Cohort plc
Annual Report and Accounts 2014
Company number: 05684823

Cohort plc is the parent company of three innovative, agile and responsive businesses operating in defence and related markets.

We provide a range of services and products to customers both in the UK and internationally

Visit our website at www cohortplc.com for the up to the minute news, announcements and investor information

Financial and operational highlights

- Adjusted operating profit* up 11% to £8 2m (2013· £7 3m), a record trading profit
- Adjusted earnings per share* up 7% at 19 15 pence (2013 17 94 pence)
- Proposed final dividend up 22% at 2 80 pence per share (2013 2 30 pence)
- Net funds down 1% to £16 3m (2013 £16 4m)
- Record profit maintained at MASS
- SEA profitability improved and Space business sold
- SCS profitability significantly improved

See page 76 of this report for a five year performance summary

In this report

Adjusted operating profit (£m)*

£8 2m **+11%**

10	11	12	13	14
4 1	5 0	6 5	7 3	8 2

Net funds (£m)

£16.3m **-1%**

10	11	12	13	14
3 0	6 7	14 1	16 4	16 3

Order intake (£m)

£68.5m **+15%**

10	11	12	13	14
143 6	55 6	79 3	59 6	68 5

* Excludes exceptional items, amortisation of other intangible assets and marking forward exchange contracts to market value at the year end

Chairman’s statement

Nick Prest CBE, Chairman

In summary

- The Board is recommending a final dividend of 2 8 pence per ordinary share (2013 2 3 pence)
- Cohort achieved a record adjusted operating profit for the year of £8 2m (2013 £7 3m)
- The Group ended the year with net funds of £16 3m (2013 £16 4m)
- MASS maintained record profit
- SEA continued its progress, Space business sold
- SCS significantly improved its profitability

“Cohort again improved its performance in the year, achieving a record adjusted operating profit.”

Cohort once again improved its performance in the year, achieving a record adjusted operating profit Of Cohort’s three trading subsidiaries, MASS again delivered the strongest result and both SCS and SEA made significant further progress At the end of the year SEA disposed of its Space business, realising a cash profit before goodwill write off and tax of £0 6m This transaction unlocked long-term working capital, providing further resources to pursue our acquisition strategy

Key financials

In the year ended 30 April 2014, Cohort achieved sales revenue of £71 6m (2013 £70 9m), including £27 6m (2013 £24 9m) from MASS Consultants Limited (MASS), £29 1m (2013 £31 9m) from SEA (Group) Limited (SEA) and £14 9m (2013 £14 1m) from Systems Consultants Services Limited (SCS) Increased defence exports at MASS and SCS offset a fall in UK MOD revenue following the completion of a research program at SEA Both transport at SEA and education at MASS showed good growth SEA’s Space business suffered further milestone slippage prior to its disposal

The Group’s adjusted operating profit was £8 2m (2013 £7 3m) This included contributions from SCS of £1 0m (2013 £0 5m), MASS £5 0m (2013 £5 0m) and SEA £3 8m (2013 £3 1m) Cohort Group overheads were £1 6m (2012 £1 3m) The improved performance at SCS reflected its increased revenue and the full effect of cost reduction measures taken in October 2012 SEA also performed well with increased revenue and profitability from its transport business and its defence business performing in line with last year on slightly lower revenue SEA’s Space business also made a contribution to the bottom line MASS remained the Group’s largest contributor to profit, performing in line with last year on higher revenue, its overall margin diluted slightly by a higher proportion of education work

The Group operating profit of £6 6m (2013 £8 4m) was after recognising amortisation of intangible assets, differences arising on marking forward exchange contracts to market value at the year end and an exceptional loss on the disposal of SEA’s Space business Profit before tax was £6 7m (2013 £8 5m) and profit after tax was £5 9m (2013 £8 3m)

Adjusted earnings per share were 19 15 pence (2013 17 94 pence) The adjusted earnings per share were based upon profit after tax, excluding amortisation of other intangible assets, marking forward exchange contracts to market value at the year end and exceptional items, all net of tax Basic earnings per share were 14 75 pence (2013 20 76 pence) The basic earnings per share for the year ended 30 April 2014 include a negative impact from the exceptional item of 3 93 pence per share

Order intake for the year was £68 5m (2013 £59 6m) The net funds at the year end were £16 3m (2013 £16 4m), having spent £1 9m during the year on acquiring the freehold of SEA’s office in Bristol

Dividends

The Board is recommending a final dividend of 2 8 pence per ordinary share (2013 2 3 pence), making a total dividend of 4 2 pence per ordinary share (2013 3 5 pence) in respect of the year ended 30 April 2014, a 20% increase This will be payable on 24 September 2014 to shareholders on the register at 29 August 2014 subject to approval at the Annual General Meeting on 16 September 2014

MASS

MASS’s adjusted operating profit was in line with last year The increased revenue derived from a combination of higher margin defence export work and lower margin education work

MASS’s order book declined during the year, partly due to run-off of longer-term contracts not due to be replenished in the year The closing order book of £46 4m provides a good underpinning for 2014/15

SCS

Although the domestic defence market remains tight, SCS grew its UK MOD revenue, reflecting good progress on business development and a slightly improved contracting environment

The £1 0m (2013 £0 5m) trading profit reflected the full year effect of restructuring carried out in 2012/13, partly offset by a less profitable mix of work

SCS's closing order book was £10 0m (2013 £7 7m), a strong position for the coming year

SEA

SEA had another strong year with its trading profit of £3 8m (2013 £3 1m) representing a much better net return of 13 1% (2013 9 8%)

The improved result at SEA reflected higher revenue in transport as well as a continuing solid performance from its defence business It also included for the first time in some years a positive contribution from its Space business

The Space business was sold to Thales Alenia Space UK Limited (TAS) at the year end, freeing up working capital and senior management time to focus on more profitable parts of the Group The transaction generated total cash proceeds of £5 0m with a further £1 5m expected

The disposal is in line with the Board's stated policy to increase shareholder value through corporate activity SEA's Space business was relatively small in scale and it is the Board's view that it would be better owned by a business with a stronger presence in the Space sector

SEA secured over £33m (2013 £34m) of orders in the year, and closed with an order book of £25 3m (2013 £31 9m), after removing the Space order book of £10 6m

Cash

Cash generated from operations (before tax) in the period was £3 6m (2013 £5 1m) The reduction was largely due to an adverse working capital movement arising from the continued lock-up of work in progress on the delayed space projects in SEA In addition an influx of orders received late in the year resulted in a build-up of working capital at MASS These effects were partly mitigated by £2 5m received at the end of the year in respect of selling SEA's Space business with a further £2 5m received on 6 June 2014 With completion accounts currently being finalised a further £1 5m is expected to be received, more than recovering the Group's working capital in respect of Space

Management and staff

The Group's improving performance reflects the impact of the management changes made over the last few years The senior management teams within the Group have steered the business through some difficult times and deserve credit for maintaining focus and morale My thanks also go to all the staff within the businesses Their hard work and ability to deliver what our customers need, within what are still tight budgets, are what ultimately continue to drive our performance

Outlook

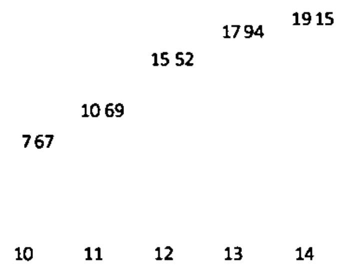
The closing order book of £81 7m (2013 £95 7m) is above the opening position on a like-for like basis after taking account of the run-off of approximately £9m of multi-year orders in 2014 and the disposal of £10 6m (£10 4m at 30 April 2013) of order book in respect of SEA's Space business Although the UK defence market remains tight, the Cohort businesses have strong and relevant capabilities, established positions on some key long-term UK MOD programs, and a good pipeline of new opportunities Export prospects continue to strengthen Outside defence, MASS is making progress in its secure networks business, especially in education, and SEA in transport Overall we expect order intake to be stronger in 2014/15 than 2013/14

All three Cohort businesses are on a sound operational footing and the management emphasis is now on maintaining and improving performance, whilst driving growth both organically and by acquisition, supported by a strong funding position Despite uncertainties in the wider defence market, the Board considers that Cohort's order book and near term prospects provide a good base for future progress following the disposal of our Space activities

Nick Prest CBE
Chairman

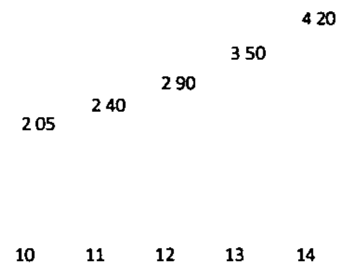
Adjusted earnings per share (p)

19.15 pence **+7%**



Dividend payment per share (p)

4 20 pence **+20%**



Read more about our recent operational activities, strategy and business review on pages 6 to 19

Our business & capabilities

Cohort is the parent company of three well-established subsidiaries providing a wide range of services and products for UK and international customers

Operating divisions	Example	Revenue 2014 (£m)	Secure networks	Electronic systems
Capability			Design, implementation configuration, management and consultation in relation to secure networking infrastructure	Design prototyping, testing, manufacture and support of electronics based equipment, including the development of embedded software, FPGAs, etc
MASS harnesses technology to deliver trusted services and solutions that improve the security, efficiency and effectiveness of operations in government and industry www mass co uk	Electronic warfare operational support	£8 2m		
	Secure information systems	£19 4m	●	●
SCS is an established UK defence and security consultancy, providing independent expert advice to defence and private sector customers in the UK and internationally www scs biz	Complex systems	£4 6m		
	Regulatory, information and communications services	£5 2m		
	Training support	£5 1m	●	
SEA delivers systems engineering, software and electronic engineering services and solutions, including design and manufacture, to government and industry www sea co uk	Communication systems	£8 5m		●
	Sensor processing products	£3 7m		
	Sensor and information systems	£12 4m		●
	Space (business sold 30 April 2014)	£4 5m		●
Examples			MASS has won a number of contracts with university technical colleges to supply secure networks	SEA delivers complete and innovative submarine external communications systems

Application software

Development, support and upgrade of software packages

Operational support

Provision of direct support to active operations including the processing and provision of operational data and field support of operational equipment

Training

Supply of training courses, trainers, training materials and facilities

Specialist expertise

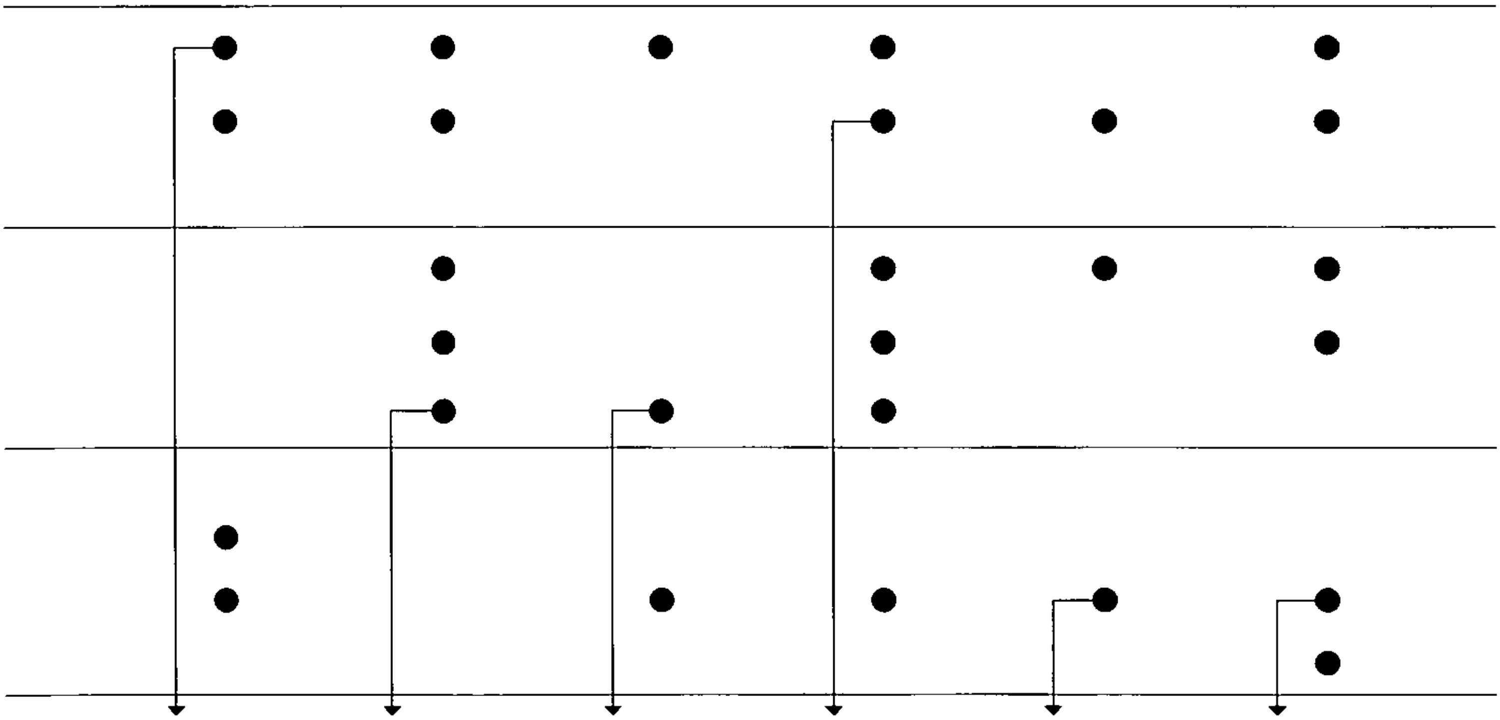
Provision of expert individuals to be part of a team managed by the customer

Applied research

Management/execution of scientific investigation work aimed at specific objectives

Studies and analysis

Self-contained studies, consultancy and analytical work excluding scientific research with a defined output (report, recommendations, etc)



MASS is the provider of the UK's Electronic Warfare database based on THURBON™ for which it has now won its first export customers

SCS provides and supports the Communication Information System to the EU's counter piracy operation 'Atalanta'

SCS has renewed its contract to provide training and exercise support to the UK's Joint Force Command

MASS is partnered with the MOD to support the United Kingdom Software Facility

SEA is leading research into augmented reality with the MOD's Defence Science and Technology Laboratory

SEA provides simulation models, analysis and advice to the UK MOD in respect of maritime conditions through its VISTA project

Our strategy

Our mission

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

Our strategy

Consistently grow profits and cash generation organically

Through our subsidiary businesses

Increase the diversity and profitability of the Group through selective acquisitions

Maintain investor confidence and ensure good corporate governance

We measure our progress using key performance indicators which can be found on page 18

Delivered through	What we did in 2013/14	Our priorities for 2014/15
• A focus on trusted delivery to our customers • Encouraging innovation and responsiveness with a low cost base • Identifying and pursuing growth opportunities • Developing high quality leadership teams and a high performance culture	• Adjusted operating profit grew 11% to £8 2m in 2014, a new high for the Group • Net cash remained strong at £16 3m, but did not grow, the result of capital expenditure and an increase in working capital	• Continued organic growth through pursuing identified opportunities in UK and export defence and other market areas • Roll out of a Executive Development Programme for Cohort and subsidiary Directors • Roll out of a group wide Leadership Development Programme, aimed at the future leaders of the business
• Proactive engagement with businesses that can add value to the Group • Maintaining a strong acquisition team • Demonstrating a structure and culture that is attractive to potential sellers	• Cohort pursued negotiations with a number of potential acquisition targets, making significant progress, though we did not bring a transaction to completion • SEA divested its Space business allowing it to focus on its core defence and transport business and releasing additional resources for targeted acquisitions	• Cohort will make at least one acquisition in 2015 • We have funding capacity to make acquisitions and continue to look at both stand-alone and bolt in acquisition opportunities
• A framework of financial control, strategy review, performance management and leadership development • Clear and consistent communication • An ability to act fast if problems arise	• Succession planning and training • Business continuity review • New corporate communications adviser appointed	• Review of IT controls and finance systems at SCS • The current structure of the Cohort Board is to be reviewed and consideration given to expanding the independent element to the Board

Business review

Andrew Thomis, Chief Executive, and Simon Walther, Finance Director

In summary

- Cohort has continued its progress, delivering a record level of adjusted operating profit
- Operational net return was over 11% of revenue
- MASS maintained record profit
- SEA's operating performance continues to improve
- SEA's Space business sold for £6.5m
- SCS delivered significantly improved profit
- Order book at 30 April 2014 underpins nearly £42m of 2014/15 revenue
- Strong net funds provide capacity to carry out our strategy

> "This has been another year of continued progress for Cohort, building on the improvements made in the last three years."

Operating review

2013/14 has been another year of continued progress for Cohort, building on the improvements made in the last three years. This progress has resulted in delivery of a record level of adjusted operating profit as well as the disposal of SEA's Space business.

The Group's adjusted operating profit of £8.2m (2013: £7.3m) on revenue of £71.6m (2013: £70.9m) was a net return of 11.4% (2013: 10.3%).

The improved operating performance reflects the improvements made in what have been weaker areas of the business, primarily at SEA but also a stronger return at SCS on the back of higher revenue and the full benefit of cost reduction measures taken in October 2012.

MASS was again the strongest profit contributor for the Group, although its mix of work saw more education and defence export activity offsetting lower revenue from its domestic defence customers, the net result being a return of its net margin to a more normal level.

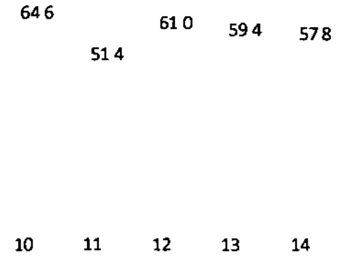
Operating strategy

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

- MASS is a leading international provider in the fields of electronic warfare (EW) and secure communications, including cyber security. Its products include the THURBON™ electronic warfare database and it provides EW operational

Defence & Security revenue (£m)

£57.8m -3%



Transport revenue (£m)

£4.9m +14%

Adjusted operating profit by subsidiary

	Adjusted operating profit			Operating margin	
	2014 £m	2013 £m	Change %	**2014 %**	2013 %
MASS	**5 0**	5 0	—	**18 1**	20 3
SCS	**1 0**	0 5	100	**6 9**	3 7
SEA	**3 8**	3 1	23	**13 1**	9 8
Central costs	**(1 6)**	(1 3)	(23)	—	—
	8 2	7 3	11	**11 4**	10 3

Revenue share 2014

Defence & Security 81%
Transport 7%
Other commercial 6%
Space 6%

support services to a number of customers in the UK and overseas MASS has some unique capabilities that have enabled it to establish strong niche positions in these important areas of defence and security, as well as gaining an increasing reputation as a provider of secure networks to educational and other non-defence markets MASS was founded in 1983 and is led by managing director Ashley Lane

- SCS is a provider of independent expert advisory services to defence and related markets It serves both government and private sector customers in the UK and internationally Its people include many with experience in the armed forces covering a wide range of technical specialisations, enabling the business to provide rapid expert support in areas including information systems, training, airworthiness, delivery and management of complex systems and support to operations in high threat areas SCS was founded in 1992 and is led by managing director Bill Bird
- SEA specialises in providing systems engineering and specialist design solutions to government and industry SEA is an expert in naval and tactical communications providing solutions for the UK submarine flotilla and tactical battlefield data systems It provides a range of simulation based training solutions and middleware to provide realistic training for complex environments SEA also provides software and systems for the transport market SEA was founded in 1988 and is led by managing director Steve Hill

Other commercial revenue (£m)

£4 4m **+109%**

10	11	12	13	14
1 9	3 8	4 0	2 1	4 4

Business review continued

"Our strategies have allowed us to grow our profit at a time when UK defence expenditure has been highly constrained."

Operating strategy continued

Cohort's management approach is to allow its subsidiary businesses a significant degree of operational autonomy in order to develop their potential fully, while providing light-touch but rigorous financial and strategic controls at Group level Our experience is that our customers prefer to work with businesses where decision-making is streamlined and focused on solving their immediate problems This model provides us with a degree of competitive advantage over some larger rivals where the decision-making process can be more extended It is also cost-effective as it avoids the need for additional layers of management involved in coordination activities and for a large headquarters team And it is attractive to high calibre employees who find it more rewarding 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 approach is more difficult for large prime contractors for whom coordination of big teams through repeatable and enforceable processes can be more important than speed or innovation But it positions us well to supply systems and services to our customers where these attributes are highly valued

Within our markets we have sought to use our agility and innovation to identify niches where future prospects are attractive and where we have some sustainable competitive advantage These can be for products, services or high value one-off projects to design bespoke equipment or software Examples include MASS's electronic warfare operational support offerings and SEA's Roadflow product range We have also been active in finding new customers for the capabilities we have developed, both in export markets and for non-defence purposes During the recent year we secured our first export customers for our proprietary EW database THURBON™ as well as increasing our secure network ("cyber") offering to education and commercial customers

Being part of the Cohort Group brings significant advantages to our businesses compared with operating independently The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are technically well able to execute but which would otherwise be perceived as risky Examples include MASS's £50m in-service support contract awarded in 2010, and the £30m of contracts awarded to SEA so far for the Astute submarine External Communications System 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 which it would be hard for independent smaller businesses to establish Our three operating businesses, while remaining operationally independent, have close working relationships and are able to benefit from each other's technical capabilities, customer relationships and market knowledge

These strategies have allowed us to grow our profit at a time when UK defence expenditure, our largest source of revenue, has been tightly constrained They have also generated long term customer relationships and good opportunities that give us confidence that we can continue to prosper despite the difficult and unpredictable market conditions

Acquisitions

Alongside our organic growth strategy we see opportunities to accelerate our growth by making targeted acquisitions We believe that there are good businesses in the UK and elsewhere that would thrive under Cohort ownership, whether as stand-alone 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 The acquisition by MASS of Abacus EW Consultancy in 2010 is a good example of this, and was successful for the Group in terms of its immediate financial return and the access it has provided for MASS into new markets

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

Electronic systems

To meet the UK MoD's requirement for coherent systems and open architecture, SEA has designed and delivered an innovative submarine External Communications System (ECS) which is being deployed across the UK submarine fleet The architecture offers many benefits including flexibility, scalability, and reduced requirements for space, weight, power and cooling

The technologies developed by SEA help to keep submarines hidden, reliable and continuously in touch The company works in partnership with the end user and ship builder to deliver a through life capability for communications which is effective, simple to operate, and low cost

Divisional review
MASS

	2014 £m	2013 £m
Revenue	**27 6**	24 8
Adjusted operating profit	**5 0**	5 0
Operating cash flow	**(0 7)**	4 4

MASS had another successful year under Ashley Lane s leadership, maintaining its record level of trading profit on an 11% increase in revenue compared to 2012/13

A significant contributor to the increase in MASS's revenue was export EW operational support (EWOS), including the first export customers for its proprietary EW database, THURBON™ MASS also had higher deliveries of secure networks to schools, in part resulting from a catch-up of delays from 2012/13 at North Lincolnshire, but also with increased delivery to university technical colleges and other free schools The pipeline for education secure networks remains strong

Despite the increase in revenue of 11% the trading profit of MASS remained level The mix of work affected the operating margin with a greater contribution from education and export EWOS and a proportionately lower contribution from defence system integration work The latter has seen a steady decline over the past few years and MASS has successfully adapted to expand its offerings and secure work in EWOS, managed services and secure networks

Group revenue by market and business

2014

Defence & Security **Transport**
Space **Other commercial**

Total revenue by market

£71.6m

Total revenue by business

£27 6m £29 1m

£14 9m

MASS SCS SEA

2013

Total revenue by market

£70.9m

Total revenue by business

£31 9m

£24 8m

£14 1m

MASS SCS SEA

See a breakdown of Defence & Security revenue on the following spread

Business review continued

Divisional review continued

MASS continued

MASS's net margin of 18% (2013 20%) is much nearer our expectation for MASS going forward reflecting long-term managed service offerings, higher margin but unpredictable export business and more predictable but lower margin secure network activity in education, commercial and defence markets

MASS secured an important support contract for the NATO Joint EW Core Staff (JEWCS) during 2013/14 As well as being a valuable workstream in its own right, this provides MASS with further opportunities to access NATO customers with its EWOS and THURBON™ offerings

MASS reorganised itself further during 2013/14, ending the year with two divisions The EWOS division focuses on all of its export EW capability and THURBON™, including SHEPHERD (the provision of a system embodying THURBON™ to the UK MOD) The Secure Information Systems division includes MASS's managed service offerings to the UK as well as secure network design, delivery and support for defence, education and commercial customers The latter offering includes MASS's own trained and qualified IT consultants in the area of cyber security and information assurance

MASS enters the new year with a strong order book and pipeline of opportunities, although export opportunities are always unpredictable in terms of timing

SCS

	2014 £m	2013 £m
Revenue	**14 9**	14 1
Adjusted operating profit	**1 0**	0 5
Operating cash flow	**1 6**	0 1

SCS, under Managing Director Bill Bird, has seen a 6% increase in revenue and a more marked (100%) improvement in profit, SCS's net return increasing from below 4% to nearly 7%

The improvement reflects a focus on growing areas of the UK MOD budget, in particular air domain hazard analysis and technical assurance which have grown as new military air platforms have been introduced into UK service SCS has also grown both its NATO work and other export offerings

As we signalled last year, we have continued to see some of the tight UK MOD contracting conditions ease a little and we expect this gradual trend to continue in the coming year

SCS secured a further one year contract, with an option for an additional year, to provide exercise support to the UK's Joint Forces Command, a program that it has now run for well over ten years This is a capability that SCS has been able to exploit with overseas customers With UK forces gradually returning to more normal deployment patterns there are likely to be opportunities for exercise provision with other customers within the UK armed services

SCS's profitability was boosted by the cost savings made during 2012/13 Its net return at nearly 7% is an improvement and continued revenue growth can drive the margin closer to our target of 10% through operational gearing

SEA

	2014 £m	2013 £m
Revenue	**29 1**	31 9
Adjusted operating profit	**3 8**	3 1
Operating cash flow	**1 9**	2 1

SEA, led by Managing Director Steve Hill, has had another successful year with profit increasing by over 20% on slightly lower revenue The reduced revenue reflected yet another weak performance in Space but also reduced activity following the completion of its Expeditionary Logistic Support (ELS) research program in 2012/13

The increased profitability of SEA reflected its Space division making a positive trading contribution rather than the losses of previous years combined with increased revenue and profit from its transport activities In defence, increased activity in more profitable communications work offset the fall in research activity described above

The operating margin of SEA at over 13% was a result of one-off items related to the Space business that will not be repeated in future years

SEA made very good progress on its external communications system (ECS) for the Astute Class of submarines, work extending onto boats 5, 6 and 7 during the year In partnership with BAE Systems and the UK MOD, SEA has undertaken the initial design work on extending ECS to the rest of the UK's submarine fleet under a program known as Common ECS

Application software
Electronic Warfare (EW) data and intelligence are critical to the operational effectiveness of modern military platforms and sophisticated weapon systems MASS has specialist EW expertise that is recognised as unique outside of government organisations Our EW data management system, THURBON™, is recognised as a world-leading next-generation system and offers an affordable, capable and fully independent EW data and intelligence management solution THURBON™ has been selected by and delivered to the UK Defence EW Centre, and is being delivered to overseas customers in the Middle and Far East with significant interest from other nations

SEA's defence research revenue was down on last year with a significant framework contract (ELS) coming to its end in 2012/13 SEA has continued to deliver a major research program on soldier equipment known as Delivering Dismounted Effect (DDE) to its customer, the Defence Science and Technical Laboratory (DSTL) SEA is now regarded as a national lead provider in this area

In its transport markets, SEA continued to deliver Roadflow units to UK and export customers, with increased orders compared to last year SEA also delivered its first red light enforcement system, derived from Roadflow, to Network Rail for trials in enforcing safety at railway level crossings

During the year, SEA completed the delivery of a software tool, Network Rail Operational Logistics (NROL), to the customer The system has been deployed and is in use by over 1,500 Network Rail employees, customers and suppliers

SEA's Space division has underperformed for a number of years and although management took action several years ago to stem the operating losses, the delays to major programs could not be so readily corrected and the business has carried a high level of working capital for a considerable time During 2013/14 a decision was taken to sell SEA's Space business to Thales Alenia Space UK Ltd (TAS) The transaction was signed on 30 April 2014 The consideration exceeds the value of the assets sold, including the outstanding working capital The loss on disposal of £1 4m is after a write off of goodwill (£2 0m) associated with the Space business

SEA's opportunities for 2014/15 remain strong, particularly in its niche capability of submarine communications

Further breakdown of Defence & Security revenue

2014

Direct from UK MOD
Export and other
Indirect to UK MOD (where the Group acts as a sub-contractor or partner)

Defence & Security revenue by market

£57 8m

Total to UK MOD £48 3m

Total revenue by business

£23 5m
£19 8m
£14 5m

MASS SCS SEA

2013

Defence & Security revenue by market

£59.4m

Total to UK MOD £52 2m

Total revenue by business

£23 0m
£22 3m
£14 1m

MASS SCS SEA

Business review continued

"The pipeline of opportunities and our order book for the coming year give us confidence that we will continue to make progress in 2014/2015."

Revenue breakdown by capability	2014 £m	2013 £m	2014	2013
Electronic systems The design and supply of such equipment and its associated embedded software, as well as the integration of commercial "off the shelf" equipment for specialist applications	15 6	15 7	22%	23%
Secure networks The provision of advice and system implementation to protect against cyber attack and other threats Both MASS and SCS provide these services for a range of clients	14 5	12 3	20%	17%
Specialist expertise The provision of expert individuals as part of a customer s team All three of our businesses are active in this area, most notably SCS	10 1	9 1	15%	13%
Applied research The management and execution of scientific investigation work aimed at specific objectives, such as SEA's leadership of the DDE research program for MOD	6 6	9 2	9%	13%
Application software The design and supply of specialist software systems such as MASS's work on Project SHEPHERD and SEA's work for its transport customers	8 6	8 8	12%	12%
Training This includes formal, on-the-job and scenario-based training services An example is SCS's provision of exercise-based training for the UK's Joint Forces Command	8 1	7 2	11%	10%
Operational support The provision of direct support to active operations which takes place at both MASS (including its Electronic Warfare Operational Support activities) and SCS	3 9	4 3	5%	6%
Studies and analysis Other self-contained studies, consultancy and analytical work such as SCS's hazard analysis work on the Joint Combat Aircraft	4 2	4 3	6%	6%
	71 6	70 9		

Revenue breakdown by capability

Notable changes between 2013 and 2014 were

- A significant increase in secure networks both in absolute terms and as a proportion of total revenue This was driven by the catch up on delivering secure networks into schools by North Lincolnshire Council, which were delayed from last year, and increased activity in delivering similar solutions to various university technical colleges
- A drop in applied research revenue in absolute and relative terms at SEA as a result of completion of the ELS research framework contract for UK MOD during last year

Our people

All of the Group's capabilities and customer relationships ultimately derive from our people We are very much a people business and such success as we achieve is entirely due to the technical excellence, managerial skills and business acumen of our employees We are very grateful for the many examples of hard work and dedication we have seen, from the senior management group to individuals and teams delivering what our customers need

Operational support

Operation Atalanta is the European Union's counter-piracy operation off the coast of Somalia SCS provides a full suite of Communication Information Systems (CIS) to the Operation, including design, development and support through a multitude of Information Systems and bespoke applications Currently SCS provides and maintains both the Operation Atalanta Protected Network and the Atalanta Classified Mission Network system

Operational outlook
Order intake and order book

	Order intake		Order book	
	2014 £m	2013 £m	**2014 £m**	2013 £m
MASS	**17 9**	11 7	**46 4**	56 1
SCS	**17 4**	14 2	**10 0**	7 7
SEA	**33 2**	33 7	**25 3**	31 9
	68 5	59 6	**81 7**	95 7

The increase in the Group's order intake reflected export defence orders at MASS and SCS, more education secure systems at MASS and air domain activity at SCS

MASS had a strong year of order intake The increase over the previous year was predominantly due to export EW work and secure systems for education customers When taking into account the run off of long-term orders, of approximately £9m, the MASS closing order book is roughly in line with its opening order book Further export opportunities for THURBON™ and electronic warfare operational support and training are in the pipeline but the timing of these, as with all export orders, is unpredictable Of MASS's order book at 30 April 2014, nearly £20m is deliverable in 2014/15, a higher level of underpinning than last year

SCS's order intake was over 20% higher than last year reflecting a significant increase in export defence work but also growing UK activity, particularly in the air domain and provision of training support

SCS's closing order book of £10 0m is virtually all deliverable in 2014/15, representing a higher level of underpinning compared to 2013/14 The visibility of SCS's pipeline, as in the past, remains short (typically around six months) and so SCS retains a flexible resource model to enable it to respond quickly to changes in market conditions SCS's pipeline of opportunities includes extension and expansion of its air domain offering through independent technical evaluation, both on the Joint Strike Fighter and other military air platforms

SEA's strong order intake was very similar to the level achieved in 2012/13 The small reduction was primarily driven by the space and research areas In the case of the latter, 2012/13 saw a multi-year order for over £11m secured to which a further £1 5m was added this year

SEA s strong capability in submarine communications was reflected by orders of nearly £18m including £11m for Astute boats 6 and 7 An initial order of £1m in respect of Common External Communications System (ECS) is the first step in a long program of developing and delivering SEA's ECS solution across the UK's entire submarine fleet

SEA delivered its first red light enforcement solution (a variant of Roadflow) to Network Rail during the year

SEA's Roadflow product saw further orders of £2 1m this year compared with just under £2m in 2012/13, including an export order which opens the door to further opportunities

SEA's closing order book of over £25m underpins over £11m of revenue in 2014/15 Further orders of over £8m have been won by SEA since the year end, providing a solid foundation for the year ahead

After adjusting for revenue delivered from multi-year orders secured previously (an amount of around £9m) and the impact of removing SEA's Space business, the closing order book of the Group on a like-for like basis is above last year and provides an improved level of underpinning of revenue at MASS, SCS and SEA to that seen last year

In the near term, the majority of Cohort's business will continue to derive, either directly or indirectly, from the UK MOD For the time being the MOD has decided to abandon the idea of moving to a government owned, contractor operated (GOCO) defence acquisition organisation, and this removes a considerable source of future uncertainty for Cohort The MOD's recently published Defence Equipment Plan specifically mentions SHEPHERD as a significant achievement and shows a stable procurement program, with the largest expenditure area by a considerable margin being submarines Overall, despite the pressure on public spending, defence is an area of significant accessible expenditure where sources of growth can be found

We also remain active in export markets, where we have seen some success in 2013/14, focusing on those with growing demands for defence equipment and resources to match Our non-defence activities will reduce in 2014/15 as a result of the sale of SEA's Space business but we remain active in the educational ICT, cyber security and transport markets, prospects in all of which are encouraging This market background, together with the pipeline of opportunities and our order book for the coming year give us confidence that we will continue to make progress in 2014/15

Funding resource and policy

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 provides it with the resources to conduct its acquisition strategy and the disposal of SEA's Space business has provided a further £2 5m of cash for the Group since the year end with a further £1 5m expected on finalisation of completion accounts

At 30 April 2014 the Group had facilities with its banking provider, RBS, as follows

	£m	Term at commencement of facility
Overdraft facility for working capital requirements	7 5	364 days

Business review continued

Funding resource and policy continued
During the year ended and at 30 April 2014 none of the above facility had been drawn by the Group

The overdraft facility is renewable 1 October 2014 and the Board expects it to be renewed on broadly similar terms

The Group takes a prudent approach to treasury policy with its overriding objective being protection of capital In implementing this policy, deposits are held with institutions with credit ratings of at least Baa2 This was reduced following a reduction in the Group's primary banking providers' (RBS) credit rating to Baa1 (2013 A3) RBS's ownership structure with a majority shareholding by the UK Government gives the Board confidence of the creditworthiness of the bank 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 13 week cash forecasts, retaining flexibility whilst trying to ensure an acceptable return on its cash All of the Group's 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

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

The Group's return on net funds during the period was 0 46% to 1 4% (2013 0 6% to 2 1%)

In addition to its cash resources, the Group has in issue 41 0m ordinary shares of 10 pence each Of these shares just under 1 4m are owned by the Cohort Employee Benefit Trust and waive their 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 2 7m at 30 April 2014

The Group maintains a progressive dividend policy with dividends having increased by approximately 20% per annum over the last four years and dividend cover being maintained in the current year at five times (2013 five times) based upon the adjusted earnings per share

The Group's cash generation in 2013/14 has not been as strong as during 2012/13 In summary, the Group's cash performance was as follows

	2014 £m	2013 £m
Adjusted operating profit	**8 2**	7 3
Depreciation and other non-cash operating movements	**0 8**	0 9
Working capital movement	**(5 4)**	(3 1)
	3 6	5 1
Disposal of SEA's Space business	**2 5**	—
Tax, dividends, capital expenditure interest and investments	**(6 2)**	(2 8)
(Decrease)/increase in net funds	**(0 1)**	2 3

The primary reason for the weaker cash flow was increased working capital at MASS due to significant level of revenue and invoicing in the last few months of the year and at SEA the Space working capital not unwinding The latter was partly mitigated by the receipt on the disposal of SEA's Space business

The other key drivers of weaker cash performance were higher capital expenditure of £2 3m (2013 £0 3m) following SEA's purchase of one of its Bristol facilities and net purchase of own shares by the Employee Benefit Trust of £1 7m (2013 £0 4m)

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 43 days (2013 42 days) This calculation is based upon dividing the revenue by month, working backwards from April into the trade debtors balance (excluding unbilled income and work in progress) at the year end, a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year The increase in debtor days is a reflection of the significant level of invoicing in March and April across the Group, especially at MASS and SEA

The Group's foreign exchange exposure is mainly at SEA and primarily relates to receivables from the European Space Agency, this exposure is hedged using forward contracts At 30 April 2014, the Group had in place forward foreign exchange contracts as follows

	Sell	Buy
Euro to GBP	€4 7m	£4 0m
US$ to GBP	$0 2m	£0 1m

These forward contracts are used by the Group to manage its risk exposure to foreign currency on trading contracts where it either or both receives and pays currency from customers and to suppliers respectively

These forward exchange contracts are entered into when customer contracts are considered highly probable The Group does not enter into speculative foreign exchange dealing The marking of forward exchange contracts to market at the spot rate on 30 April 2014 resulted in the recognition of a derivative financial liability of £142,000 (2013 liability of £39,000) and a charge to the income statement of £103,000 (2013 credit of £374,000) In both years, the change in the derivative financial instrument has been recognised separately within operating profit and is not disclosed as part of the adjusted operating profit of the Group

Tax

The Group's tax charge for the year ended 30 April 2014 of £843,000 (2013 £168,000) was at an effective rate of 12 5% (2013 2 0%) of profit before tax This includes a current year corporation tax charge of £1,222,000 (2013 £1,158,000), a rate of 18 1% (2013 13 6%) of profit before tax, a prior year corporation tax credit of £482,000 (2013 credit of £411,000) and a deferred tax charge of £103,000 (2013 credit of £579,000)

Including the current year deferred tax the effective current tax rate for the year ended 30 April 2014 is 19 6% (2013 6 8%) The profit before tax includes a write off of goodwill (£2 0m) which attracts no tax relief and is not recognised in the deferred tax, since it is a permanent difference The current tax rate (including deferred tax) on profit before tax adjusted for the goodwill write off is 9 6% This is lower than the standard rate (calculated at 22 83%, 2013 23 92%), primarily due to recognition of research and development (R&D) credits

Secure Networks

As a leading provider of secure information technology and specialist technical services MASS understands the importance of securing data in a number of environments including education Over the last year, we have been the natural choice for a number of schools and university technical colleges (UTC) to provide a secure information, communication and technology (ICT) solution We align with the vision and values of each UTC and provide a focused solution unique to that customer Working in close partnership with our customers, we have designed, built and installed innovative ICT solutions that have supported the delivery of education at a number of leading UTCs The solutions have made use of the latest industry technology, minimising the gap between education and industry for students, and have provided a real-world business approach allowing the colleges to work at the cutting edge without increased risk to the students' education or delivery of the curriculum

The Group's overall tax rate was below the standard corporation tax rate of 22 83% (2013 23 92%) The reduction is due to the reasons given above for the current year's rate and in addition, prior year tax credit in respect of the release of provisions held in respect of previous R&D credit claims The Group's businesses are only allowed to claim the lower R&D tax credit allowance available to larger companies, currently 30% Looking forward, the Group's effective current tax rate for both 2014/15 and 2015/16 is estimated at 18%, taking account of the reduction in headline tax rates and assuming the R&D tax credit regime remains unchanged from its current level and scope The rates going forward are higher than this year due to the disposal of SEA s Space business which accounted for around a third of the Group's qualifying R&D spend The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2012/13 and 2013/14

Exceptional items

The exceptional loss in the year arose from the disposal of SEA's Space business The loss of £1 4m is after writing off goodwill (£2 0m) associated with the Space business at the time SEA was acquired in 2007

The profit before goodwill write off of £0 6m reflects the full recovery of the working capital lock up in the Space business less the costs of disposal and undertakings associated with the disposal

The tax charge on disposal of £186,000 has been offset by the use of brought forward trading losses of SEA, the taxable gain being considered trading income due to the nature of the assets, contracts and intangibles disposed of

Adjusted earnings per share

The adjusted earnings per share of 19 15 pence (2013 17 94 pence) is reported in addition to the basic earnings per share and excludes the effect of amortisation of intangible assets, exchange movement on marking forward exchange contracts to market and exceptional items, all net of tax The adjusted earnings per share, excluding the prior year tax credit and the deferred tax credit in respect of share options (2013 in respect of unutilised trading losses), £708,000 in total (2013 £835,000), was 17 37 pence (2013 15 86 pence), an increase of 10%

Financial estimates and judgements

In preparing the Annual Report and Accounts of Cohort plc for 2014, a number of financial estimates and judgements have been made including

Revenue recognition on fixed-price contracts

The judgement applied in recognising revenue on a fixed-price contract is made by reference to the cost incurred, including contingency for risk and the demonstrable progress made on delivering key stages (often referred to as milestones) of the contract The Group uses best estimates in applying this judgement and where uncertainty of progress on a stage exists, revenue is not recognised for that stage

Cost contingency on fixed-price contracts

In addition to the judgement applied to revenue recognition, the cost of delivering a contract to a particular stage represents the actual costs incurred and committed plus an estimate of cost contingency for risk still present in the contract at that stage 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

Goodwill and other intangible assets

The Group has recognised goodwill and other intangible assets in respect of the acquisition of MASS (including Abacus EW) 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 asset acquired The goodwill, which is not subject to amortisation but to 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, contacts and market synergies with existing Group members The goodwill relating to the acquisitions of MASS (including Abacus EW) and SEA has been tested for impairment as at 30 April 2014 In both cases there was no impairment

The Group performs significant research and development work for third parties for which tax credits are claimed As this is performed for third parties no intangible asset is recognised Where the Group performs its own research and development an intangible asset is only recognised where it meets the criteria of IAS 38 'Intangible Assets'

Provisions

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

Accounting policies

There were no significant changes in accounting policies applying to the Group for the year ended 30 April 2014

Additional financial reporting disclosure

As in the past, the Group makes reference to additional financial reporting over and above that required by IFRS, specifically

Adjusted operating profit

The adjusted operating profit is presented to reflect the trading profit of the Group and excludes amortisation of other intangible assets, exchange differences on marking forward exchange contracts to market and exceptional items This enables the Group to present its trading performance in a consistent manner year on year The adjusted operating profit is stated after charging the cost of share-based payments of £235,000 (2013 £292,000) which is allocated to each business in proportion to its employee participation in the Group s share option schemes The segmental analysis (see note 1) is disclosed for each business after deducting the cost of share-based payments

The exchange adjustment on marking forward exchange contracts to market at the year end is a requirement of IFRS and has no economic impact upon the Group's performance or assets and liabilities

Andrew Thomis
Chief Executive Officer

Simon Walther
Finance Director

Key performance indicators

The indicators below have been identified by the Directors as giving the best overall indication of the Group's long-term success.

	Change in revenue	Change in adjusted operating profit
Performance indicator	Changes in total Group revenue compared to the prior year	Change in Group operating profit before amortisation of other intangible assets marking forward exchange contracts to market and exceptional items
Why measured?	Revenue growth gives a quantified indication of the rate at which the Group's business activity is expanding over time	The adjusted profit trend provides an indication of whether additional revenue is being gained without profit margins being compromised and whether any acquisitions are value enhancing
2014	1%	11%
2013	(6)%	13%
Comment	Increase in revenue in 2014 due to increased levels of defence export and education at MASS partly offset by lower research activity at SEA	Increase in 2014 due to improved profitability at SCS and SEA

Order book visibility	Change in adjusted earnings per share	Operating cash conversion
Orders for next financial year expected to be delivered as revenue, presented as a percentage of consensus market revenue forecasts for the year	Annual change in earnings per share, before amortisation of other intangible assets, marking forward exchange contracts to market and exceptional items, all net of tax	Net cash generated from operations before tax as compared to the profit before tax
Order book visibility, based upon expected revenue during the year to come, provides a measure of confidence in the likelihood of achievement of future forecasts	Change in adjusted earnings per share is an absolute measure of the Board's management of the Group's return to shareholders including tax and interest	Operating cash conversion measures the ability of the Group to convert profit into cash
58% cover on 2015 revenue of £71.0m at 30 April 2014	7%	54%
60% cover on forecast 2014 revenue of £75.5m at 30 April 2013	16%	61%
After adjusting for SEA's Space business, order cover for 2015 is higher at each subsidiary than last year. Taking into account orders won in the early part of 2014/15, the cover has increased to 66% at the date of this report	Increase in 2014 reflects improved profitability partly offset by higher tax charge, 2013 being a particularly low tax charge at 2% of profit before tax	The weaker cash conversion reflected the build in working capital at the year end by MASS and SEA. If the initial proceeds from the sale of SEA's Space business are included (as they are recovery of working capital), the operating cash conversion increased to 91%

Risk management

Risk identification, analysis and management allow Cohort to deliver its strategic objectives effectively.

Market risks

Risk area	Nature of risk	Mitigation and progress
Customers	The Group's single most important customer remains the UK MOD £26 0m of revenue came directly from this source in 2014 (2013 £29 0m), 36% (2013 41%) of Group revenue In addition £22 3m (2013 £23 2m) of Group revenue, 31% (2013 33%), was sourced ultimately from the UK MOD but received via other contractors With the Government running a significant budget deficit there is a risk that further controls on defence expenditure could be introduced which could have an impact on the Group's ability to win new work, or could result in termination of its existing contracts Any event that affected the Group's reputation with the UK MOD could put this revenue at risk	The decrease in the proportion of its revenue to its ultimate primary customer in 2014 compared with 2013 reflects the cessation of a research project (Expeditionary Logistics Support) at SEA in 2013 The remainder of the Group saw its revenue with the UK MOD stay level (MASS) or increase (SCS) £17 9m (2013 £16 6m) (25%) of Group revenue, representing 37% of revenue derived from the UK MOD, was in relation to the Joint Combat Aircraft, Astute and other submarine programs and the nuclear deterrent programs, all of which have been confirmed as high priority areas following the Government's Strategic Defence and Security Review

Operational risks

Risk area	Nature of risk	Mitigation and progress
Suppliers	As is typical in the defence and space sectors the Group is reliant on certain key suppliers for specific elements of its technical and product offerings In the defence sector in particular, the reliance on suppliers 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 go to alternative suppliers or bring 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
Operations ***(MASS and SEA)***	The Group's operational risk is primarily manifested through its three subsidiaries The subsidiary trading and business risks are similar in the cases of MASS and SEA i Bid risk – the businesses bid on contracts where the scope of work may not be well or fully defined by the customer ii Fixed-price contracts – these are often of a long-term nature (greater than 12 months) and typically include delivery of hardware and software iii Due to the nature of their niche technical skills requirement, both MASS and SEA 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, monthly review by the subsidiary board and regular interaction with the customer and key suppliers Revenue and cost is recognised taking account of risk and estimated cost at completion (including any contractual 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

Operational risks continued

Risk area	Nature of risk	Mitigation and progress
Operations *(SCS)*	The primary cost risk is in respect of staff utilisation SCS revenue visibility is short with typical contract duration of three to six months This carries risk to forward utilisation The business maintains a comprehensive prospects schedule This risk is also an opportunity, with SCS often securing and delivering work in a very short time frame SCS has a small number of fixed-price contracts The Group (through all three subsidiaries) operates a number of off site managed service contracts These contracts are long term in nature (typically five years at commencement) and are managed through dedicated site project managers The contracts are fixed-price in terms of revenue with opportunities for additional tasks enhancing volume and return	The risk is mitigated, in the short term, by the use of sub-contractor staff In the long-term, a program of skills assessment and training is in place to ensure continued flexibility of the engineering resource This risk is managed by retaining a minimal core staff, essential for business support, development and delivering key skills to customers The majority of deliverable service is provided by non-core staff (associates) where cost is only incurred when the associates are on task The forward utilisation of core staff is monitored on a weekly basis looking forward up to three months Utilisation in the year was above 2013 due to the increased revenues and the full effect of the reduction in the cost base made in October 2012 The Group carefully manages the partnership with its customer and supplier base in all these cases to ensure the customer receives value for money and skilled Group staff providing a dedicated, flexible and responsive approach The primary risk to these managed service contracts is termination which is mitigated by the partnering approach adopted by the Group and our close engagement with the customer to ensure customer requirements remain paramount at all times
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	The Group takes an active part in these arrangements and, through regular (usually monthly) project review meetings and other correspondence, ensures that the team (including our partners) delivers as a whole to the customer and to the needs of the individual team members In addition, the Group's Executive Management team maintains regular and co-ordinated relationships with partners and ensures the Group's approach is consistent and avoids unnecessary overlap or omissions

Strategic risks

Risk area	Nature of risk	Mitigation and progress
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 managed at the Cohort Board level, making use of appropriate external expertise and resources as and when required

Risk management continued

Financial risks

Risk area	Nature of risk	Mitigation and progress
Treasury	Cash and bank deposits are held as follows (see table below)	The Group takes a very prudent approach to the management of its financial instruments, which are described in note 15 The Group's cash is held with at least Baa2 rated institutions and on deposits usually not exceeding three months This ensures a very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits The Group regularly reviews the ratings and other relevant factors in respect of the banks with which it deposits its cash and on each and every occasion that a short term deposit is placed The credit rating of the banks used has been reduced from A3 last year to Baa2 to reflect the drop in the Group's primary bank, RBS The ownership structure of RBS (majority owned by the UK Government) gives the Board confidence of its credit worthiness as a bank The Group has regular (at least quarterly) meetings with its bank to discuss operational and other business issues
Currency risk	The Group has contracts with overseas customers and suppliers requiring payment or receipt in currencies other than £ sterling The Group's exposure to credit risk at 30 April 2014 in respect of financial derivatives (forward foreign exchange contracts) was £4 0m of receivable only (2013 £9 0m of receivable) The financial derivatives at 30 April 2014 were all held with RBS These are disclosed in detail in note 18 to the financial statements	The Group manages its exposure to currency risk by using forward foreign currency exchange contracts The level of forward cover is determined contract by contract, taking into account the net currency exposure to receipts and purchases Forward contracts are only put in place when customer contracts are deemed highly probable The Group does not enter into speculative forward exchange contracts The Group's primary exposure is to the Euro (€) was through SEA s Space business which has most of its contracts denominated in €
Revenue	The Group has risk in respect of i milestone and acceptance failure on projects, and ii unrecoverable trade debts The recognition of revenue is discussed at length in the Accounting Policies (page 71) and Critical Accounting Judgements (pages 73 to 74) and as such may from time to time have a degree of risk The 2014 bad debt charge was £3,000 (2013 £Nil) on Group revenue of £71 6m (2013 £70 9m) Financial assets exposed to credit risk at 30 April (see table below) Of the trade receivables, £2 9m was with the UK MOD at 30 April 2014 (2013 £3 0m) and of other receivables, £4 0m was due from Thales Alenia Space (UK) Limited in respect of the sale of SEA's Space business, £2 5m of this was received 6 June 2014 and the balance is due before the end of July 2014	The Group takes a prudent approach to revenue and credit risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis The Group uses project control processes and regularly reviews project progress to ensure recognition of revenue takes account of external milestones and customer acceptance as well as the internal costs incurred The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing ensures 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 which are entered into when contracts are deemed effective The risk to the major debtor of the Group, as a government department, is considered very low

Treasury – cash and bank deposits:

	2014 £'000	2013 £ 000	Moody s credit rating of bank as at 6 June 2014
Royal Bank of Scotland Plc	**10,256**	10,409	Baa1
Lloyd's TSB Bank plc	**5,063**	3,017	A1
Santander UK plc	**1,003**	2,000	A2
Clydesdale Bank	**16**	1,000	Baa2
	16,338	16,426	

The Group's facilities with RBS are renewed annually During the year, the Group renewed its working capital facility with RBS for £7 5m This facility is available to all of the Group's entities through an offset arrangement The current facility expires in October 2014 when it is expected to be renewed on broadly similar terms

Revenue – financial assets exposed to credit risk at 30 April:

	2014 £m	2013 £m
Trade receivables	**13 1**	10 6
Other receivables	**9 9**	8 8
Cash and bank deposits	**16 3**	16 4

Corporate governance

Board of Directors
and Executive Management

1. Nick Prest CBE
Chairman

Term of office
Nick became Chairman of Cohort on flotation in March 2006

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

Nick was also Chairman of Aveva Group plc from 2006 until 2012

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

2 Stanley Carter
Co-Chairman

Term of office
Stanley became Co-Chairman of Cohort in 2009 having previously been its Chief Executive since its formation

Background and experience
Stanley jointly founded Cohort with Nick Prest in 2006 with SCS as the launch vehicle on flotation Prior to that he was Managing Director of SCS, which he founded in 1992 on leaving the Regular Army During his military service as a Royal Artillery officer he held a wide range of posts in the MOD including the central staff procurement and at government research establishments as well as representing the UK on NATO technical committees He received an award for the invention of a missile launcher from the UK MOD He has degrees in Technology and Behavioural Science from Loughborough and the Open University respectively, and an MSc in Information Systems from the Royal Military College of Science

5 Sir Robert Walmsley KCB, FREng
Independent Non-executive Director

Term of office
Sir Robert joined the Board of Cohort on flotation in March 2006

Background and experience
Sir Robert served in the Royal Navy from leaving school until his final appointment as a Vice Admiral After retiring from the Navy, he was appointed as Chief of Defence Procurement, occupying that position from 1996 until 2003 He served on the British Energy Board from 2003 until 2009 and until 2012 was a senior adviser at Morgan Stanley International and Chairman of the Major Projects Association

External appointments
Sir Robert is on the board of the General Dynamics Corporation and Ultra Electronic Holdings as well as holding a number of other advisory roles in the defence and energy sectors Since 2013 he has been the independent Chairman of the Department for Work and Pensions' Universal Credit Program

6 Ashley Lane
Managing Director of MASS

Term of office
Ashley was appointed as Managing Director of MASS in May 2009

Background and experience
After graduating from Surrey University with a Masters Degree (Distinction) in Electronic and Electrical Engineering, Ashley joined Thorn EMI Electronics as a Systems Engineer working on radar, countermeasures and surveillance systems He spent four years in technology development and licensing, building the successful 3G wireless technology company UbiNetics He has held key technical roles on a number of electronics, ICT and realtime system projects, as well as positions as Business Manager Consultancy Division Head Program Manager and, for five years, Systems Development and Technical Director for MASS

Member of the Cohort plc Board

Member of Remuneration & Appointments and Audit Committees

3. Andrew Thomis

Chief Executive

Term of office

Andrew took over as Chief Executive of Cohort in May 2009

Background and experience

Andrew graduated with an M Eng degree in Electrical and Electronic Engineering from Imperial College, London in 1987 He spent nine years in science technology and policy roles 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 plc in a role covering strategy M&A and business development Following the acquisition of Alvis by BAE Systems in 2004, he 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

4 Simon Walther

Finance Director and Company Secretary

Term of office

Simon joined Cohort as Finance Director in May 2006

Background and experience

After graduating with a BSc in Toxicology and Pharmacology from University College, London, he 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 a chief accountant for P&O European Ferries in 1995 He has over 15 years' industry relevant experience with previous senior finance roles at Alvis plc and BAE Systems

7. Bill Bird

Managing Director of SCS

Term of office

Bill was appointed as Managing Director of SCS in September 2010

Background and experience

Bill graduated from Cambridge with an MA in Medical Science Following an aircrew career in the Royal Air Force, when he was awarded an MBE for his work in anti submarine warfare, Bill spent ten years in general management gaining an MBA from Reading University in 2000 He was the General Manager of Rockwell's UK Defence business and spent three years as Managing Director of Boeing s UK subsidiary, BDUK, which he set up in 1996 Bill's consulting career started with KPMG in 2000 and he has had extensive experience of MOD procurement and support, outsourcing and commercial negotiations He is a Fellow of the Royal Aeronautical Society and a chartered IT Practitioner

8 Stephen Hill

Managing Director of SEA

Term of office

Stephen was appointed as Managing Director of SEA in March 2011

Background and experience

Stephen has over ten years' senior managerial experience, predominantly in the international aerospace and defence sector He began his career in 1983 at GEC Marconi as an electronics engineer, eventually becoming Business Director with responsibility for the land systems electro-optics business at Basildon In 2000, he moved to Thales, where his roles included Managing Director of the Air Operations business at Wells, and Vice President with responsibility for the UK Air Systems Division Prior to joining the Cohort Group, he was Chief Executive of Circle Bath, a venture capital backed private hospital in Bath Stephen has a first class honours degree in Electrical and Electronic Engineering a Masters in Engineering Project Management and is a qualified Chartered Director

Nick Prest CBE
Chairman

Corporate governance report

The Board

Audit Committee

Sir Robert Walmsley (Chairman)
Nick Prest
Stanley Carter

Remuneration & Appointments Committee

Sir Robert Walmsley (Chairman)
Nick Prest
Stanley Carter

Introduction

The Board is committed to maintaining appropriate standards of corporate governance and managing the Group in a flexible and effective manner

As an AIM listed company, Cohort plc is not required to comply with the UK Corporate Governance Code (the Code) Nevertheless, the Board fully supports the principles set out in the Code and seeks to comply wherever this is appropriate for its size and complexity This Corporate Governance report provides details of how the Group complies with the 2013 Quoted Companies Alliance Corporate Governance Code for Small and Midsized Quoted Companies (the QCA Code)

The Board

The Board of Directors comprises the Chairman, two Executive Directors and two Non-executive Directors, Stanley Carter (Co-Chairman) and Sir Robert Walmsley Nick Prest and Stanley Carter are not considered independent

The Board has determined Sir Robert Walmsley to be independent and he is designated the Senior Independent Director The Board is aware that it is not compliant with the QCA Code in respect of having at least two independent Non-executive Directors, but considers the cost of any increase in the size of the current Board not justified The Board will keep this matter under review as the Group develops

The Board meets most months and receives a monthly Board pack comprising individual reports from each of the Executive Directors and the subsidiary managing directors, together with any other material deemed necessary for the Board to discharge its duties It is the Board's responsibility to formulate, review and approve the Group's strategy, budgets, major items of expenditure, major contract bids and acquisitions

All Directors retire by rotation and are subject to election by shareholders at least once every three years The Board does not make a formal evaluation of its performance, a matter which is under constant review by the Chairman

Board committees

The Board has established two committees Audit and Remuneration & Appointments, each having written terms of delegated responsibilities

Attendance at Board and Committee meetings

Board and Committee meetings are scheduled in advance for each calendar year Additional meetings are arranged as necessary including meetings with subsidiary managing directors to review strategic and financial plans The scheduled Board and Committee meetings and attendance are as follows

	Board (7 formal meetings)	Audit (3 meetings)	Remuneration & Appointments (3 meetings)
N Prest (Chairman)	7	3	3
S Carter (Co-Chairman)	7	3	3
Sir Robert Walmsley (Non-executive Director)	7	3	3
A Thomis (Chief Executive)	7	—	—
S Walther (Finance Director and Company Secretary)	7	—	—

Audit Committee

The Audit Committee comprises the Company Chairman and the 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 the financial reporting and internal control requirements of the QCA Code, whilst maintaining an appropriate relationship with the independent auditor of the Group In order to comply with the requirement of the QCA Code that at least one member has relevant financial experience, the Chairman of the Board sits on the Audit Committee

Sir Robert Walmsley is Chairman of the Audit Committee The terms of reference of the Audit Committee were reviewed during the year and revised with effect from 15 May 2014

Auditor's remuneration

	2014 £ 000	2013 £ 000
Fees payable to the Company's auditor for the audit of the Company's and consolidated accounts	**20**	19
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**67**	66
Total audit fees	**87**	85
Interim review fee	**6**	6
Audit related assurance services	**—**	7
Total non-audit fees	**6**	13
Total fees paid to the auditor and its associates	**93**	98
Charged to profit for the year	**93**	98

Committee consideration of the financial statements

In making its recommendation to the Board 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 recognition on fixed-price contracts

The judgement applied in recognising revenue on a fixed-price contract is made by reference to the cost incurred, including contingency for risk and the demonstrable progress made on delivering key stages (often referred to as milestones) of the contract The Group uses best estimates in applying this judgement and where uncertainty of progress on a stage exists, revenue is not recognised for that stage

Cost contingency on fixed-price contracts

In addition to the judgement applied to revenue recognition, the cost of delivering a contract to a particular stage represents the actual costs incurred and committed, plus an estimate of cost contingency for risk still present in the contract at that stage 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

Goodwill and other intangible assets

The Group has recognised goodwill and other intangible assets in respect of the acquisition of MASS (including Abacus EW) 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 asset acquired The goodwill, which is not subject to amortisation but to annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived This includes, but is not limited to, reputation, customer relations, contacts and market synergies with existing Group members The goodwill relating to the acquisitions of MASS (including Abacus EW) and SEA has been tested for impairment as at 30 April 2014 In both cases there was no impairment The impairment test for the goodwill in respect of SEA is more sensitive, with no impairment at the Group's post-tax WACC of 10 9% but impaired if the Group's post-tax WACC increases to 13 9% The Group's 2014 post-tax WACC of 10 9% is higher than the 2013 equivalent of 9 8% which reflects the higher equity risk and gilt rate (interest free rate) The Group's pre-tax WACC is 15 2% (2013 13 7%)

The sensitivity of the SEA goodwill to impairment has increased since last year due to the higher WACC as well as slightly weaker cash flows at SEA reflecting higher working capital requirements

Provisions

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

Accounting policies

There were no significant changes in accounting policies applying to the Group for the year ended 30 April 2014

Independent auditor

The independent auditor liaises with the Audit Committee regarding work to be undertaken and complies with the Ethical Standards for Auditors issued by the Auditing Practice Board Prior to commencing its audit work, the independent auditor confirmed in writing the nature of any non-audit work 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 of April 2014 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 (KPMG LLP) was appointed in March 2010 and this financial year end is its fifth annual audit of the Group The audit engagement partner will change as from the 30 April 2015 audit

The analysis of the auditor's, KPMG LLP (2013 KPMG Audit Plc), remuneration is shown in the table above

Fees payable to KPMG 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

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

Corporate governance report continued

Remuneration & Appointments Committee

The Remuneration & Appointments Committee comprises the Company Chairman and the Non-executive Directors and is scheduled to meet at least twice a year The roles of the Remuneration & Appointments Committee are

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

Sir Robert Walmsley is Chairman of the Remuneration & Appointments Committee

Management of the Group and its subsidiary undertakings

The management of the Group and subsidiary undertakings is as follows

Group management

- The Cohort Board will meet at least eight times per calendar year This includes business and strategic reviews which are not recorded as formal Board meetings
- Group Executive Committee will meet at least four times per calendar year, comprising Cohort Executive Directors and subsidiary managing directors

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

Shareholder relations

The Company meets with its institutional shareholders and analysts as appropriate and uses the AGM to encourage communication with private shareholders In addition, the Company uses the Annual Report and Accounts, Interim Report, website (**www cohortplc com**) and increasing use of social media, webcasts and email news alerts to provide further information to shareholders

Internal control and risk management

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness 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 Board is not aware of any significant failings or weaknesses in the system of internal control

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

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

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

Anti-bribery

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

The Group's anti bribery policy is reviewed at least every two years or more often if necessary The policy was last reviewed and updated in June 2013

Directors' report

The Directors present their report and the audited financial statements (pages 38 to 74) of Cohort plc for the year ended 30 April 2014 Cohort plc is a company incorporated in and operating from England Its registered address is Arlington House, 1025 Arlington Business Park, Theale, Reading RG7 4SA The Corporate governance report set out on pages 26 to 28 forms part of this report

Principal activities

The principal activity of the Company is that of a holding company The principal activities of the Group are described in Our business & capabilities on pages 4 to 5

The Chairman s statement is included in the overview section on pages 2 to 3

Post balance sheet events

On 6 June 2014, the Group received £2 5m of further consideration in respect of the disposal of SEA's Space business The disposal has all been accounted for in the year ended 30 April 2014 as the Group lost substantial control of its Space business from that date due to the nature of the restrictive covenants given by the Group to the buyer within the sale agreement (see note 29)

Dividends

The Directors recommend a final dividend of 2 80 pence (2013 2 30 pence) per 10 pence ordinary share to be paid on 24 September 2014 to ordinary shareholders on the register on 29 August 2014 which, together with the interim dividend of 1 40 pence paid on 5 March 2014, makes a total of 4 20 pence for the year (2013 3 50 pence)

Table 1 Information in respect of the Directors of the Company

Disclosure	Report	Pages
Directors who served throughout the year	Remuneration & Appointments Committee report	31 to 34
Directors retiring by rotation	Remuneration & Appointments Committee report	31 to 34
Directors' biographies	Board of Directors and Executive Management	24 to 25
Directors' interests	Remuneration & Appointments Committee report	31 to 34
Directors' share options	Remuneration & Appointments Committee report	31 to 34

Table 2 Substantial shareholdings and voting rights

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
S Carter	26 04	10,665,718	Direct
Schroder Investment Management	13 99	5,729,112	Direct
Hargreave Hale	9 54	3,905,750	Direct
N Prest	5 09	2,084,580	Direct

Research and development

During the year ended 30 April 2014 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure, was £9 4m (2013 £11 8m)

Going concern

The Group's financial statements have been prepared on the going concern basis The reasons for this are set out on page 66 of the Accounting Policies

Capital structure

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

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

Details of employee share schemes are set out in note 20 Shares held by the Cohort Employee Benefit Trust (see note 21) abstain from voting and do not receive any dividend

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

Directors' report continued

Capital structure continued
With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the QCA Code, the Companies Act and related legislation The Articles themselves may be amended by special resolution of the shareholders The powers of Directors are described in the Cohort plc 'Matters reserved for the Board', copies of which are available on the website (**www cohortplc com**) or request, and the Corporate governance report on pages 26 to 28

Under its Articles of Association, the Company has authority to issue up to half of its issued shares as new ordinary shares This approximates to 20 5m shares at 30 April 2014

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements, and employee share plans None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, other than those disclosed in the Remuneration & Appointments Committee report on page 31 to 34

International Financial Reporting Standards (IFRS)
The Group and parent company's reported results for the year ended 30 April 2014 are prepared in accordance with IFRS as adopted by the EU

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

Details of information in respect of the Directors of the Company is referenced in table 1 on page 29

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
The Group organises staff communications locally through its subsidiary undertakings The media used for organised communications includes local intranets, inhouse magazines, staff bulletins, presentations and copies of press releases In addition, regular staff meetings are held and notices are published containing information about matters of interest within the Group and its subsidiaries

Disabled employees
The policy of the Group is to offer the same opportunity 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 2014 the Group made charitable donations of £15,555 (2013 £6 292), mainly in respect of military and local charities The Group made no political donations during the year (2013 £Nil)

Substantial shareholdings
The Company has been notified as at 5 June 2014, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the voting rights as a shareholder of the Company as shown in table 2 on page 29

A resolution to re-appoint KPMG LLP as auditor will be proposed at the Annual General Meeting (AGM)

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

Approved by the Board of Directors on 26 June 2014 and signed on its behalf by

Simon Walther
Company Secretary

Sir Robert Walmsley KCB FREng
Chair of the Remuneration
& Appointments Committee

Remuneration & Appointments Committee report

Introduction
The Remuneration & Appointments Committee of the Board is, inter alia, responsible for considering Directors' remuneration packages and makes recommendations to the Board

Remuneration policy
Remuneration packages are designed to be competitive and to both incentivise and reward good performance

Executive Directors receive salary, medical cover, pension contribution, annual cash bonuses, shares and share options

Service contracts of the Executive Directors who served in the year
Andrew Thomis and Simon Walther 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 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

Pensions
During the year ended 30 April 2014, the Group made contributions to a stakeholder pension scheme (a defined contribution scheme) at a rate of 10% of any Executive Director's contribution As from 1 May 2014, in addition to the 10% of the Executive Director's contribution, the Group will contribute 3% of the Executive Director's salary per annum to the same scheme

Directors' interests

	At 30 April 2014 number of 10p ordinary shares	At 30 April 2013 number of 10p ordinary shares
S Carter	**10,665,718**	10,665,718
N Prest	**2,084,580**	2,084,580
A Thomis	**51,710**	36,142
Sir Robert Walmsley	**25,035**	25,035
S Walther	**45,828**	25,601

Directors' interest in the equity of Cohort plc
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 Directors' equity interests in the company between 30 April 2013 and 30 April 2014 are analysed as follows

	A Thomis	S Walther
At 30 April 2013	36,142	25,601
Shares awarded under Restricted Share Scheme	12,100	11,000
SAYE option exercised	3,711	9,278
Shares sold as part of transfers to Individual Savings Accounts to settle transfer fees	(243)	(51)
At 30 April 2014	**51,710**	**45,828**

Of the above shareholdings at 30 April 2014, 9,075 (2013 Nil) of Andrew Thomis's and 8,250 (2013 Nil) of Simon Walther's are held on trust by the Employee Benefit Trust as part of the Restricted Share Scheme and do not receive a dividend There was no change in the interests of Nick Prest, Stanley Carter or Sir Robert Walmsley and none of their shareholdings are held as part of the Restricted Share Scheme (2013 Nil)

Performance incentives
The Cohort Executive Directors' incentive scheme was agreed by the Board on 19 June 2013 following a recommendation from the Remuneration & Appointments Committee This scheme has applied to the year ended 30 April 2014 and will also apply for the year ended 30 April 2015

The incentive scheme comprises two elements

1 In year performance
The bonus payable to the Cohort Executive Directors in respect of each and every year will be based upon performance compared to budget for adjusted operating profit and cash and will be payable up to a maximum of 15% of salary

2 Long-term performance
The Cohort Executive Directors will be eligible to receive the following based upon achieving annualised profit growth targets

i up to 20% of salary as a cash bonus,

ii up to 20% of salary as Restricted Shares (calculated as the number of shares under the Restricted Share Scheme at the closing market price on the trading day prior to the award), and

iii up to 20% of salary as share options (calculated as the number of shares under option at the market price on the day of grant)

Performance incentives continued

2 Long-term performance continued

The above rewards are payable on a linear basis from zero to 20% of salary as the growth in adjusted profit before interest and tax per share over a 12 month period starting 1 May 2013 goes from zero to 10% The Remuneration & Appointments Committee intends that in future years these elements of bonus will be based on annualised profit growth over a successively greater number of years, ultimately moving to a rolling four year period

Full beneficial ownership of Restricted Shares (including voting and dividend rights) will accrue to the recipients in stages over a three-year period from the date of award Recipients may only sell Restricted Shares with the approval of the Chairman of the Remuneration & Appointments Committee while they remain in employment with the Company Income tax and National Insurance payable in relation to Restricted Shares is borne by the Company

The Committee considers this long term incentive plan aligns the objectives of the Executive Directors with the shareholders

At the Remuneration & Appointments Committee held on 5 June 2014, the following awards were made to the Executive Directors A cash bonus of £105,225 was payable to the Executive Directors for the year ended 30 April 2014 (2013 £54,000)

Restricted Shares under the Restricted Share Scheme were approved as follows

	In respect of the year ended 30 April 2014		In respect of the year ended 30 April 2013	
	Estimated number of shares	Value of shares (£)	Number of shares	Value of shares (£)
A Thomis	**19,390**	**38,200**	12,100	19,300
S Walther	**15,634**	**30,800**	11,000	17,545
	35,024	**69,000**	23,100	36,845

The total value received by the Executive Directors includes income tax and employee NIC of £61,188 in respect of the year ended 30 April 2014 (2013 £32,673) The Restricted Shares in respect of the year ended 30 April 2013 were approved at the Remuneration & Appointments Committee of 19 June 2013 and were awarded on 23 August 2013 The Restricted Shares in respect of the year ended 30 April 2014 are expected to be awarded in August 2014 following the end of the close period The estimated number of shares is based on the mid-market share price (197 0 pence) and the total value on the prevailing tax rates, both at 5 June 2014

Ordinary shares under option granted during the year ended 30 April 2014 and outstanding at 30 April 2014 were as shown in table 2 (opposite)

The midmarket price of Cohort plc 10 pence ordinary shares at 30 April 2014 was 166 0 pence (2013 130 5 pence), the lowest and highest market prices in the year were 130 5 pence and 221 0 pence respectively

No bonuses are payable or share options awardable to the Non-executive Directors Cash bonus schemes for other senior management of the subsidiary companies have been established for the year ending 30 April 2015, with a similar framework to that of the Cohort Executive Directors, with varying levels of percentage of salary, none exceeding 35%

The Group has the right to recover from the Cohort Executive Directors and senior management of the subsidiary companies any cash bonus paid or shares received in respect of a reporting period where a material adverse restatement is made

Chairman and Non-executive Directors

Both Nick Prest and Sir Robert Walmsley were appointed in February 2006 Stanley Carter was appointed Non-executive Co-Chairman of Cohort plc on 25 May 2009 These appointments can be terminated upon three months' notice being given by either party

Nick Prest is due to retire by rotation and being eligible, offers himself for re election at the forthcoming Annual General Meeting on 16 September 2014

Directors' remuneration

Details of Directors' remuneration are set out in table 3 (overleaf)

Salaries for Andrew Thomis and Simon Walther have been increased to £195,000 and £158,000 per annum respectively for the year ended 30 April 2015 The fees payable to the Chairman and Non-executive Directors for the year ended 30 April 2015, which have been unchanged since 1 May 2010, will be reviewed in the course of the year and any changes agreed may be applied from 1 May 2014

Table 2 Directors' share options

	At 1 May 2013 or date of appointment Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2014 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
Cohort plc 2006 share option scheme under the Enterprise Management Incentive (EMI) scheme								
– Option price of £1 230 per share	40,650	—	—	—	**40,650**	8 Mar 2006	9 Mar 2009	7
Cohort plc 2006 share option scheme (unapproved)								
– Option price of £0 835 per share	66,995	—	—	—	**66,995**	23 Jul 2010	24 Jul 2013	7
– Option price of £0 915 per share	76,546	—	—	—	**76,546**	26 Jul 2011	27 Jul 2014	7
– Option price of £1 165 per share	75,000	—	—	—	**75,000**	2 Aug 2012	3 Aug 2015	7
– Option price of £1 675 per share	—	24,250	—	—	**24,250**	9 Aug 2013	10 Aug 2016	7
Save as you earn (SAYE) scheme								
– Option price of £0 970 per share	3,711	—	(3,711)	—	—	27 Jul 2010	1 Sep 2013	
– Option price of £1 545 per share	—	2,330	—	—	**2,330**	13 Aug 2013	1 Sep 2016	
	262,902	26,580	(3,711)	—	**285,771**			
S Walther								
Cohort plc 2006 share option scheme (approved)								
– Option price of £0 915 per share	32,786	—	—	—	**32,786**	26 Jul 2011	27 Jul 2014	7
Cohort plc 2006 share option scheme (unapproved)								
– Option price of £0 835 per share	55,172	—	—	—	**55,172**	23 Jul 2010	24 Jul 2013	7
– Option price of £0 915 per share	30,252	—	—	—	**30,252**	26 Jul 2011	27 Jul 2014	7
– Option price of £1 165 per share	65,000	—	—	—	**65,000**	2 Aug 2012	3 Aug 2015	7
– Option price of £1 165 per share	—	21,750	—	—	**21,750**	9 Aug 2013	10 Aug 2016	7
Save as you earn (SAYE) scheme								
– Option price of £0 970 per share	9,278	—	(9,278)	—	—	27 Jul 2010	1 Sep 2013	
– Option price of £1 545 per share	—	5,825	—	—	**5,825**	13 Aug 2013	1 Sep 2016	
	192,488	27,575	(9,278)	—	**210,785**			

Andrew Thomis exercised 3,711 share options held in the save as you earn scheme on 9 September 2013 when the market price of Cohort plc ordinary shares was 196 5 pence per share The shares have been retained in full by Andrew Thomis as at 30 April 2014

Simon Walther exercised 9,278 shares options held in the save as you earn scheme on 9 September 2013 when the market price of Cohort plc ordinary shares was 196 5 pence per share The shares have been retained in full by Simon Walther as at 30 April 2014

Directors' remuneration continued

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

Table 3 Directors' remuneration

	Salary 2014 £	Bonus 2014 £	Restricted Share awards 2014 £	Benefits in kind 2014 £	Emoluments 2014 £	Pension contributions 2014 £	Total 2014 £	Total 2013 £
Executive Directors								
A Thomis	**191,000**	**58,255**	**72,075**	**510**	**321,840**	**2,018**	**323,858**	253,827
S Walther	**154,000**	**46,970**	**58,113**	**510**	**259,593**	**1,388**	**260,981**	208,823
Non-executive Directors								
N Prest	**60,000**	—	—	—	**60,000**	—	**60,000**	60,000
S Carter	**45,000**	—	—	—	**45,000**	—	**45,000**	45,000
Sir Robert Walmsley	**30,000**	—	—	—	**30,000**	—	**30,000**	30,000
Total	**480,000**	**105,225**	**130,188**	**1,020**	**716,433**	**3,406**	**719,839**	597,650

The Restricted Share awards include tax and employee NIC The 2013 Executive Directors' total remuneration includes Restricted Shares (including tax and employee NIC) of £36,414 for Andrew Thomis and £33,104 for Simon Walther

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

The Directors are responsible for preparing the Annual Report, 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 parent company financial statements for each financial year As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and which enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

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

By order of the Board on 26 June 2014

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Financial statements

Independent auditor's report
to the members of Cohort plc

We have audited the financial statements of Cohort plc for the year ended 30 April 2014 set out on pages 38 to 74 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' responsibilities set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements
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 2014 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion 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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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

Matthew Lewis (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
26 June 2014

Consolidated income statement
for the year ended 30 April 2014

	Notes	2014 £'000	2013 £'000
Revenue	1	**71,555**	70,866
Cost of sales		**(47,842)**	(47,646)
Gross profit		**23,713**	23,220
Administrative expenses		**(17,095)**	(14,837)
Operating profit	1	**6,618**	8,383
Comprising			
Adjusted operating profit	1	**8,171**	7,336
Amortisation of other intangible assets (included in administrative expenses)	9	**(64)**	(727)
(Charge)/income on marking forward exchange contracts to market value at the year end (included in cost of sales)	18	**(103)**	374
Exceptional items			
Loss on disposal of SEA's Space business (included in administrative expenses)	29	**(1,386)**	—
Release of earn out provision in respect of the acquisition of Abacus EW Consultancy Limited (included in administrative expenses)		**—**	1,400
		6,618	8,383
Finance income	4	**125**	128
Finance costs	5	**—**	—
Profit before tax		**6,743**	8,511
Income tax charge	6	**(843)**	(168)
Profit for the year attributable to the equity shareholders of the parent	3	**5,900**	8,343

Earnings per share		**Pence**	Pence
Basic	8	**14 75**	20 76
Diluted	8	**14 37**	20 46

All profit for the year is attributable to equity shareholders of the parent and is derived from continuing operations

The comprehensive income for each year attributable to equity shareholders of the parent is the same as the profit for the year attributable to the equity shareholders of the parent

Consolidated statement of changes in equity
for the year ended 30 April 2014

Group	Share capital £ 000	Share premium account £ 000	Own shares £ 000	Share option reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 May 2012	4,079	29,519	(302)	703	18,101	52,100
Profit for the year	—	—	—	—	8,343	8,343
Transaction with owners of Group, recognised directly in equity						
Equity dividends	—	—	—	—	(1,247)	(1,247)
Own shares acquired	—	—	(532)	—	—	(532)
Own shares sold	—	—	91	—	—	91
Net loss on selling own shares	—	—	12	—	(12)	—
Share-based payments	—	—	—	292	—	292
Transfer of share option reserve on vesting of options	—	—	—	(424)	424	—
Total contributions by and distribution to owners of the Group	—	—	(429)	(132)	(835)	(1,396)
At 30 April 2013	4,079	29,519	(731)	571	25,609	59,047
Profit for the year	—	—	—	—	5,900	5,900
Transaction with owners of Group, recognised directly in equity						
Equity dividends	—	—	—	—	(1,482)	(1,482)
New shares issued	17	137	—	—	—	154
Vesting of restricted shares	—	—	—	—	16	16
Own shares acquired	—	—	(1 979)	—	—	(1,979)
Own shares sold	—	—	307	—	—	307
Net loss on selling own shares	—	—	129	—	(129)	—
Share-based payments	—	—	—	235	—	235
Transfer of share option reserve on vesting of options	—	—	—	(280)	280	—
Total contributions by and distribution to owners of the Group	17	137	(1,543)	(45)	(1,315)	(2,749)
At 30 April 2014	**4,096**	**29,656**	**(2,274)**	**526**	**30,194**	**62,198**

Company statement of changes in equity
for the year ended 30 April 2014

Company	Share capital £ 000	Share premium account £ 000	Own shares £ 000	Share option reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 May 2012	4,079	29,519	(302)	703	4,974	38,973
Profit for the year	—	—	—	—	2,553	2,553
Transaction with owners of Company, recognised directly in equity						
Equity dividends	—	—	—	—	(1,247)	(1,247)
Own shares acquired	—	—	(532)	—	—	(532)
Own shares sold	—	—	91	—	—	91
Net loss on selling own shares	—	—	12	—	(12)	—
Share-based payments	—	—	—	292	—	292
Transfer of share option reserve on vesting of options	—	—	—	(424)	43	(381)
Total contributions by and distribution to owners of the Company	—	—	(429)	(132)	(1,216)	(1,777)
At 30 April 2013	4,079	29,519	(731)	571	6,311	39,749
Profit for the year	—	—	—	—	3,073	3,073
Transaction with owners of Company, recognised directly in equity						
Equity dividends	—	—	—	—	(1,482)	(1,482)
New shares issued	17	137	—	—	—	154
Vesting of restricted shares	—	—	—	—	16	16
Own shares acquired	—	—	(1,979)	—	—	(1,979)
Own shares sold	—	—	307	—	—	307
Net loss on selling own shares	—	—	129	—	(129)	—
Share-based payments	—	—	—	235	—	235
Transfer of share option reserve on vesting of options	—	—	—	(280)	42	(238)
Total contributions by and distribution to owners of the Company	17	137	(1,543)	(45)	(1,553)	(2,987)
At 30 April 2014	**4,096**	**29,656**	**(2,274)**	**526**	**7,831**	**39,835**

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

Consolidated and Company statements of financial position as at 30 April 2014

		Group		Company	
	Notes	2014 £ 000	2013 £ 000	2014 £ 000	2013 £ 000
Assets					
Non-current assets					
Goodwill	9	**29,395**	31,395	**—**	—
Other intangible assets	9	**—**	64	**—**	—
Property, plant and equipment	10	**8,502**	6,892	**11**	4
Investment in subsidiaries	11	**—**	—	**42,648**	42,692
Deferred tax asset	17	**301**	479	**34**	7
		38,198	38,830	**42,693**	42 703
Current assets					
Inventories	12	**297**	228	**—**	—
Trade and other receivables	13	**22,998**	19,385	**296**	90
Cash and cash equivalents		**16,338**	16,426	**6,082**	6,017
		39,633	36,039	**6,378**	6,107
Total assets		**77,831**	74,869	**49,071**	48,810
Liabilities					
Current liabilities					
Trade and other payables	14	**(13,297)**	(13,075)	**(698)**	(365)
Current tax liabilities		**(782)**	(1,101)	**—**	(31)
Derivative financial instruments	18	**(142)**	(39)	**—**	—
Bank borrowings	15	**—**	—	**(8,538)**	(8,665)
Provisions	16	**(791)**	(911)	**—**	—
		(15,012)	(15,126)	**(9,236)**	(9 061)
Non-current liabilities					
Deferred tax liability	17	**(621)**	(696)	**—**	—
		(621)	(696)	**—**	—
Total liabilities		**(15,633)**	(15,822)	**(9,236)**	(9,061)
Net assets		**62,198**	59,047	**39,835**	39,749
Equity					
Share capital	19	**4,096**	4,079	**4,096**	4,079
Share premium account		**29,656**	29,519	**29,656**	29,519
Own shares	21	**(2,274)**	(731)	**(2,274)**	(731)
Share option reserve	20	**526**	571	**526**	571
Retained earnings		**30,194**	25,609	**7,831**	6,311
Total equity attributable to the equity shareholders of the parent		**62,198**	59,047	**39,835**	39,749

The financial statements on pages 38 to 74 were approved by the Board of Directors and authorised for issue on 26 June 2014 and are signed on its behalf by:

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Consolidated and Company cash flow statements
for the year ended 30 April 2014

	Notes	Group 2014 £ 000	Group 2013 £ 000	Company 2014 £ 000	Company 2013 £ 000
Net cash from operating activities	23a	**2,576**	4,090	**3,077**	2,410
Cash flow from investing activities					
Interest received		**125**	128	**125**	128
Proceeds on disposals of property, plant and equipment		**3**	3	**—**	—
Purchases of property, plant and equipment	10	**(2,274)**	(256)	**(10)**	(2)
Disposal of SEA's Space business		**2,500**	—	**—**	—
Net cash received from/(used in) investing activities		**354**	(125)	**115**	126
Cash flow from financing activities					
Dividends paid	7	**(1,482)**	(1,247)	**(1,482)**	(1,247)
Issue of new shares	19	**154**	—	**154**	—
Purchase of own shares	21	**(1,979)**	(532)	**(1,979)**	(532)
Sale of own shares	21	**307**	91	**307**	91
Net cash used in financing activities		**(3,000)**	(1 688)	**(3,000)**	(1,688)
Net (decrease)/increase in cash and cash equivalents		**(70)**	2,277	**192**	848
Represented by					
Cash and cash equivalents and short-term borrowings brought forward		**16,426**	14,140	**(2,648)**	(3,496)
Cash flow		**(70)**	2,277	**192**	848
Exchange		**(18)**	9	**—**	—
Cash and cash equivalents and short-term borrowings carried forward	23b	**16,338**	16,426	**(2,456)**	(2 648)

Notes to the financial statements
for the year ended 30 April 2014

1 Segmental analysis

For management and reporting purposes, the Group currently operates through its three subsidiaries MASS, SCS and SEA These subsidiaries are the basis on which the Company reports its primary business segment information in accordance with IFRS 8

The principal activities of the subsidiaries are described in the Overview (pages 2 to 3) and in the Strategic report (pages 4 to 22)

Business segment information about these subsidiaries is presented below

2014	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue					
External revenue	27,568	14,850	29,137	—	71,555
Inter segment revenue	—	257	—	(257)	—
	27,568	15,107	29,137	(257)	71,555
Segment adjusted operating profit	4,999	1,037	3,803	—	9,839
Unallocated corporate expenses	—	—	—	—	(1,668)
Adjusted operating profit	4,999	1,037	3,803	—	8,171
Charge on marking forward exchange contracts to market value at the year end	—	—	(103)	—	(103)
Loss on disposal of SEA's Space business	—	—	(1,386)	—	(1,386)
Amortisation of other intangible assets	(64)	—	—	—	(64)
Operating profit	4,935	1,037	2,314	—	6,618
Finance income (net of cost)	—	—	—	—	125
Profit before tax	4,935	1,037	2,314	—	6,743
Income tax charge					(843)
Profit after tax					5,900

All are UK operations and all are continuing Inter-segment sales are charged at arm's length rates

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

Other information	MASS £'000	SCS £'000	SEA £'000	Central £'000	Group £'000
Capital additions	—	148	2,116	10	2,274
Depreciation	225	88	296	3	612

Balance sheet				Eliminations	
Assets					
Segment assets	10,586	3,117	19,056	(962)	31,797
Goodwill	12,500	—	16,895		29,395
Deferred tax asset					301
Cash					16,338
Consolidated total assets	23,086	3,117	35,951		77,831
Liabilities					
Segment liabilities	(3,519)	(3,706)	(8,156)	1,151	(14,230)
Current tax liabilities					(782)
Deferred tax liability					(621)
Consolidated total liabilities	(3,519)	(3,706)	(8,156)		(15,633)

Notes to the financial statements continued
for the year ended 30 April 2014

1 Segmental analysis continued

2013	MASS £ 000	SCS £ 000	SEA £ 000	Eliminations £ 000	Group £ 000
Revenue					
External revenue	24,843	14,098	31,925	—	70,866
Inter-segment revenue	—	113	—	(113)	—
	24,843	14,211	31,925	(113)	70,866
Segment adjusted operating profit	5,033	517	3,118	—	8,668
Unallocated corporate expenses	—	—	—	—	(1,332)
Adjusted operating profit	5,033	517	3,118	—	7,336
Income on marking forward exchange contracts to market value at the year end	—	—	374	—	374
Release of earn out provision in respect of the acquisition of Abacus EW Consultancy Limited	1,400	—	—	—	1,400
Amortisation of other intangible assets	(727)	—	—	—	(727)
Operating profit	5,706	517	3,492	—	8,383
Finance income (net of cost)	—	—	—	—	128
Profit before tax	5,706	517	3,492	—	8,511
Income tax charge					(168)
Profit after tax					8,343

All are UK operations and all are continuing Inter-segment sales are charged at arm's length rates

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

Other information	MASS £ 000	SCS £ 000	SEA £ 000	Central £ 000	Group £ 000
Capital additions	53	20	181	2	256
Depreciation	229	71	301	9	610

Balance sheet				Eliminations	
Assets					
Segment assets	6,528	3,154	17,696	(873)	26,505
Goodwill	12,500	—	18,895		31,395
Other intangible assets	64	—	—		64
Deferred tax asset					479
Cash					16,426
Consolidated total assets	19,092	3,154	36,591		74,869
Liabilities					
Segment liabilities	(3,745)	(3,115)	(8,351)	1,186	(14,025)
Current tax liabilities					(1,101)
Deferred tax liability					(696)
Consolidated total liabilities	(3,745)	(3,115)	(8,351)		(15,822)

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

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

1 Segmental analysis continued

Geographical segments

The Group s subsidiaries are all located in the UK The following table provides an analysis of the Group's revenue by geographical location of the customer

	2014 £'000	2013 £ 000
UK	**58,631**	60,215
Other EC countries	**5,527**	5,666
Asia Pacific	**6,522**	4,253
USA	**875**	732
	71,555	70,866

All Group assets, tangible and intangible, are located in the UK

Market segments

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

	2014 £'000	2013 £ 000
Defence (including security)	**57,776**	59,312
Space	**4,482**	5,138
Transport	**4,869**	4,333
Other commercial	**4,428**	2,083
	71,555	70,866

Further information on revenue by capability can be found in the Strategic report (page 14)

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2014 is as follows

	2014				2013			
	UK MOD £ 000	Customer A £ 000	Customer B £'000	Customer C £ 000	UK MOD £ 000	Customer A £ 000	Customer B £ 000	Customer C £ 000
MASS	**10,746**	**3,491**	**—**	**1,729**	10,816	2,712	—	2,838
SCS	**7,271**	**427**	**—**	**—**	6,877	278	—	91
SEA	**7,990**	**6,922**	**2,449**	**—**	11,234	7,280	2,412	—
	26,007	**10,840**	**2,449**	**1,729**	28,927	10,270	2,412	2,929

2 Employee benefit expense (including Directors)

	2014 £ 000	2013 £ 000
Wages and salaries	**23,331**	22,992
Social security costs	**2,588**	2,613
Defined contribution pension plan costs	**2,092**	1,998
Share-based payments	**235**	292
	28,246	27,895

Average number of employees (including Directors)

	2014 Number	2013 Number
Other operational	**307**	316
Managed services	**75**	77
Total operational	**382**	393
Administration and support	**122**	120
	504	513

The above disclosures include Directors Directors' emoluments and share option details are disclosed separately in the Remuneration & Appointments Committee report on pages 31 to 34

3 Profit for the year

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

	Notes	2014 £'000	2013 £ 000
Net foreign exchange losses/(gains)	18	**103**	(374)
Research and development costs		**9,381**	11,800
Depreciation of property, plant and equipment	10	**612**	610
Amortisation of other intangible assets	9	**64**	727
Cost of inventories recognised as expenses		**19,093**	21,688
Staff costs (excluding share-based payments)	2	**28,011**	27,603
Share-based payments	20	**235**	292

All of the above charges/(credits) are in respect of continuing operations

The fees payable to the auditor for audit and non-audit services are disclosed in the Corporate Governance report on pages 26 to 28

4 Finance income

	2014 £'000	2013 £ 000
Interest on bank deposits	**125**	128

All finance income is in respect of continuing operations

5 Finance costs

	2014 £ 000	2013 £ 000
Bank and short-term interest	**—**	—

All finance costs are in respect of continuing operations

6 Income tax charge

	2014 £'000	2013 £ 000
Corporation tax in respect of this year	**1,222**	1,158
Corporation tax in respect of prior years	**(482)**	(411)
	740	747
Deferred tax in respect of this year	**103**	(579)
	843	168

The corporation tax is calculated at 22 83% (2013 23 92%) of the estimated assessable profit for the year, as disclosed below

The current tax in respect of the year ended 30 April 2014 includes £186,000 charge (2013 £Nil charge) in respect of exceptional items The deferred tax includes a credit of £15,000 in respect of amortisation of other intangible assets (2013 £175,000) and a charge of £37,000 (2013 £90,000) 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 the profit per the Consolidated income statement for the year ended 30 April 2014 as follows

	2014 £'000	2013 £ 000
Profit before tax on continuing operations	**6,743**	8,511
Tax at the UK corporation tax rate of 22 83% (2013 23 92%)	**1,539**	2,036
Tax effect of expenses that are not deductible in determining taxable profit	**164**	30
Tax effect of R&D tax credits	**(514)**	(677)
Tax effect of exceptional items that are not recognised in determining taxable profit	**502**	(335)
Tax effect of change in tax rate from 23% to 20% (2013 24% to 23%)	**(49)**	(31)
Tax effect of recognising unutilised trading losses at SEA	**—**	(444)
Tax effect of statutory deduction for share options exercised	**(126)**	—
Tax effect of recognising deferred tax asset for share options to be exercised	**(191)**	—
Tax effect of prior year R&D tax credits	**(542)**	(411)
Tax effect of other prior year adjustments	**60**	—
Tax charge for the year	**843**	168

The UK corporation tax rate for the year ended 30 April is calculated at 22 83%, based upon eleven months at 23 0% and one month at 21 0%

7 Dividends

	2014 £'000	2013 £ 000
Amounts recognised as distributions to equity holders in the period		
Final dividend in respect of the year ended 30 April 2013 at 2 30 pence per ordinary share (2012 1 90 pence per ordinary share)	**926**	766
Interim dividend in respect of the year ended 30 April 2014 at 1 40 pence per ordinary share (2013 1 20 pence per ordinary share)	**556**	481
	1,482	1,247
Proposed final dividend for the year ended 30 April 2014 at 2 80 pence per ordinary share (2013 2 30 pence per ordinary share)	**1,108**	922

The proposed final dividend is subject to approval by shareholders at the AGM to be held on 16 September 2014 and has not been included as a liability in these financial statements

If approved, this dividend will be paid on 24 September 2014 to shareholders on the register as at 29 August 2014

The Cohort Employee Benefit Trust, which holds ordinary shares in Cohort plc, representing 3 36% (2013 1 73%) 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

	2014			2013		
	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)	**40,010,675**	**5,900**	**14 75**	40,195,916	8,343	20 76
Share options	**1,036,715**	—	—	582,251	—	—
Diluted earnings	**41,047,390**	**5,900**	**14 37**	40,778,167	8,343	20 46

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 each of the years ended 30 April 2014 and 30 April 2013 is after deducting the own shares

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

		2014			2013		
	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		**40,010,675**	**5,900**	**14 75**	40,195,916	8,343	20 76
Charge/(income) on marking forward exchange contracts to market value at the year end (plus income tax charge of £37,000, 2013 net of income tax charge of £90,000)	18	—	**140**	—	—	(284)	—
Loss on disposal of SEA's Space business (including tax charge of £186,000)		—	**1,572**	—	—	—	—
Release of earn out provision in respect of the acquisition of Abacus EW Consultancy Limited		—	—	—	—	(1,400)	—
Amortisation of other intangible assets (net of income tax of £15,000, 2013 £175,000)	9	—	**49**	—	—	552	—
Adjusted earnings		**40,010,675**	**7,661**	**19 15**	40,195,916	7,211	17 94
Share options		**1,036,715**	—	—	582,251	—	—
Diluted adjusted earnings		**41,047,390**	**7,661**	**18 66**	40,778,167	7,211	17 68

The adjusted earnings are in respect of continuing operations

9 Goodwill and other intangible assets

	Goodwill			Other intangible assets		
	SEA £ 000	MASS £'000	Group £ 000	SEA £ 000	MASS £ 000	Group £ 000
Cost						
At 1 May 2012	18,895	12,500	31,395	1,160	4,340	5,500
At 1 May 2013	18,895	12,500	31,395	1,160	4,340	5,500
At 30 April 2014	**18,895**	**12,500**	**31,395**	**1,160**	**4,340**	**5,500**
Amortisation						
At 1 May 2012	—	—	—	1,160	3,549	4,709
Charge for the year ended 30 April 2013	—	—	—	—	727	727
At 1 May 2013	—	—	—	1,160	4,276	5,436
Charge for the year ended 30 April 2014	2,000	—	2,000	—	64	64
At 30 April 2014	**2,000**	**—**	**2,000**	**1,160**	**4,340**	**5,500**
Net book value						
At 30 April 2014	**16,895**	**12,500**	**29,395**	**—**	**—**	**—**
At 30 April 2013	18,895	12,500	31,395	—	64	64

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

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

The goodwill of SEA has been reduced by £2 0m following the disposal of SEA's Space business This reduction reflects the historical goodwill associated with the Space business when SEA was acquired in November 2007 This reduction has been charged as an exceptional item as part of the loss on disposal of SEA's Space business (see note 29)

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

9 Goodwill and other intangible assets continued

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

	Basis of estimate
Cash flow	As in previous years, the cash flows for the years ended 30 April 2015, 2016 and 2017 are based upon the cash-generating unit's budget 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 3% (2013 3%)
Growth rate	The cash flows for each cash-generating unit from years 4 to 20 inclusive are based upon the forecast cash flow for the year ended 30 April 2017 to which a growth rate of 1 5% is applied each year (2013 1 5%) This rate reflects a prudent view of recent UK growth rates and is below the historically higher UK inflation rate of 2 25% The growth rate is similar for both cash generating units as a significant proportion of their business is with the same customer, the UK MOD As a signification proportion of the business is with UK Government, a more prudent growth rate has been used to reflect lower growth rates of UK Government expenditure

WACC comprises a number of elements as follows

Value of equity	Calculated as the issued share capital of the Group (Cohort plc) multiplied by the closing share price at 30 April 2014 of £1 660 (2013 £1 305)
Risk free interest rate	Is based upon ten year UK Government gilt rate of 2 69% (2013 1 69%)
Beta factor	Derived from analyst estimates provided by the Group's NOMAD (Investec) and reflects a range of outcomes from 0 64 to 0 65 (2013 0 50 to 0 59)
Equity risk premium	Is the equity risk premium of the Group of 8 58% (2013 9 76%) to which is added a further range of risk premium to reflect the low liquidity and risk of AIM stocks, 4% to 9%
Cost of debt	The Group has no debt and cost of debt is therefore zero (2013 zero)

The Group's pre-tax WACC applied to each cash-generating unit's cash flows was 15 2% (2013 13 7%) 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

On the basis of these tests no impairment of goodwill has arisen in the year ended 30 April 2014 in respect of either MASS or SEA The goodwill of SEA is more sensitive with no impairment at the Group's WACC of 15 2% but is impaired by £0 7m if the Group's WACC increases to 20 6% The Group's pre-tax WACC increases to 20 6% when the premium applied to the equity risk to reflect the Group's AIM listing is increased from 4% to 9% The likelihood of this increase in the WACC is considered low

The other intangible assets arose on the acquisition of the subsidiaries and are disclosed above

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

The SEA other intangible asset which is now fully amortised was in respect of contracts acquired on the acquisition of SEA

10 Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2012	6,714	4,507	11,221
Additions	48	208	256
Disposals	—	(278)	(278)
At 1 May 2013	6,762	4,437	11,199
Additions	1,878	396	2,274
Disposals	—	(266)	(266)
At 30 April 2014	**8,640**	**4,567**	**13,207**
Depreciation			
At 1 May 2012	726	3,243	3,969
Charge in the year	109	501	610
Eliminated on disposal	—	(272)	(272)
At 1 May 2013	835	3,472	4,307
Charge in the year	136	476	612
Eliminated on disposal	—	(214)	(214)
At 30 April 2014	**971**	**3,734**	**4,705**
Net book value			
At 30 April 2014	**7,669**	**833**	**8,502**
At 30 April 2013	5,927	965	6,892

The Company's property, plant and equipment was £11,000 at 30 April 2014 (2013 £4,000)

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

The valuation (in accordance with International Valuation Standards) of the Group's land and buildings at 30 April 2014 supports the above net book value

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

The fixed assets disposed of as part of the disposal of SEA's Space business (see note 29) are shown within disposals in the above table

11 Investment in subsidiaries and joint ventures

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Subsidiary undertakings	**—**	—	**42,648**	42,692
Joint ventures	**—**	—	**—**	—
	—	—	**42,648**	42,692

11 Investment in subsidiaries and joint ventures continued

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

Name of company	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned				
Systems Consultants Services Limited (SCS)	England	Ordinary	100%	Technical consultancy
MASS Limited	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Limited (SEA)	England	Ordinary	100%	Holding company of Systems Engineering & Assessment Limited, Beckington Castle Limited
Digital Millennium Map LLP (DMM)	England	Ordinary	25%	2D digital mapping – in administration
Held through a subsidiary				
MASS Consultants Limited (MASS)	England	Ordinary	100%	Electronic warfare, managed services, secure communications and IT support services
Systems Engineering & Assessment Limited	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to the defence and transport markets
Beckington Castle Limited	England	Ordinary	100%	Property company holding freehold of Beckington Castle and SEA s Bristol office
Abacus EW Consultancy Limited	England	Ordinary	100%	Electronic warfare training services and software applications

DMM which is retained as an investment of the Group, is not accounted for under the equity method of accounting as the Group ceased to have an active participation from 1 November 2006

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

The Group has received and continues to receive a return on its original investment in DMM This income of £16,100 (2013 £27,500) is disclosed in "administrative expenses" within the Consolidated income statement

The Group's joint venture, Advanced Geospatial Solutions Ltd (AGS), and various dormant subsidiaries of SEA (Group) Limited were struck off on 18 February 2014 There were no losses or gains to the Group arising from this event

Company

The Company's investments in subsidiaries are as follows

	MASS £ 000	SCS £ 000	SEA £ 000	Total £ 000
At 1 May 2012	14,555	1,746	26,524	42,825
Share-based payments	101	63	84	248
Vested in year	(118)	(105)	(158)	(381)
At 1 May 2013	14,538	1,704	26,450	42,692
Share-based payments	84	46	65	195
Vested in year	(99)	(66)	(74)	(239)
At 30 April 2014	**14,523**	**1,684**	**26,441**	**42,648**

12 Inventories

	2014 £'000	2013 £ 000
Finished goods	**297**	228

The inventory at 30 April 2014 is after a stock provision of £6 000 (2013 £19,000)

13. Trade and other receivables

	Group 2014 £'000	Group 2013 £ 000	Company 2014 £'000	Company 2013 £ 000
Trade receivables	**13,068**	10,598	**—**	—
Allowance for doubtful debts	**(3)**	—	**—**	—
	13,065	10,598	**—**	—
Amounts recoverable on contracts	**2,115**	7,078	**—**	—
Prepayments and accrued income	**3,818**	1,709	**296**	90
Amount receivable in respect of disposal of SEA's Space business	**4,000**	—	**—**	—
	22,998	19,385	**296**	90

The average credit period taken on sales of goods is 43 days (2013 42 days) Of the trade receivables balance, £3 6m was considered overdue at 30 April 2014 (2013 £3 5m) reflecting high levels of invoicing in March 2014, especially at MASS and SEA Overdue is defined as trade receivables still due 30 days or more after invoice date The allowance for doubtful debt is determined by management's best estimate, by reference to the particular receivables over which doubt may exist None of the other receivables was past due

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values The largest trade receivable to which the Group is exposed at 30 April 2014 is the UK MOD, with a balance outstanding of £2 9m (2013 £3 0m) Other customers who represent more than 5% of the total balance of trade receivables include

	2014 £m	2013 £m
Customer A	**1 9**	1 3
Customer B	**0 3**	1 4
Customer C	**1 2**	—
Customer D	**0 7**	0 5

Trade receivables include £1 9m (2013 £2 6m) denominated in foreign currency

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

Ageing of past due but not impaired receivables	2014 £'000	2013 £ 000
30–60 days	**3,156**	3,085
60–90 days	**268**	226
> 90 days	**217**	210
	3,641	3,521

Movement in the allowance for doubtful debts	2014 £'000	2013 £ 000
Balance at 1 May	**—**	78
Impairment losses recognised	**3**	—
Amounts written off as uncollectable in year	**—**	(10)
Amounts recovered during year	**—**	(48)
Impairment losses reversed	**—**	(20)
Balance at 30 April	**3**	—

14 Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Advance receipts	**837**	757	**—**	—
Trade payables and accruals	**3,952**	4,284	**170**	21
Other payables	**—**	—	**—**	2
Social security and other taxes	**2,335**	1,849	**86**	82
Accruals and deferred income	**6,173**	6,185	**420**	260
Amounts due to subsidiary undertakings	**—**	—	**22**	—
	13,297	13,075	**698**	365

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 42 days (2013 35 days) The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms (see Risk Management, pages 20 to 22)

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 The advance receipts will unwind over the next 12 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 £0 3m (2013 £0 5m) denominated in foreign currency

15 Bank borrowings

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank overdrafts	**—**	—	**8,538**	8,665

These borrowings are repayable as follows

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
On demand or within one year	**—**	—	**8,538**	8,665
In the second year	**—**	—	**—**	—
In the third to fifth years inclusive	**—**	—	**—**	—
	—	—	**8,538**	8,665
Less amounts due for settlement within 12 months (shown under current liabilities)	**—**	—	**(8,538)**	(8,665)
Amount due for settlement after 12 months	**—**	—	**—**	—

The weighted average interest rates paid were as follows

	2014 %	2013 %
Bank overdrafts	**—**	—

The bank overdrafts are repayable on demand The Group operates a sterling current account offset facility The interest rate applicable to the overdraft facility when drawn is at 2 25% (2013 2 25%) above the Bank of England base rate Overdrafts in currency other than sterling are not part of the sterling current account offset facility and are disclosed as part of bank borrowings above

The weighted average interest rate in the year (and in last year) is nil at Group level as the overdraft drawn by the Company is offset by cash under the Group's offset facility

15 Bank borrowings continued

At 30 April 2014, the Group had available £7 5m of undrawn overdraft facility The Directors consider the carrying amount of bank borrowings approximate to their fair value

The Group's net funds at 30 April 2014 of £16 3m are held with the following banks

	2014 £'000	2013 £'000	Moody s credit rating of bank as at 6 June 2014
Royal Bank of Scotland Plc	**10,256**	10,409	Baa1
Lloyds TSB Bank plc	**5,063**	3,017	A1
Santander UK plc	**1,003**	2,000	A2
Clydesdale Bank	**16**	1,000	Baa2
	16,338	16,426	

16 Provisions

Group	Abacus EW earn out £ 000	Withdrawal from AGS £ 000	Onerous lease commitment £ 000	Warranty £ 000	Other contract related provisions £ 000	Total £ 000
At 1 May 2012	1,400	16	123	307	1,528	3,374
Charged/(credited) to the income statement	(1,400)	(16)	(50)	68	(267)	(1,665)
Utilised	—	—	(73)	(245)	(480)	(798)
At 1 May 2013	—	—	—	130	781	911
(Credited)/charged to the income statement	—	—	—	152	(119)	33
Utilised	—	—	—	—	(153)	(153)
At 30 April 2014	**—**	**—**	**—**	**282**	**509**	**791**
Provisions due in less than one year	—	—	—	282	509	791
Provisions due in greater than one year	—	—	—	—	—	—
At 30 April 2014	**—**	**—**	**—**	**282**	**509**	**791**
Provisions due in less than one year	—	—	—	130	781	911
Provisions due in greater than one year	—	—	—	—	—	—
At 30 April 2013	—	—	—	130	781	911

The earn out provision in respect of the acquisition of Abacus EW was recognised at 14 May 2010 Following conclusion of the earn out period on 13 May 2013, the provision was no longer required and was released in full in the year ended 30 April 2013 The income was recognised as an exceptional item in the Consolidated income statement

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 experience 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 expected to be resolved within 12 months of the balance sheet date 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 includes property dilapidation provisions and other trade related issues which may not be related to a trading contract These balances are immaterial

Notes to the financial statements continued
for the year ended 30 April 2014

17 Deferred tax

	Accelerated tax depreciation £'000	Other intangible assets £'000	Revaluation of building £'000	Other short term timing differences £'000	Tax losses £'000	Share options £'000	Derivatives £'000	Group £'000
At 1 May 2012	(263)	(190)	(500)	58	—	—	99	(796)
Credit/(charge) to the income statement	40	173	10	(9)	424	—	(90)	548
Effect of change in tax rate in the income statement	11	2	21	(3)	—	—	—	31
At 1 May 2013	(212)	(15)	(469)	46	424	—	9	(217)
(Charge)/credit to the income statement	(11)	15	10	(28)	(287)	191	(42)	(152)
Effect of change in tax rate in the income statement	29	—	60	(2)	(18)	(25)	5	49
At 30 April 2014	**(194)**	**—**	**(399)**	**16**	**119**	**166**	**(28)**	**(320)**

The deferred tax charge of £103,000 is a combination of the charge to the income statement (£152,000) and the effect of the change in tax rate from 23 0% to 20 0% on those items recognised in the income statement (£49 000 credit)

The charge is disclosed as £103,000 (2013 £579,000 credit) in respect of the current year

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

	2014 £'000	2013 £'000
Deferred tax assets	**301**	479
Deferred tax liabilities	**(621)**	(696)
	(320)	(217)

The Group has recognised a deferred tax asset of £0 1m (2013 £0 4m) for unutilised trading losses within its subsidiary SEA of £0 6m (2013 £1 8m) £1 2m of this asset has been utilised in the year ended 30 April 2014, most to offset the taxable gain on the disposal of SEA's Space business The remaining tax losses can all be carried forward indefinitely

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

A deferred tax asset in respect of the share-based payments has been recognised for the first time as a credit to the current income tax of £126,000 was recognised this year and the deferred tax asset (£166,000) is now considered recoverable

The Company's deferred tax balance at 30 April 2014 was an asset of £34 000 (2013 £7,000) being £Nil (2013 £3,000) in respect of other short-term timing differences, accelerated tax depreciation of £4,000 (2013 £4,000) and share options of £30,000 (2013 £Nil)

On 21 March 2013, the Chancellor announced the reduction in the main rate of UK corporation tax to 21% with effect from 1 April 2014 This change became substantively enacted on 2 July 2013

The Chancellor also announced on 21 March 2013 to further reduce the main rate of corporation tax by 1% to 20% by 1 April 2015, and this change was substantively enacted on 2 July 2013 and the lower rate of 20% has been used to calculate the deferred tax balances at 30 April 2014

18 Derivative financial instruments

The Group has derivative financial instruments as follows

	2014 £ 000	2013 £ 000
Assets		
Foreign currency forward contracts	—	—
Liabilities		
Foreign currency forward contracts	**(142)**	(39)

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 "income/(charge) on marking forward exchange contracts to market value at the year end" They are in respect of trading contracts undertaken by the Group and are all in respect of the SEA subsidiary and are disclosed within the SEA s operating profit in the segmental analysis (see note 1) The charge (2013 credit) to the Consolidated income statement for the year ended 30 April 2014 was as follows

	2014 £'000	2013 £ 000
Foreign currency forward contracts	**(103)**	374

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

2014	Buy £ 000	Sell € 000	Buy £ 000	Sell US$ 000
At forward exchange rates				
At 1 May 2013	8,475	9,969	480	763
Contracts matured in period	(6,967)	(8,198)	(758)	(1,238)
New contracts in period	2,493	2,929	414	701
At 30 April 2014	4,001	4,700	136	226
Fair value adjustment	(139)		(3)	
At 30 April 2014 at closing spot rate	**3,862**		**133**	

The total fair value adjustment is £142,000 credit (2013 £39,000) and the change in the forward exchange fair values for the year ended 30 April 2014 is £103,000 charge (30 April 2013 £374,000 income) which is included in the operating profit of the Group as a charge

2013	Buy £ 000	Sell € 000	Sell £ 000	Buy US$ 000
At forward exchange rates				
At 1 May 2012	9,840	11,568	—	—
Contracts matured in period	(2,708)	(2,980)	(339)	(539)
New contracts in period	1,343	1,381	819	1,302
At 30 April 2013	8,475	9,969	480	763
Fair value adjustment	(51)		12	
At 30 April 2013 at closing spot rate	8,424		492	

18 Derivative financial instruments continued

Liquidity risk

The maturity of the outstanding contracts was as follows

At 30 April 2014	Buy £ 000	Sell € 000	Buy £ 000	Sell US$ 000
Within one year	3,709	4,357	136	226
One to two years	292	343	—	—
Greater than two years	—	—	—	—
At 30 April 2014 at closing spot rate	**4,001**	**4,700**	**136**	**226**

At 30 April 2013	Buy £ 000	Sell € 000	Sell £ 000	Buy US$ 000
Within one year	5,792	6,813	480	763
One to two years	2,645	3,111	—	—
Greater than two years	38	45	—	—
At 30 April 2013 at closing spot rate	8,475	9,969	480	763

The following significant exchange rates applied at 30 April

	2014		2013	
	US $	Euro	US $	Euro
	0 5927	**0 8216**	0 6455	0 8450

Sensitivity analysis

A 10% strengthening of £ sterling against the above currencies at 30 April 2014 would reduce operating profit by £366,000 (2013 £849,000) in respect of marking these forward contracts to market

19 Share capital

	2014 Number	2013 Number
Allotted called up and fully paid 10 pence ordinary shares	**40,958,616**	40,786,788

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

	Number
At 1 May 2012	40,786,788
Share options exercised	—
At 30 April 2013	40,786,788
Share options exercised	171,828
At 30 April 2014	**40,958,616**

The Company has one class of ordinary shares which carry no right to fixed income

19 Share capital continued

During the year ended 30 April 2014, 171,828 ordinary shares in Cohort plc were issued to satisfy share options as follows

Date	Number of new shares issued on exercise of share options	Share option exercise price pence	Value £ 000	Mid market price of shares on issue date pence
24 July 2013	420	1 190	<1	1 565
24 July 2013	1,244	0 885	1	1 565
19 August 2013	144,987	0 835	121	1 675
19 August 2013	10,486	1 230	13	1 675
19 August 2013	12,631	1 330	17	1 675
19 August 2013	2,060	0 970	2	1 675
	171,828		154	

The issue of these new shares have increased the value of issued share capital by £17,183 and the share premium account by £137,177

20 Share options

The Group grants share options under the Cohort plc 2006 share option scheme to senior management and key employees In addition, the Group operates a save as you earn (SAYE) scheme which is available to all employees

The details of the share option schemes are contained in the Remuneration & Appointments Committee report on pages 31 to 34

The following options were outstanding at 30 April 2014

				30 April 2014			30 April 2013		
Scheme and grant date	Exercise price £	Vesting date	Expiry date	**Vested**	**Not vested**	**Total**	Vested	Not vested	Total
Cohort plc 2006 share option scheme									
8 Mar 2006	1 230	8 Mar 2009	8 Mar 2016	**66,554**	**—**	**66,554**	89,430	—	89,430
19 Feb 2007	1 770	20 Feb 2010	19 Feb 2017	**99,941**	**—**	**99,941**	99,941	—	99,941
11 Jul 2008	1 890	12 Jul 2011	11 Jul 2018	**7,929**	**—**	**7,929**	7,929	—	7,929
5 Aug 2009	1 715	6 Aug 2012	5 Aug 2019	**23,359**	**—**	**23,359**	43,178	—	43,178
23 Jul 2010	0 835	24 Jul 2013	23 Jul 2020	**337,868**	**—**	**337,868**	—	619,010	619,010
27 Oct 2010	0 770	28 Oct 2013	27 Oct 2020	**44,935**	**—**	**44,935**	—	64,935	64,935
26 Jul 2011	0 915	27 Jul 2014	26 Jul 2021	**—**	**789,686**	**789,686**	—	866,186	866,186
24 Jan 2012	1 100	25 Jan 2015	24 Jan 2022	**—**	**34,000**	**34,000**	—	51,000	51,000
2 Aug 2012	1 165	3 Aug 2015	2 Aug 2022	**—**	**469,500**	**469,500**	—	522,000	522,000
9 Aug 2013	1 675	10 Aug 2016	9 Aug 2023	**—**	**309,250**	**309,250**	—	—	—
				580,586	**1,602,436**	**2,183,022**	240,478	2,123,131	2,363,609
Save As You Earn (SAYE) scheme									
12 Feb 2008	1 330			**—**	**—**	**—**	102,559	—	102,559
18 Aug 2009	1 380			**—**	**31,320**	**31,320**	526	40,334	40,860
27 Jul 2010	0 970			**—**	**109,576**	**109,576**	—	229,688	229,688
08 Aug 2011	0 885			**—**	**219,879**	**219,879**	—	235 600	235,600
15 Aug 2012	1 190			**—**	**78,962**	**78,962**	—	97,866	97,866
13 Aug 2013	1 545			**—**	**112,259**	**112,259**	—	—	—
				—	**551,996**	**551,996**	103,085	603,488	706,573
				580,586	**2,154,432**	**2,735,018**	343,563	2 726,619	3,070,182

The SAYE options have maturity periods of three or five years from date of grant

20 Share options continued

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 The vesting period is generally three years, five years in the case of some SAYE schemes If options under the Cohort plc 2006 share option scheme remain unexercised after a period of ten years from the date of grant the options expire Furthermore, options are forfeited if the employee leaves the Group before the options vest

The movement in share options during the year is as follows

	2014		2013	
	Options	**Weighted average exercise price £**	Options	Weighted average exercise price £
Outstanding at 1 May	**3,070,182**	**1 02**	2,900,268	1 00
Granted during the year	**456,739**	**1 64**	643,400	1 17
Forfeited during the year	**(223,979)**	**1 18**	(252,051)	1 02
Exercised during the year	**(489,535)**	**0 94**	(100,367)	0 91
Expired during the year	**(78,389)**	**1 25**	(121,068)	1 41
Outstanding at 30 April	**2,735,018**	**1 12**	3,070,182	1 02
Exercisable at 30 April	**580,586**	**1 09**	343,563	1 49

The weighted average share price at the date of exercise for share options exercised during the year was £0 94 (2013 £0 91) The options outstanding at 30 April 2014 had a weighted average exercise price of £1 12 (2013 £1 02) and a weighted average remaining contractual life of six years (2013 six years)

The exercised options in the year were satisfied by 317,707 shares from the Cohort Employee Benefit Trust (see note 21) and by the issue of 171,828 new shares (see note 19)

In the year ended 30 April 2014 options were granted as follows 342,150 on 9 August 2013 and 114,589 on 13 August 2013 The exercise prices of the options granted on those dates were £1 675 and £1 545 respectively In the year ended 30 April 2013, options were granted as follows 540,000 on 2 August 2012 and 103,400 on 15 August 2012 The exercise prices of the options granted on those dates were £1 165 and £1 190 respectively

Share options granted during the current and previous years were valued using the Quoted Companies Alliance Model, a Black Scholes based binomial model The inputs to this model for the current and previous year were as follows

	2014	2013
Weighted average share price	**£1 81**	£1 22
Weighted average exercise price	**£1 12**	£1 02
Expected volatility	**32%**	37%
Risk free rate	**0 96%–5 75%**	1 96%–5 75%
Leaver rate (per annum)	**10 0%**	6 5%–10 0%
Dividend yield	**0 26%–1 96%**	0 26%–1 96%

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

The Group recognised a cost of £235,000 (2013 £292,000) 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 costs" within the Consolidated income statement

21 Own shares

	£ 000
Balance at 1 May 2012	302
Acquired in the year	532
Sold in the year	(91)
Loss on shares sold in the year	(12)
Balance at 30 April 2013	731
Acquired in the year	1,979
Sold in the year	(307)
Loss on shares sold in the year	(129)
Balance at 30 April 2014	**2,274**

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 option (see note 20) and restricted share schemes (see Remuneration & Appointments Committee report on pages 31 to 34)

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2014 was 1,378,047 (2013 706,079)

The ordinary shares in Cohort plc acquired in the year by the Employee Benefit Trust were as follows

	Number	Cost £ 000
20 December 2013	860,000	1,697
11 March 2014	140,000	282
	1,000,000	**1,979**

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

Exercise price per share Pence	Number of shares sold	Proceeds £ 000	(Loss)/gain on sale of shares £ 000
80 6	24,453	20	(6)
83 5	104,155	87	(107)
88 4	32,307	28	(5)
97 0	927	1	—
104 0	88,576	92	1
109 5	21 865	24	1
120 9	33,034	40	6
123 0	12,390	15	(8)
	317,707	307	(118)

In addition, ordinary shares in Cohort plc were transferred at nil value by the Employee Benefit Trust for the purposes of satisfying shares awarded to the Executive Directors (see Remuneration and Appointments Committee on pages 31 to 34) and Senior Management under the Group's Restricted Share Scheme 41,300 ordinary shares were awarded under the Restricted Share Scheme in August 2014 in respect of the year ended 30 April 2013 Of these, 10,325 shares have been received by recipients without restriction The balance of 30,975 shares continue to be held by the Employee Benefit Trust on trust for the recipients The Group has paid and recognised in the income statement (administration costs) the income tax liabilities on the award of all the shares (£67,507) under the Restricted Share Scheme The loss on transferring 10,325 shares at nil value of £10,684 has been added to the loss on sale of shares for purposes of satisfying the exercise of share options above resulting in a total loss of £129,000 The loss on the 30,975 restricted shares still held by the Employee Benefit Trust at 30 April 2014 (£32,059) will be recognised as those shares are transferred without restriction to the recipients over the next three years

The market valuation of the ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2014 was £2,287,558 (2013 £921,433)

The cost of operating the Employee Benefit Trust during the year ended 30 April 2014 was £27,205 (2013 £11,605) and this cost is included within the "administrative expenses" of the Consolidated income statement

22 Reserves

The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements on pages 39 and 40 Below is a description of the nature and purpose of the individual reserves

- Share capital represents the nominal value of shared 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

23 Cash flow

a Net cash from operating activities

	Group		Company	
	2014 £ 000	2013 £ 000	**2014 £ 000**	2013 £ 000
Profit for the year	**5,900**	8,343	**3,073**	2,553
Adjustments for				
Income tax expense/(credit)	**843**	168	**(80)**	29
Depreciation of property, plant and equipment	**612**	610	**3**	9
Amortisation of other intangible assets	**2,064**	727	**—**	—
Net finance income	**(125)**	(128)	**(125)**	(128)
Derivative financial instruments	**103**	(374)	**—**	—
Share-based payment	**235**	292	**42**	43
Decrease in provisions	**(120)**	(2 463)	**—**	—
Operating cash flows before movements in working capital	**9,512**	7,175	**2,913**	2,506
Increase in inventories	**(69)**	(13)	**—**	—
(Increase)/decrease in receivables	**(5,613)**	1,083	**(154)**	(10)
(Decrease)/increase in payables	**(212)**	(3,092)	**349**	(86)
	(5,894)	(2,022)	**195**	(96)
Cash generated by operations	**3,618**	5,153	**3,108**	2,410
Income taxes paid	**(1,042)**	(1,063)	**(31)**	—
Interest paid	**—**	—	**—**	—
Net cash inflow from operating activities	**2,576**	4,090	**3,077**	2,410

b Cash and cash equivalents at 30 April 2014

	Group		Company	
	2014 £'000	2013 £ 000	**2014 £'000**	2013 £ 000
Cash and bank	**10,256**	10,409	**—**	—
Short-term deposits	**6,082**	6,017	**6,082**	6,017
Total cash and cash equivalents	**16,338**	16,426	**6,082**	6,017
Bank overdraft	**—**	—	**(8,538)**	(8,665)
Total debt	**—**	—	**(8,538)**	(8,665)
Net funds	**16,338**	16,426	**(2,456)**	(2,648)

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 approximates to their fair value

24 Operating lease arrangements

Group	2014 £'000	2013 £'000
Minimum lease payments under operating leases recognised as an expense in the year		
– land and buildings	**537**	773
– other	**198**	191
	735	964

At 30 April 2014 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows

	2014 £'000	2013 £'000
Land and buildings		
– leases which expire within one year	**—**	529
– leases which expire in the second to fifth year inclusive	**1,328**	1,591
– leases which expire after five years	**666**	420
	1,994	2,540
Other		
– leases which expire within one year	**23**	96
– leases which expire in the second to fifth year inclusive	**209**	75
– leases which expire after five years	**—**	—
	232	171
	2,226	2,711

Significant leasing arrangements held by the Group are in respect of its operating facilities in Bristol, Lincoln and Theale

Following the disposal of SEA's Space business, which legally completed 6 June 2014, outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which expire in the second to fifth year inclusive will reduce by £747,000, the lease property transferring to the buyer

In respect of all the Group's operating leases (including the Company's), there is no contingent rent payable, no escalation clauses and no restrictions for further leasing or restrictions on the Group's ability to access debt or pay dividends

None of the significant operating leases entered into by the Group has any renewal or purchase options

Company	2014 £'000	2013 £'000
Minimum lease payments under operating leases recognised as an expense in the year		
– land and buildings	**38**	38

At 30 April 2014 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows

	2014 £'000	2013 £'000
Land and buildings		
– leases which expire within one year	**—**	—

25 Commitments

There was £1,781 of capital commitments at 30 April 2014 (2013 £42,262)

26 Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes The contributions for the year of £2,092,000 (2013 £1,998,000) were charged to the income statement Contributions outstanding at 30 April 2014 were £75,000 (2013 £77,000)

Notes to the financial statements continued
for the year ended 30 April 2014

27 Contingent liabilities

At 30 April 2014 the Group had in place bank guarantees of £175,000 (2013 £175,000) in respect of leased properties and £1,180,000 (2013 £Nil) in respect of trading contracts The Group is not aware of any conditions which would realise these contingent liabilities

28 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation However, the key transactions are disclosed as follows

	Management fees received from subsidiaries £ 000	Rent paid to subsidiaries £ 000	Dividends received from subsidiaries £ 000	Group relief received from subsidiaries £'000
2014	**1,300**	**38**	**3,240**	**52**
2013	1,300	38	2,500	—

There were no transactions between the Group and its joint venture, Digital Millennium Map LLP (DMM), with the exception of receipt of investment income (see note 11)

The relationship with DMM is 25% joint venture owned by Cohort plc From 1 November 2006 this has been accounted for as an investment the Group no longer having an active participation in this entity

The Group is expected to have no significant transactions with DMM

During the year ended 30 April 2014, the Directors of Cohort plc received dividends from the Company as follows

	2014 £	2013 £
S Carter	**394,632**	330,637
N Prest	**77,129**	64,622
A Thomis	**1,501**	1,092
Sir Robert Walmsley	**926**	776
S Walther	**1,178**	794
	475,366	397,921

Further details of the remuneration of the Directors are set out in the Remuneration & Appointments Committee report (pages 31 to 34)

The aggregate remuneration (excluding share option costs) of the key management of the Group was as follows

	2014 £	2013 £
Salary (including any allowances, benefits and employer's NI)	**1,157,028**	937,836
Employers pension contribution	**87,704**	79,917
Long-term benefits	**—**	—
	1,244,732	1,017,753

The key management of the Group is the Board of Cohort plc plus each subsidiary's managing director

29 Disposal of SEA's Space business

On 30 April 2014 the Group's subsidiary, SEA, signed an agreement to sell its Space business, in its entirety, to Thales Alenia Space UK Limited (TAS) On signing, the Group received £2 5m of £5 0m agreed consideration and, in return, passed effective control of SEA's Space business to TAS As a result of TAS taking effective control from 30 April 2014, the Group has accounted for the disposal in its entirety in the year ended 30 April 2014

The disposal completed on 6 June 2014 with the satisfaction of certain contract assignments and novations

On completion the Group received the balance of consideration receivable, a further £2 5m A further £1 5m is receivable from TAS in respect of a working capital adjustment and is receivable by the end of July 2014

The loss on disposal has been accounted for as an exceptional item and was calculated as follows

	£ 000
Proceeds received and to be received	6,500
Assets sold	
Debtors due less than one year	(5,833)
Fixed assets	(48)
Liabilities transferred	
Creditors due less than one year	334
Costs of disposal	(339)
Profit on disposal before goodwill write off	614
Goodwill of SEA associated with Space business written off on disposal (see note 9)	(2,000)
Exceptional loss before tax	(1,386)

The costs of disposal include legal and professional fees, estimated transaction obligations and the costs of business from 1 May 2014 until completion on 6 June 2014

The tax charge arising on the disposal of SEA's Space business was £186,000 This tax charge has been offset by SEA utilising some of its deferred tax asset in respect of trading tax losses (see note 17)

The disposal of SEA's Space business has not been accounted for as a discontinued item as it has not been recognised in the past as one of the Group's key business units (see note 1)

The historical contribution of the Space business to the Group's trading performance for the years ended 30 April was as follows

	2014 £ 000	2013 £ 000
Revenue	**4,482**	5,138
Adjusted operating profit/(loss)	**653**	(754)

Accounting policies continued

Basis of accounting
Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) 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

As highlighted in note 15 to the financial statements, the Company meets its day to-day working capital requirements through an offsetting facility which is due for renewal in October 2014 Both the current domestic economic conditions and continuing UK government budget pressures, including defence, create uncertainty, particularly over (a) the level of demand for the Group's products, (b) the exchange rate between sterling and euro and thus the consequence for certain long-term contracts, and (c) the availability of bank finance in the foreseeable future

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 Company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed However, the Company has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms

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

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report on pages 4 to 22 The financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in the Strategic report on pages 15 to 16

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 2014 Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see business combinations opposite)

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 This is necessary as the Group's subsidiaries continue to prepare statutory financial statements in accordance with UK GAAP

The Group's subsidiaries will prepare their statutory financial statements in accordance with IFRS, as adopted by the EU, as from 1 May 2015

Adoption of new and revised standards
Various new and revised standards and interpretations have been adopted by the Group in the year ended 30 April 2014 which have had no significant impact on the amounts reported in these financial statements by the Group

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

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 as if the accounting had been completed at the acquisition date and the comparative information for prior periods is restated accordingly

Any change in consideration, where previously estimated, is immediately recognised as an exceptional item in the income statement

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 and hedge accounting
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 that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net income

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting 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
Items which are both material and non-recurring are presented as exceptional items within the relevant income statement category The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance 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, 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 currently sterling for the whole Group 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

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 on page 67

These forward foreign exchange contracts are revalued to fair value at each balance sheet date with any movement included in the Consolidated income statement as part of the cost of sales and disclosed separately in deriving the Group's adjusted operating profit

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable intangible assets, assets and liabilities of a subsidiary associate or jointly controlled entity at the date of acquisition Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Goodwill which is recognised as an asset is reviewed for impairment biannually Any impairment is recognised immediately in the income statement as an exceptional item and is not subsequently reversed

For the purpose of impairment testing, goodwill is allocated to each of the Group's subsidiaries as appropriate Subsidiaries (cash-generating units) to which goodwill has been allocated are tested for impairment biannually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount of the subsidiary is less than the carrying amount of the subsidiary, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the subsidiary and then to the other assets of the subsidiary pro rata on the basis of the carrying amount of each asset in the subsidiary An impairment loss recognised for goodwill is not reversed in a subsequent period The impairment of goodwill is a critical judgement and estimate and is discussed in detail below

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any)

Recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or subsidiary) is estimated to be less than its carrying amount, the carrying amount of the asset (subsidiary) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (subsidiary) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (subsidiary) in prior years A reversal of an impairment loss is recognised as income immediately

Intangible assets

Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles arising on business combinations The value of these intangible assets is determined by the estimated value to the Group going forward and the intangible assets are written off on a straight-line basis over the estimated useful life As discussed below, the valuation of intangible assets is an area of critical judgement and estimate by 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 further cost expected to be incurred to completion and disposal Provision is made for obsolete and slow moving items

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

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

The Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term

Pension contributions
Payments are made to the Company's stakeholder pension schemes, all of which are defined contribution schemes Amounts are charged to the income statement as incurred

Property, plant and equipment
Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their fair value at the date of acquisition, plus any subsequent cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases

Buildings	2%–4%
Fixtures, fittings and equipment	20%–50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement as an exceptional item

Accounting policies continued

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) which arises as a result of a past event and it is probable that the Group will be required to settle that obligation Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material In respect of specific types of provisions the policy is as follows

Warranty
Provisions for the expected cost of warranty obligations under local sale of goods legislation and specifically contracted warranty undertakings are recognised at the date of sale of the relevant product or service The provision is the Directors' best estimate of the expenditure required to settle the Group s obligation

Other contract related provisions including contract loss provisions
These include the following

The Group undertakes a number of contracts where contractual and/or third party obligations arise as a result of delivering the contract This provision includes amounts for losses on contracts which are recognised in full immediately that it is probable that total contracts 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

Where the expected cost at completion of a current contract exceeds the sum of the contracted revenue and any probable revenue, then the amount of that excess (the estimated contract loss) is immediately provided for in full Such 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 recognition

Revenue is recognised at the fair value of the consideration received or receivable for the provision of goods and services, excluding discounts, VAT and other sales related taxes

Sales of goods are recognised when goods are delivered and title has passed

The Group applies either IAS 11 'Construction Contracts' or IAS 18 'Revenue' to account for revenue depending on the nature of the arrangement with the customer The Group's arrangements fall into four main categories

1 Time hire

Revenue is recognised in accordance with IAS 18 when the services are provided, i e when the employees undertake the work

2 Managed services

In managed services, revenue is generally a fixed price for the provision of specific ongoing defined services (not the construction of an asset) over an agreed period These services include the provision of technical engineering support, maintaining help desks and consultancy Where the services comprise an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the period that the services are provided Where the services comprise one or more significant acts, revenue is recognised as each act is completed

3 Product

Goods are delivered to customers and, on their acceptance by the customer, revenue is recognised At that point, the Group does not have any continuing involvement or control over the goods and all significant risks and rewards have been transferred to the customer

4 System design, build, test and delivery

These contracts are typically for building complex custom designed assets which are usually components for use in larger customer owned assets These contracts are accounted for under IAS 11 The Group's contracts of this nature are generally fixed-price and without "stand alone" values for each element as the contracts are negotiated and ultimately delivered/accepted as a single package

In these contracts the revenue is recognised using the "percentage of completion" method in IAS 11

In almost all cases the percentage of completion is based on input measures (i e costs incurred as a proportion of estimated total costs) In some cases, an output measure based on surveys of work performed may be used where these are available and measure reliably the work performed

Costs are expensed as incurred in respect of all contracts unless they relate to goods yet to be delivered, services related to a significant act that has yet to be completed or future activities on a contract accounted for under IAS 11 in which case they are recorded as an asset (either inventory or amounts recoverable on contract)

In some cases, Group contracts can be divided into multiple elements with stand alone values using either the principle in IAS 18 13 or the following criteria based on IAS 11 7–10

- separate proposal for each element
- each element was subject to separate negotiations, and
- costs and revenues for each element can be identified

Where separate elements are identified, each is treated as one of the four revenue types described above

Bid costs

Costs incurred before the award of a contract is probable are expensed as incurred Where material bid costs arise after the award of a contract has become probable but before the contract is in place, then such identified bid costs are included in contract costs

Accounting policies continued

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based Payments' In accordance with the transitional provisions IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006

The Group issues equity-settled and cash-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 (a Black Scholes model) The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non transferability, exercise restrictions and behavioural considerations

A liability equal to the portion of the goods and services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments

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 Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount

Long term contracts are assessed on a contract by contract basis and reflected in the income statement by recording revenue and related costs as contract activity progresses Revenue is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty The amount by which revenue exceeds payments on account is classified as "amounts recoverable on contracts" and included within trade and other receivables, to the extent that payments on account exceed relevant revenue, the excess is included as an advance receipt within trade and other payables The amount of long-term contracts, at cost net of amounts transferred to cost of sales, costs incurred plus recognised profits, less provision for foreseeable losses and payments on account not matched with revenue, is included within trade and other receivables as "amounts recoverable on contracts"

Trade payables

Trade payables are initially measured at fair value

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised

The Directors have identified the following critical judgements and estimates in applying the Group's accounting policies that have the most significant impact on the amounts recognised in the financial statements

1 Critical accounting judgements

Revenue recognition

The revenue recognition policy of the Group is described in detail on page 71 There are areas where the Directors have to make judgements as to the level of revenue to be recognised in the financial statements, in particular "stage of completion"

- In accordance with IAS 11, revenue is recognised using the "percentage of completion" method for system design, build, test and delivery contracts In almost all cases the percentage of completion is based on input measures (i e costs incurred as a proportion of estimated total costs) In a few cases, an output measure based on surveys of work performed may be used where these are available and measure reliably the work performed
- These contracts generally are not capable of segmentation and the percentage of completion method is applied to the contract as a whole
- In advance of completion of key stages (or deliverables) of contracts, there is additional uncertainty in the estimated total contract costs and accordingly this additional uncertainty is reflected in increased estimates of the total contract costs i e a contingency is added
- Once those key stages have been completed and the risks expired, the relevant remaining contingencies are removed from the forecast total contract costs
  It is a critical judgement of the Directors as to both the level of contingency recognised and its retention or not

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 These assumptions reflect management's best estimates but depend on inherent uncertainties which may not be within the control of management

Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

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

Impairment of goodwill

The Group has significant goodwill balances, the life of which it considers to be indefinite It assesses biannually the recoverability of the balance, or more frequently in the event of an occurrence indicating impairment The assessment involves comparing the carrying amount of the asset with its recoverable amount, which is the greater of its value in use and net realisable value by reference to external measures

Value in use is determined using discounted cash flow techniques that involve the estimation of future cash flows over a long period and an appropriate discount rate

Future cash flows are estimated based on historical experience, internal estimates and data from external sources Such estimates are subject to change as a result of changes in economic and competitive conditions Higher estimates of future cash flows will increase the value in use of goodwill, but lower estimates of cash flows will reduce the value in use and increase the risk of impairment

Discount rates (weighted average cost of capital) are applied to the cash flows to arrive at the value in use An increase in the discount rate will reduce the value in use of the goodwill, and therefore increases the risk of the value in use falling below the carrying value and resulting in an impairment provision being required A reduction in the discount rate decreases the likelihood of impairment

Future changes in interest rates, the premium that markets place on equity investments relative to risk free rates and the specific assessment of the capital markets as to the Group's risk relative to other companies can affect our discount rate Increases in interest rates or the risk premiums applied by capital markets would result in an increase in the Group's discount rate and vice versa These factors are largely outside the Group's control or ability to predict and can therefore have a significant impact on the estimated fair value of goodwill and hence its impairment

The assessment of goodwill impairment is disclosed in note 9

Other

Where a reasonably possible change in a key assumption could give rise to a change in the amount reported, this is disclosed within the relevant note to the accounts

Standards and interpretations issued as at 26 June 2014 not applied to these financial statements

A number of other standard amendments and International Financial Reporting Interpretation Committee (IFRIC Interpretations) have been issued and are yet to be applied by the Group The most significant of these are

1 IFRS 15 'Revenue from contracts with customers' This standard is effective from 1 January 2017 and will first apply to the Group's financial reporting for the year ended 30 April 2018

2 Leases for lessors This remains a proposed change No effective date for a standard has been published The full impact for the Group has not been assessed at this stage

Shareholder information, financial calendar and advisers

Advisers

Nominated adviser and broker
Investec
2 Gresham Street
London EC2V 7QP

Auditor
KPMG LLP
Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD

Tax advisers
Deloitte LLP
Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers
Pitmans
The Anchorage
34 Bridge Street
Reading RG1 2LU

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public and investor relations
MHP Communications
60 Great Portland Street
London W1W 7RT

Bankers
RBS
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Shareholders' enquiries
If you have an enquiry about the Company's business, or about something affecting you as a shareholder (other than queries which are dealt with by the Registrar), you should contact the Company Secretary by letter to the Company's registered office or by email to info@cohortplc com

Share register
Capita Asset Services maintains the register of members of the Company

If you have any questions about your personal holding of the Company's shares, please contact

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone 0871 664 0300 (calls cost 10 pence per minute plus network extras)
(From outside the UK +44 20 8639 3399)
Lines are open 9 00am to 5 30pm, Monday to Friday, excluding public holidays

Facsimile +44 (0) 20 8639 2220

Email shareholderenquiries@capita co uk

If you change your name or address or if details on the envelope enclosing this report, including your postcode, are incorrect or incomplete, please notify the Registrars in writing

Daily share price listings
- The Financial Times – AIM, Aerospace and Defence
- The Times – Engineering
- Daily Telegraph – AIM section
- London Evening Standard – AIM section

Financial calendar

Annual General Meeting
- 16 September 2014

Final dividend payable
- 24 September 2014

Expected announcements of results for the year ending 30 April 2015

Preliminary half year announcement
- December 2014

Preliminary full year announcement
- June 2015

Registered office

Cohort plc
Arlington House
1025 Arlington Business Park
Theale
Reading RG7 4SA

Registered company number of Cohort plc
05684823

Cohort plc is a company registered in England and Wales

Five year record

	2014	2013	2012	2011	2010
Headline results (£'000)					
Revenue	**71,555**	70,866	75,408	65,135	78,129
Adjusted operating profit	**8,171**	7,336	6,513	5,034	4,109
Adjusted earnings per share (pence)					
Basic	**19 15**	17 94	15 52	10 69	7 67
Diluted	**18 66**	17 68	15 50	10 69	7 66
Statutory earnings per share (pence)					
Basic	**14 75**	20 76	11 30	6 79	5 63
Diluted	**14 37**	20 46	11 28	6 79	5 62
Net operating cash flow (£'000)	**2,576**	4,090	8,424	6,512	3,961
Net funds (£'000)	**16,338**	16,426	14,140	6 733	3,041
Order intake (£m)	**69 1**	59 6	79 3	55 6	143 6
Order book (£m)	**81 7***	95 7	107 1	103 2	112 7

* Order book at 30 April 2014 excludes SEA s Space business order book of £10 6m (2013 included £10 4m in respect of SEA s Space business)

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