested	30 April 2023 Total	30 April 2022 Vested	30 April 2022 Not vested	30 April 2022 Total
Cohort plc 2006 share option scheme									
9 Aug 2013	1.675	10 Aug 2016	9 Aug 2023	**—**	**—**	**—**	10,700	—	10,700
11 Aug 2014	1.975	12 Aug 2017	11 Aug 2024	**2,300**	**—**	**2,300**	12,600	—	12,600
20 Aug 2015	3.725	21 Aug 2018	20 Aug 2025	**22,609**	**—**	**22,609**	34,609	—	34,609
Cohort plc 2016 share option scheme									
15 Aug 2016	3.400	16 Aug 2019	15 Aug 2026	**26,308**	**—**	**26,308**	36,666	—	36,666
25 Aug 2017	3.760	26 Aug 2020	25 Aug 2027	**107,787**	**—**	**107,787**	132,258	—	132,258
10 Aug 2018	3.900	11 Aug 2021	10 Aug 2028	**125,363**	**—**	**125,363**	158,163	—	158,163
28 Aug 2019	4.425	29 Aug 2022	28 Aug 2029	**183,816**	**—**	**183,816**	—	315,016	315,016
18 Sep 2019	4.875	19 Sep 2022	18 Sep 2029	**13,491**	**—**	**13,491**	—	13,491	13,491
7 Nov 2019	5.500	8 Nov 2022	7 Nov 2029	**5,454**	**—**	**5,454**	—	5,454	5,454
28 Aug 2020	6.200	29 Aug 2023	28 Aug 2030	**—**	**230,718**	**230,718**	—	301,718	301,718
1 Oct 2020	6.150	2 Oct 2023	1 Oct 2030	**—**	**6,000**	**6,000**	—	6,000	6,000
28 Apr 2021	6.340	29 Apr 2024	28 Apr 2031	**—**	**80,000**	**80,000**	—	80,000	80,000
16 Aug 2021	5.390	16 Aug 2024	15 Aug 2031	**—**	**354,931**	**354,931**	—	427,931	427,931
18 Aug 2022	5.410	18 Aug 2025	18 Aug 2032	**—**	**390,500**	**390,500**	—	—	—
				487,128	**1,062,149**	**1,549,277**	384,996	1,149,610	1,534,606
Save As You Earn (SAYE) scheme									
25 Aug 2017	4.085			**—**	**—**	**—**	—	25,651	25,651
1 Sep 2018	3.900			**—**	**12,305**	**12,305**	—	13,843	13,843
6 Sep 2019	4.475			**—**	**17,760**	**17,760**	—	74,259	74,259
4 Sep 2020	6.700			**—**	**38,479**	**38,479**	—	53,895	53,895
3 Sep 2021	5.830			**—**	**50,962**	**50,962**	—	76,070	76,070
5 Sep 2022	5.320			**—**	**69,620**	**69,620**	—	—	—
				—	**189,126**	**189,126**	—	243,718	243,718
				487,128	**1,251,275**	**1,738,403**	384,996	1,393,328	1,778,324

The SAYE options have maturity periods of three or five years from the date of grant. The Group plan provides for a grant price equal to the closing market price of the Group shares on the trading day prior to the date of grant. In the case of the SAYE schemes, the price is determined on the date before the invitation to participate, which was on 8 August 2022 for the 2022 scheme. The vesting period is generally three years, five years in the case of some SAYE options.

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

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for the year ended 30 April 2023

20. Share options continued

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

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

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

	2023		2022	
	Options	Weighted average exercise price £	Options	Weighted average exercise price £
Outstanding at 1 May	**1,778,324**	**5.01**	1,679,742	4.66
Granted during the year	**488,199**	**5.40**	521,704	5.31
Forfeited during the year	**(268,203)**	**5.49**	(198,042)	4.96
Exercised during the year	**(245,992)**	**3.99**	(220,080)	3.56
Expired during the year	**(13,925)**	**4.58**	(5,000)	0.92
Outstanding at 30 April	**1,738,403**	**5.20**	1,778,324	5.01
Exercisable at 30 April	**487,128**	**4.07**	384,996	3.66

The weighted average remaining contractual life is six years, eleven months (2022: six years, eleven months).

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

In the year ended 30 April 2023, options were granted as follows: 75,199 on 5 September 2022 under the SAYE scheme, and 413,000 on 18 August 2022 under the Cohort plc 2016 share option scheme. The option price for the SAYE scheme was £5.320 per share which was the mid-market price on the day before the scheme invitation was made on 9 August 2022. The option price for the options issued under the Cohort plc 2016 share option scheme was £5.410, the mid-market price the day before the grant.

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

	2023	2022
Average share price	**£4.91**	£5.53
Weighted average exercise price	**£5.20**	£5.01
Expected volatility	**34.0%**	38.0%
Risk free rate	**3.37%–3.63%**	0.47%–0.82%
Leaver rate (per annum)	**10.0%**	10.0%
Dividend yield	**1.04%**	0.96%

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

The RSS scheme is valued at fair value based on the achievement in year at the date at with the RSS is awarded.

The Group recognised a cost of £1,522,000 (2022: £572,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to the share option reserve.

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

21. Own shares

	£'000
Balance at 1 May 2021	1,068
Acquired in the year	2,923
Sold in the year	(282)
Loss on shares sold in the year	(363)
Balance at 30 April 2022	3,346
Acquired in the year	586
Sold in the year	(111)
Loss on shares sold in the year	(220)
Balance at 30 April 2023	**3,601**

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

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2023 was 718,157 (2022: 663,845).

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

Date	Number acquired	Price per share £	Investment £'000
19 December 2022	25,000	4.42	110
29 December 2022	23,000	4.96	114
4 January 2023	4,500	5.02	23
30 January 2023	47,500	5.31	252
28 April 2023	20,000	4.36	87
	120,000		586

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for the year ended 30 April 2023

21. Own shares continued

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

Exercise price per share Pence	Number of shares sold	Proceeds £'000	Loss on sale of shares £'000
506.0	21,877	111	—
	21,877	111	—

In addition, 43,811 (2022: 42,947) ordinary shares in Cohort plc were transferred at nil value realising a loss on sale of shares of £220,760 for the purpose of satisfying shares awarded to the Executive Directors (see the Remuneration Committee report) and senior management under the Group's Restricted Share Scheme. The total loss on satisfying share options and Restricted Shares by the Employee Benefit Trust was £220,313 (2022: £363,543). All of the shares sold at £5.060 per share were in respect of satisfying the Group's SIP.

41,166 (2022: 67,576) of the shares held by the Employee Benefit Trust at 30 April 2023 remain to be issued under the Restricted Share Scheme, on which an estimated loss of £207,180 (2022: £341,000) will be recognised as they are issued.

As at 30 April 2023, an estimated 15,000 shares (2022: 13,000) held by the Employee Benefit Trust expect to be issued under the SIP on which a loss of £10,000 (2022: gain of £5,000) would be recognised as they are issued.

The market valuation of the ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2023 was £3,123,983 (2022: £3,611,316).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2023 was £21,716 (2022: £23,796) and this cost is included within "Administrative expenses" in the Consolidated income statement.

22. Reserves and non-controlling interests

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

- Share capital represents the nominal value of shares issued, including those issued to the Cohort Employee Benefit Trust (see note 19).
- Share premium includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account.
- Own shares held by the Group represent shares in Cohort plc. All the shares are held by the Cohort Employee Benefit Trust (see note 21).
- Share option reserve represents the cumulative share-based payment charged to reserves less the transfer to retained earnings on vesting of options.
- Retained earnings include the realised gains and losses made by the Group and the Company.

The non-controlling interests are analysed as follows:

Group	Communications and Intelligence £'000	Sensors and Effectors £'000	Total £'000
At 1 May 2021	2,938	2,800	5,738
Profit/(loss)	158	(576)	(418)
Other comprehensive loss	(100)	—	(100)
At 1 May 2022	2,996	2,224	5,220
(Loss)/profit	(239)	135	(104)
Reallocation of non-controlling interest on purchase of remaining interest in Chess	—	(2,359)	(2,359)
At 30 April 2023	**2,757**	**—**	**2,757**

Non-controlling interest within Communications and Intelligence comprises EID (20%), and within Sensors and Effectors comprises Chess at 18.16% to 30 November 2022.

23. Net cash from operating activities

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Profit for the year	**11,252**	8,687	**5,199**	14,513
Adjustments for:				
Income tax charge/(credit)	**2,675**	1,541	**(54)**	(83)
Depreciation of property, plant and equipment	**2,376**	2,209	**89**	101
Depreciation of right of use assets	**1,776**	1,684	**107**	97
Amortisation of other intangible assets and goodwill	**3,672**	6,865	**—**	—
Net finance expense	**1,324**	862	**679**	233
Derivative financial instruments and other non-trading exchange movements	**1,082**	(716)	**—**	—
Share-based payment	**1,522**	572	**948**	69
Increase in provisions	**720**	102	**—**	—
Operating cash flows before movements in working capital	**26,399**	21,806	**6,968**	14,930
Increase in inventories	**(8,565)**	(9,885)	**—**	—
Decrease/(increase) in receivables	**2,999**	10,530	**(84)**	(40)
(Decrease)/increase in payables	**(2,976)**	22	**(1,367)**	(508)
	(8,542)	667	**(1,451)**	(548)
Cash generated by operations	**17,857**	22,473	**5,517**	14,382
Income taxes paid	**(111)**	(2,081)	**31**	—
Interest paid	**(1,224)**	(867)	**(1,025)**	(502)
Net cash inflow from operating activities	**16,522**	19,525	**4,523**	13,880

Interest paid includes the interest element of lease liabilities under IFRS 16 (see note 10a) of £234,000 (2022: £251,000).

Notes to the financial statements continued
for the year ended 30 April 2023

24. Leases

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

Type		How determined	Reporting
1.	Finance leases	Lease agreement is a finance lease.	Asset is reported in property, plant and equipment (see note 10b) and depreciated over term of lease. Liability is shown as part of debt (see note 15).
2.	Operating leases as right of use assets	Lease agreement is an operating lease but does not meet the criteria for type 3 below.	Asset is reported as right of use asset (see note 10a) and depreciated over term of lease and liability is shown as lease liability (see note 10a).
3.	Operating leases	Operating leases where: ▶ length of lease is less than 12 months in duration; and/or ▶ the value of the lease is low (below £5,000) at inception.	No asset or liability is recognised and cost of lease is expensed over the lease term as part of operating profit in the income statement. The cost of these operating leases is recognised in the Consolidated income statement in the year ended 30 April 2023 was £519,000 (30 April 2022: £446,000).

25. Commitments

There was £561,000 of capital commitments at 30 April 2023 (2022: £572,000).

26. Retirement benefit obligations

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

i. Defined contribution schemes

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £2,540,000 (2022: £2,421,000) were charged to the Consolidated income statement. Contributions outstanding at 30 April 2023 were £1,069,548 (2022: £358,433).

ii. Defined benefit schemes

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

Retirement benefit risks

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

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

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

	2023 £'000	2022 £'000
Service cost	**284**	324
Net interest expense	**140**	69
	424	393

Notes to the financial statements continued
for the year ended 30 April 2023

26. Retirement benefit obligations continued

Retirement benefit risks continued

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

	2023 £'000	2022 £'000
Net gains from changes in assumptions	**1,967**	931
(Losses)/gains from plan assets	**(67)**	95
	1,900	1,026

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

	2023 £'000	2022 £'000
Present value of defined benefit obligations	**(11,952)**	(13,108)
Fair value of scheme's assets	**6,660**	6,260
Net liability arising from defined benefit obligations	**(5,292)**	(6,848)

Fair value of the scheme's assets are as follows:

	2023 £'000	2022 £'000
Opening scheme assets	**6,260**	6,296
Interest income	**146**	60
Amounts recognised in income in respect of defined benefit scheme	**146**	60
Return on plan assets excluding amounts included in interest income	**(67)**	95
Amounts recognised in the statement of comprehensive income	**(67)**	95
Contributions:		
Employer	**306**	254
Payment from plan:		
Benefits paid	**(264)**	(223)
Effect of movements in exchange rates	**279**	(222)
Closing scheme assets	**6,660**	6,260

The plan assets at acquisition and at 30 April 2023 comprised insurance annuities held with a third-party insurer.

The present value of defined benefit obligations comprised:

	2023 £'000	2022 £'000
Opening defined benefit obligations	**(13,108)**	(14,278)
Current service cost	**(284)**	(324)
Interest expense	**(286)**	(129)
Amounts recognised in income in respect of defined benefit scheme	**(570)**	(453)
Remeasurement gains/(losses) from:		
Change in financial assumptions	**2,231**	875
Experience adjustments	**(264)**	56
Amounts recognised in the statement of comprehensive income	**1,967**	931
Benefits paid	**264**	224
Benefit payments from employer	**7**	23
Payments from plan	**271**	247
Effects of movements in exchange rates	**(512)**	445
Closing defined benefit obligations	**(11,952)**	(13,108)

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

Actuarial assumptions

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

	At year end 30 April 2023	At year end 30 April 2022
Discount rate	**3.75%**	2.30%
Salary increase rate	**3.50%**	2.50%
Pensions-in-payment increase rate	**2.50%**	2.20%
Mortality assumption	**Richttafeln 2018 G**	Richttafeln 2018 G

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

Notes to the financial statements continued
for the year ended 30 April 2023

26. Retirement benefit obligations continued

Actuarial assumptions continued

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

	Number	Average age	Average annual pension £
Active	79	52	6,372
Deferred	81	55	1,258
Retired	153	76	1,778

The weighted average duration of the benefit obligation as at 30 April 2023 is 18 years (2022: 21 years).

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

	Male Years	Female Years
30 April 2023	85.8	89.2
30 April 2043	88.5	91.4

The expected contributions for the year ending 30 April 2024 are £351,000 for scheme assets and a further £46,000 benefit payments not from the plan assets.

The expected total benefit payments for the next ten years are £4.5m ranging from around £351,000 per annum to £520,000 per annum.

Sensitivity analysis

Several significant actuarial assumptions are made for the determination of the defined benefit obligation. These are set out below along with the impact on the net liability of the scheme as at 30 April 2023 by the prescribed sensitivity change:

	Change in assumption	Increase/ (decrease) in net liability of scheme £m
Mortality rate – increase in life expectancy	+1 year	0.4
Discount rate – increase in rate	+1%	(1.7)
Salary increase assumption – increase in rate	+1%	0.6
Pension payment increase assumption – increase in rate	+1%	1.5

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

27. Contingent liabilities

At 30 April 2023 the Group had in place bank guarantees of £25,765,000 (2022: £24,624,000) in respect of trading contracts. The Group is not aware of any conditions which would realise these contingent liabilities. The significant increase in the Group's contingent liabilities is in respect of contract increases due to increased export orders including attached bank guarantee requirements.

28. Related party transactions

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

	Interest paid to subsidiaries £'000	Interested received from subsidiaries £'000	Management fees received from subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief received from subsidiaries £'000
2023	**156**	**411**	**5,157**	**6,000**	**31**
2022	78	345	3,807	14,560	42

During the year ended 30 April 2023, the Directors of Cohort plc received dividends from the Company as follows:

	2023 £	2022 £
N Prest CBE	**225,759**	205,154
A Thomis	**28,675**	23,851
S Walther	**27,207**	23,304
J Perrin	**504**	458
	282,145	252,767

S Carter retired as a Director of the Company on 27 September 2022. In 2022 S Carter received £1,041,286 in dividends from Cohort.

Further details of the remuneration of the Directors are set out in the Remuneration Committee report.

The aggregate remuneration (excluding share option costs) of the key management (2023: 12; 2022: 14) of the Group was as follows:

	2023 £	2022 £
Salary (including any allowances, benefits and employer's NIC)	**2,346,256**	2,778,302
Employer's pension contribution	**43,513**	36,449
	2,389,769	2,814,751

The key management of the Group is the Board of Cohort plc plus each subsidiary's Managing Director. For the year ended 30 April 2022, ELAC had joint Managing Directors. This reverted to one as from 1 May 2023.

Notes to the financial statements continued
for the year ended 30 April 2023

29. Acquisition of Chess Technologies Limited (Chess)

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

The acquisition accounting for Chess was reviewed prior to the first anniversary of its acquisition (12 December 2019) and further provisions were recognised of £900,000 in respect of contract liabilities.

Under the sale and purchase agreement, up to a further £12.7m is payable to the shareholders of Chess as an earn-out based upon its trading performance over the three years ended 30 April 2021. Based upon the actual performance to 30 April 2021 this earn-out was determined to be £nil as at 30 April 2023 (2022: £nil).

The sale and purchase agreement for the acquisition of Chess included a put and call option for the purchase of the remaining shares (18.16%) in Chess, the non-controlling interest.

The option was capped at £9.1m with the amount payable dependent upon the performance of the Chess business for the three years ended 30 April 2021.

The non-controlling interest was entitled to participate in any dividends payable by Chess in the period to 30 April 2021.

On 30 November 2022 the Group acquired the remaining shares of Chess (18.16%) for an amount of £1,016,000.

Accounting policies

Basis of accounting

The Group financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards.

The Company financial statements presented on pages 74 to 116 are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

On publishing the parent company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements. The Company is a public company limited by shares.

The financial statements are prepared on the historical cost basis except for derivative financial instruments that are stated at their fair value.

Exemption from audit

For the year ended 30 April 2023 Cohort plc has provided a guarantee in respect of all liabilities due by its following subsidiaries: MASS Limited (registration number 05863964), SEA (Group) Ltd. (registration number 02430846), Marlborough Communications (Holdings) Limited (registration number 07739219), and Chess Technologies Limited (registration number 06539922). This entitles them to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

Going concern

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through a facility which was renewed on 18 July 2022. The current heightened international security situation, especially following the invasion of Ukraine, has increased the focus of governments, particularly in NATO, on defence capability and driven increasing levels of demand for the Group's products. Specifically in respect of UK defence spending (UK MOD represents 54% of the Group's 2022/23 revenue), the four-year budget settlement in 2021, and subsequent confirmation of the commitments, does give the Group some improved visibility from this key customer.

The Group's banking facility was extended in June 2023 for a further year to July 2026, with an option to extend this for a further year out to July 2027.

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

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

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report and included in the Risk management section. The financial position of the Company, its cash flows, its liquidity position and its borrowing facilities are also described in the Strategic report.

In addition, the Strategic report includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 30 April 2023. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see "Business combinations" below).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. The Group's subsidiaries have prepared their statutory financial statements in accordance with Adopted IFRS, as from 1 May 2019.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Adoption of new and revised standards

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2022, none of which had a material impact on the entity:

- Amendments to IFRS 3 'Business Combinations'; IAS 16 'Property, Plant and Equipment'; IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; and Annual Improvements 2018–2020 (all issued on 14 May 2020 and effective for years commencing on or after 1 January 2022).

Standards and interpretations issued as at 18 July 2023 not applied to these financial statements

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2023 reporting periods and have not been early adopted by the Group. These standards, outlined below, are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions:

- Amendments to IFRS 4 'Insurance Contracts' and IFRS 17 'Insurance Contracts' (issued on 25 June 2020 and effective for years commencing 1 January 2023).
- Amendments to IAS 1, IAS 8, IFRS Practice Statement 2 (issued on 12 February 2021 and effective for years commencing 1 January 2023).
- Amendments to IAS 12 (issued on 7 May 2021 and effective for years commencing 1 January 2023).

Accounting policies continued

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are disclosed within accruals to the extent they are not settled in the period, unless the loan terms provide for the interest to be added to the principal, in which case the interest is added to the carrying amount of the instrument to which it pertains.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred unless, where appropriate, interest costs are capitalised into assets, fixed and current. The costs of arranging the Group facility are expensed over the term of the facility except for those costs arising as a result of an acquisition or disposal of a business which are then included as part of those transaction costs.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the completion date, of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired subsidiary. The costs of acquisition are charged to the Consolidated income statement as an exceptional item in accordance with IFRS 3 (Revised).

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable intangible assets, assets, liabilities and contingent liabilities recognised. If, after reassessment, which is a point in time greater than 12 months after the completion date, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds or is below the cost of the business combination, the excess or shortfall is recognised immediately in the income statement as an exceptional item.

Adjustments to the provisional value of assets and liabilities acquired in a business combination when the final values have become known within 12 months are adjusted for and reported as a movement in the current period.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss as an exceptional item.

The Group measures the non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquired business in the event of liquidation, at its proportionate interest in the recognised amount of the identifiable net assets of the acquired business at the acquisition date.

Where less than 100% of a subsidiary is acquired but the Group has effective control, that subsidiary is accounted for as if 100% were acquired with the non-controlling interest recognised appropriately.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Deposits are included within cash and cash equivalents where the maturity from commencement of the deposit is three months or less.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise and are disclosed separately in deriving the Group's adjusted operating profit.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Exceptional items

The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance, reported as the adjusted operating profit. Events which may give rise to the classification of items as exceptional, if of a significantly material value, include gains or losses on the disposal of a business or the restructuring of a business, transaction costs, litigation and similar settlements, asset impairments and onerous contracts.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency), which is generally sterling for the Group. Cohort's direct subsidiaries, Thunderwaves and Cohort Deutschland, and indirect subsidiaries, EID and ELAC, all have the euro as their functional currency. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements, with any exchange difference included in the Consolidated comprehensive statement of income.

Accounting policies continued

Foreign currencies continued

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in the income statement for the year.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. The Group's accounting policies in respect of such derivative financial instruments are described above.

These forward foreign exchange contracts are revalued to fair value at each balance sheet date with any movement included in the Consolidated income statement as part of the cost of sales and disclosed separately in deriving the Group's adjusted operating profit.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable intangible assets, assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment biannually. Any impairment is recognised immediately in the income statement as an exceptional item and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's subsidiaries as appropriate. Subsidiaries (cash-generating units) to which goodwill has been allocated are tested for impairment biannually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the subsidiary is less than the carrying amount of the subsidiary, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the subsidiary and then to the other assets of the subsidiary pro rata on the basis of the carrying amount of each asset in the subsidiary. An impairment loss recognised for goodwill is not reversed in a subsequent period. The impairment of goodwill is a critical judgement and estimate and is discussed in detail below.

On disposal of a subsidiary, or part of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or subsidiary) is estimated to be less than its carrying amount, the carrying amount of the asset (subsidiary) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (subsidiary) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (subsidiary) in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets

Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles, including customer relations, arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward. The intangible assets are written off over the estimated useful life of those particular assets. As discussed, the valuation of intangible assets is an area of critical judgement and estimate for the Directors.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less the further cost expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items. Stock is accounted for on a first in, first out basis.

Joint ventures

The Group accounts for joint ventures where it has a participating interest using the equity method of accounting and discloses the net investment in non-current assets.

Where the investment in a joint venture is negative, the negative investment, to the extent it is a liability of the Group, is offset against any trade and other receivables held by the Group in respect of that joint venture.

The Group accounts for joint ventures in which it no longer has a participating interest by recognising any investment and assets or liabilities due to or from the Group.

Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative standalone price and the aggregate standalone price of the non-lease components.

Accounting policies continued

Leases continued

As a lessee continued

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, to the extent that the right of use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and of short-term (less than 12 months) leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Pension contributions

Payments are made to the Company's stakeholder pension schemes, all of which are defined contribution schemes with the exception of a defined benefit scheme in Germany. In respect of defined contribution schemes, amounts are charged to the income statement as incurred.

In respect of the defined benefit scheme, the schemes' assets and liabilities are valued annually by an external actuary. The service cost and net interest movements are recognised in the Consolidated income statement. Movements in valuation from changes in assumptions, including discount rate and mortality rate, are recognised in the Consolidated statement of other comprehensive income. The gross assets and obligations of the scheme, as independently valued, are shown net as retirement benefit obligations in the Consolidated statement of financial position at each balance sheet date.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their fair value at the date of acquisition, plus any subsequent cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2%–4%
Fixtures, fittings and equipment	20%–50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) which arises as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. In respect of specific types of provisions, the policy is as follows:

Warranty

Provisions for the expected cost of warranty obligations under local sale of goods legislation and specifically contracted warranty undertakings are recognised at the date of sale of the relevant product or service. The provision is the Directors' best estimate of the expenditure required to settle the Group's obligation.

Accounting policies continued

Provisions continued

Other contract related provisions including contract loss provisions

The Group undertakes a number of contracts where contractual and/or third-party obligations arise as a result of delivering the contract. This provision includes amounts for losses on contracts which are recognised in full immediately when it is probable that total contract costs will exceed total contract revenue. In some cases, after a product has been delivered and revenue has been recognised, the Group receives claims (including warranty issues) from customers in respect of work done. Where the amount required to settle the claim is uncertain or the Group disputes the amount of the claim, provision is made for the best estimate of the amount that will be required to settle the claim.

Contract loss provisions are reviewed on a regular basis to determine whether the provision is still adequate or excessive. Contract loss provisions and subsequent adjustments to them are charged as cost of sales in the income statement.

Where such an obligation relates to a discontinued operation then the charge will be disclosed as an exceptional item.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's own development activity is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software, product and new processes) and is technically and commercially feasible;
- it is probable that the asset created will generate future economic benefits and the Group has available to itself sufficient resources to complete the development and to subsequently sell and/or use the asset created; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Revenue and profit recognition

The Group applies IFRS 15 'Revenue from Contracts with Customers'.

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Group to customers in exchange for consideration in the ordinary course of the Group's activities.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

The Group provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent separate performance obligations.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative standalone selling prices. Given the bespoke nature of many of the Group's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are typically no observable standalone selling prices. Instead, standalone selling prices are typically estimated based on expected costs plus contract margin.

Whilst payment terms vary from contract to contract, on some of the Group's contracts, an element of the transaction price is received in advance of delivery. The Group therefore has contract liabilities disclosed as advance receipts (note 14). The Group's contracts are not considered to include significant financing components on the basis that there is no difference between the consideration and the cash selling price. UK Ministry of Defence contracting rules prohibit the inclusion of financing in the sales price.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

The Group has determined that most of its contracts satisfy the over time criteria, either because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs (typically services or support contracts) or the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date (typically development or production contracts).

Accounting policies continued

Revenue and profit recognition continued

For each performance obligation to be recognised over time, the Group recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to estimates of transaction price and total expected costs to complete the contract, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Group has determined that this method appropriately depicts the Group's performance in transferring control of the goods and services to the customer.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example on delivery.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Internally, the Group categorises revenue recognition according to three types. One or more of each type can apply to a single customer contract.

Type	Point in time or over time	Reason for type applied
One	Point in time	Revenue is recognised when the product or service is delivered to the customer per the contract and the customer is obliged to pay at this point. This usually applies to all the Group's standard products, support, spares and repairs.
Two	Over time service	Revenue is recognised for a service provision over time. Typically, these services are long term (greater than one year) but the contract with the customer fixes the annual revenue where the costs incurred per annum are variable. Revenue is typically recognised on a monthly basis based on either timesheets or a fixed receivable from the customer.
Three	Over time	Revenue is recognised over the contract based on the input costs to deliver the contract to that stage, taking account of appropriate risk contingencies in the remaining costs to complete the contract. Revenue is recognised (typically monthly) on input costs including internal labour (timesheets) and bought in goods and services (invoices or delivery notes).

The Group's businesses determine the revenue category/categories at the contract outset and apply this recognition method consistently until the contract is completed.

Software licences

The Group sells software licences either separately or together with other goods and services, including computer hardware and implementation, hosting and support. Revenue recognition in respect of software licences sold as part of a bundle of goods and services is considered separately when the licence is determined to be a separate performance obligation. Software licences either represent a right to access the Group's intellectual property as it exists throughout the licence period or a right to use the Group's intellectual property as it exists at the point in time at which the licence is granted. Revenue in respect of right to access licences is recognised over the licence term or, in relation to perpetual licences, over the related customer relationship and revenue in respect of right to use licences is recognised upfront on delivery to the customer.

A software licence is considered to be a right to access the Group's intellectual property as it exists throughout the licence period if all of the following criteria are satisfied:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property;
- the licence directly exposes the customer to the effects of those activities; and
- those activities do not result in the transfer of a good or service to the customer.

Contract modifications

The Group's contracts are often amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

1. prospectively, as an additional, separate contract;
2. prospectively, as a termination of the existing contract and creation of a new contract; or
3. as part of the original contract using a cumulative catch-up.

The majority of the Group's contract modifications are treated under either 1 (for example, the requirement for additional distinct goods or services) or 3 (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded, such as sales commission.

Accounting policies continued

Costs to fulfil a contract

Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2 'Inventories'.

Sales of goods are recognised when goods are delivered, and title has passed.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the non-market-based vesting conditions.

Fair value is measured by use of the Quoted Companies Alliance binomial model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of share-based payments is charged to the income statement with a corresponding credit applied to the share option reserve. The appropriate element of the reserve is transferred to the retained profit of the Group when the share options to which the reserve relates vest.

Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax expense or credit.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Trade and other receivables

Trade receivables are initially measured at fair value.

With the exception of derivative financial instruments (see above) all other trade and other receivables are reported at amortised cost.

The Group recognises provisions for doubtful debts on a credit loss basis taking into account the future anticipated credit losses based upon the creditworthiness of the end customer. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Where revenue recognised over time on a contract exceeds the value that has been invoiced, the excess is recognised as a contract asset and is included within trade and other receivables.

Accrued income is recognised on revenue recognised at a point in time where a delivery or service has been made and revenue can be recognised, but no invoice has been raised.

Trade and other payables

Trade and other payables are initially measured at fair value.

With the exception of derivative financial instruments (see above) all other trade and other payables are reported at amortised cost.

Subsequent measurement is based on changes in the fair value and any changes recognised in the Consolidated income statement. To the extent that receipts from customers exceed relevant revenue, whether invoiced or a contract asset, then this is included as an advance receipt within trade and other payables.

Deferred income will arise on point in time contracts where customers have been invoiced, usually as a result of supplier costs incurred by the Group but where the service/delivery has not been made.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The Directors have identified the following critical judgements and estimates in applying the Group's accounting policies that have the most significant impact on the amounts recognised in the financial statements.

Notes to the accounting policies

1. Critical accounting judgements

Revenue recognition

Judgement is applied in whether to recognise revenue over time or at a point in time with respect to contracts and other sales agreements in place. This will make reference to the contractual arrangements on each contract and which revenue recognition method is most appropriate for that contract or sales agreement.

Recoverability of trade and other receivables

Judgement is applied in determining whether any of the Group's trade and other receivables require a bad debt provision to be recognised. This takes account of the nature of our customers, many of which are ultimately governments, our historical experience, and the commercial terms we have in place to protect the recoverability of our receivables. Within the receivables balance and contract assets there is a balance of £7.7m relating to a project that was placed on hold for a period of over four years, which has not been provided for. Currently the contract to which this asset relates is in the process of being novated to a new prime contractor, with discussions being held with the end customer to put in place a payment plan for the outstanding amounts and to rescope the project. This process has already commenced; management has reassessed the recoverability of this balance and concluded that, as the ultimate customer is a sovereign government, the risk of impairment is low.

Fair values on acquisition

Judgement is applied in recognising the fair value of assets and liabilities on acquisition. This judgement will make use of the experience of the Directors, knowledge of the business acquired and the due diligence exercise during the acquisition process. Provisional fair values are recognised on the initial reporting of any acquisition, allowing the Directors to reassess any judgements or estimates made in the first 12 months of ownership.

Acquisition of other intangible assets

Intangible assets other than goodwill that are obtained through acquisition are capitalised on the balance sheet. These other intangible assets are valued on acquisition using a discounted cash flow methodology which depends on future assumptions about the revenue from contracts, prices and costs and on the Group's cost of capital. At the time of an acquisition, the Directors use the business's projected gross margin from contracts acquired or future prospects. These gross margin figures will depend upon each contract's cost to complete estimate at that point in time and the Directors will apply judgement in whether those costs to complete are appropriate or not. The Directors will also take into account the expected timing of the recognition of revenue (and gross margin) on each contract or future prospect.

Provisions

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

Research and development

The recognition of research and development expenditure as an internally generated intangible asset requires the Directors to make judgements, especially with respect to whether the asset created will generate future economic benefit. This is a key judgement in this respect as the time between development and any income can be considerable (over five years) and often the income-generating asset may have considerably evolved from the asset originally created. As a result of this, the Group almost always expenses research and development in the period it is incurred.

Taxation

In accordance with IFRS IC 23 'Uncertainty over Income Tax Treatments' the Group currently takes a cautious approach to recognition of R&D tax credits for periods that are still open. As at 30 April 2023, a provision of £825,000 (2022: £950,000) was recognised against R&D tax credit claims made in the final and early build computations for 2021/22 and 2022/23. The Group considers this level of provision as not material.

2. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue and profit recognition

The judgement applied in recognising revenue on a contract over time as performance obligations are completed is in respect of the input costs incurred and the attributable margin. The latter is particularly a judgement in respect of estimating the cost to complete on a particular contract and the remaining risk and associated contingency. The Directors make use of monthly project (contract) control processes in each business within the Group to monitor and review cost to complete estimates and the utilisation or release of risk contingencies within each contract. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduces.

Incremental borrowing rate

In respect of the application of IFRS 16 'Leases', the incremental borrowing rate of the Group in respect of leases reported as right of use assets and lease liabilities has been estimated at 3.0% (2022: 3.0%). This is based upon the Group's current secured borrowing rate from its banks and peer and market rates for such leasing arrangements.

Provisions

Judgement is applied on recognising contract provisions for uncertainties inherent in the type of projects undertaken throughout the Group. Management takes a prudent approach to recognising provisions against risks in projects especially on initial acquisition of subsidiaries where less historical information is available to inform management's decisions (see note 16).

Impairment

Judgement is applied in determining the discount rate used to value goodwill. Management takes a prudent approach to the selection of appropriate discount rates used, using rates provided by the Group's Nomad (Investec) and providing additional risk premiums on top of this. See note 9 for further discussion of sensitivity surrounding goodwill impairment testing.

Other

Where a reasonably possible change in a key assumption could give rise to a change in the amount reported, this is disclosed within the relevant note to the accounts.

Five-year record

	2023	2022	2021	2020	2019
Headline results (£'000)					
Revenue	**182,713**	137,765	143,308	131,059	121,182
– Communications and Intelligence	**86,195**	68,369	78,559	74,199	72,181
– Sensors and Effectors	**96,518**	69,396	64,749	56,860	49,001
Adjusted operating profit	**19,064**	15,525	18,609	18,223	16,164
– Communications and Intelligence	**14,911**	12,253	15,647	13,682	11,814
– Sensors and Effectors	**9,320**	7,469	6,544	7,455	7,174
– Corporate	**(5,167)**	(4,197)	(3,582)	(2,914)	(2,824)
Operating profit	**15,251**	11,090	7,808	10,731	5,944
– Communications and Intelligence	**14,815**	12,310	15,978	12,401	8,375
– Sensors and Effectors	**5,765**	2,395	(4,519)	1,650	1,302
– Corporate	**(5,329)**	(3,615)	(3,651)	(3,320)	(3,733)
Adjusted earnings per share (pence)					
Basic	**36.48**	31.08	33.63	37.10	33.60
Diluted	**36.40**	30.91	33.29	36.73	33.41
Statutory earnings per share (pence)					
Basic	**27.92**	22.55	13.38	23.47	13.37
Diluted	**27.86**	22.42	13.24	23.24	13.29
Dividend per share (pence)	**13.40**	12.20	11.10	10.10	9.10
Net operating cash flow (£'000)	**16,497**	19,525	16,216	11,597	8,635
Net funds/(debt) (£'000)	**15,608**	10,997	2,464	(4,707)	(6,424)
Order intake (£m)	**220.9**	186.4	180.3	124.4	189.9
Order book (£m)	**329.1**	291.0	242.4[1]	183.3	190.9[2]

1. The order book at 30 April 2021 is after including the acquired order book of ELAC SONAR (£23.2m) on 2 December 2020.
2. The order book at 30 April 2019 is after including the acquired order book of Chess (£20.1m) on 12 December 2018.

Glossary of terms

ANZAC	Australia and New Zealand
C3	Command, Control and Communications
C4IS	Command, Control, Communications, Computers and Information Systems
C4ISTAR	Command, Control, Communications, Computers, Intelligence, Surveillance, Target Acquisition and Reconnaissance
C-UAS	Counter-Unmanned Aerial Systems
C-UAV	Counter-Unmanned Air Vehicle
DARPA	Defense Advanced Research Projects Agency
DSEI	Defence and Security Equipment International event
Dstl	Defence Science and Technology Laboratory
ECS	External Communications System
EPS	Earnings Per Share
EW	Electronic Warfare
EWOS	Electronic Warfare Operational Support
GHG	Greenhouse gas
GPS	Global Positioning System
ISO	Intermodal shipping container
ISTAR	Intelligence, Surveillance, Target Acquisition and Reconnaissance
MOD	Ministry of Defence
NATO	North Atlantic Treaty Organisation
SAYE	Save As You Earn scheme
SECR	Streamlined Energy and Carbon Reporting
SIGINT	Signals intelligence
SIP	Share Incentive Plan
SSAFA	Soldiers, Sailors, Airmen and Families Association
STEM	Science, Technology, Engineering and Maths
s-UAV	Small Unmanned Air Vehicle
TLS	Torpedo Launcher System
UAV	Unmanned Air Vehicle
UGS	Unmanned Ground Systems
UGV	Unmanned Ground Vehicle

Please visit our subsidiary websites for more information on the products and services mentioned in this report:

Communications and Intelligence

EID – eid.pt

MASS – mass.co.uk

MCL – marlboroughcomms.com

Sensors and Effectors

Chess – chess-dynamics.com

ELAC – elac-sonar.de

SEA – sea.co.uk

Shareholder information, financial calendar and advisers

Advisers

Nominated adviser and broker

Investec
30 Gresham Street,
London EC2V 7QP

Auditor

RSM UK Audit LLP
The Pinnacle, 170 Midsummer Boulevard,
Milton Keynes, Buckinghamshire MK9 1BP

Tax advisers

Deloitte LLP
Abbots House, Abbey Street,
Reading RG1 3BD

Legal advisers

Shoosmiths LLP
Apex Plaza, Forbury Road,
Reading RG1 1SH

Registrars

Equiniti
Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA

Public and investor relations

MHP Communications
4th Floor, 60 Great Portland Street,
London W1W 7RT

Bankers

Lloyds Bank
3rd Floor, 10 Gresham Street,
London EC2V 7AE

NatWest Bank
Abbey Gardens, 4 Abbey Street,
Reading RG1 3BA

Commerzbank AG
30 Gresham Street,
London EC2V 7PG

Shareholders' enquiries

If you have an enquiry about the Company's business, or about something affecting you as a shareholder (other than queries which are dealt with by the registrars), you should contact the Company Secretary by letter to the Company's registered office or by email to info@cohortplc.com.

Share register

Equiniti maintains the register of members of the Company.

If you have any questions about your personal holding of the Company's shares or notification of a change of name or address please contact:

Equiniti

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: 0371 384 2030 (Calls are charged at the standard geographic rate and will vary by provider.) From outside the UK: +44 371 384 2030 (calls are charged at the applicable international rate). Lines are open from 8:30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. Please quote your eleven digit shareholder reference number when calling us, this can be found on your share certificate, share statement, recent dividend information or correspondence.

For more information visit: shareview.co.uk

Daily share price listings

The Financial Times – AIM, Aerospace and Defence

The Times – Engineering

The Daily Telegraph – AIM section

London Evening Standard – AIM section

Financial calendar

Annual General Meeting

26 September 2023

Final dividend payable

3 October 2023

Expected announcements of results for the year ending 30 April 2024

Preliminary half year announcement

December 2023

Preliminary full year announcement

July 2024

Registered office

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Registered company number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales.

Notes

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