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Cohort plc

14 December 2015

COHORT PLC
("Cohort" or "the Group")

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2015

Cohort plc, the independent technology group, today announces its unaudited results for the six months ended 31 October 2015.

Highlights include:

- Adjusted* operating profit up 40% at £3.5m (2014: £2.5m).
- Revenue up 32% to £49.7m (2014: £37.6m).
- Order intake of £55.7m (2014: £64.5m).
- Strong closing order book of £140.0m (30 April 2015: £134.0m).
- Net funds of £11.4m (31 October 2014: £6.7m; 30 April 2015: £19.7m).
- Interim dividend increased by 19% to 1.90 pence per share (2014: 1.60 pence per share).
- Adjusted* earnings per share 29% higher at 7.11 pence (2014: 5.50 pence).

Operational highlights:

- Contract wins announced since final results:
  - MoD Hearing Protection £11.2m
  - Electronic Warfare Operational Support Services to overseas customer > £3m
  - Training and Exercise Support for MoD £9.7m
- New banking facility agreed since period end of £25m.

Looking forward:

- £48.4m of 31 October 2015 order book is deliverable in the second half and underpins 90% of the consensus forecast revenue (excluding EID) for the full year.
- Prospects for further order intake in the second half across the Group are encouraging.
- Revised agreement to acquire 57% of EID with agreement to acquire the balance once Portuguese Government approval is given

* *Adjusted figures exclude the effects of marking forward exchange contracts to market value, amortisation of other intangible assets and exceptional items.*

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

"The closing order book of £140.0m (30 April 2015; £134.0m) and recent order wins provide a good underpinning to the second half of the year. We expect, as seen in the last few years, a much stronger performance than in the first half."

"The Strategic Defence and Security Review recently concluded in the UK gives support to existing programmes, such as submarines, in which Cohort is engaged and foresees greater expenditure in areas such as Cyber and Special Forces in respect of which Cohort has strong and relevant capabilities."

"We expect to complete the initial stage of the EID acquisition, giving Cohort control, early in 2016. We will report 100% of the EID result from the time of this acquisition, and we expect EID to deliver a small but positive contribution to Cohort's 2015/16 financial year with more significant contributions thereafter."

"Overall, Cohort's order book and pipeline, market positions and strong funding position continue to provide confidence for its future prospects."

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Cohort plc (www.cohortplc.com) (@Cohortplc)

Cohort is an independent technology group working primarily for defence (air, land and sea), wider government and industry clients, through four market-facing subsidiary companies:

MASS - a specialist systems house with considerable experience in the defence market and a focus on electronic warfare operational support and secure information systems. Based in Cambridgeshire, MASS was acquired by Cohort in August 2006;

MCL - an expert provider of communications and surveillance technology. MCL sources, designs, manufactures, supports and provides training on systems for end users including the UK armed forces and other government agencies. Based in Surrey, MCL has been part of the Group since July 2014;

SCS - a defence technical advisory business, combining technical expertise with practical experience and domain knowledge. Based in Berkshire, SCS has been owned by Cohort since flotation in March 2006;

SEA - an advanced surveillance systems and software house with hardware development capability operating in the defence, transport and offshore energy market sectors. Based in Somerset, Devon, Bristol and Aberdeen, SEA was acquired by Cohort in October 2007.

Cohort (AIM: CHRT) was admitted to London's Alternative Investment Market in March 2006. It has its headquarters in Berkshire and employs in total around 600 core staff there and at its other operating company sites in Aberdeen, Bristol, Cambridgeshire, Devon, Lincolnshire, Somerset and Surrey.

Chairman's statement

Nick Prest CBE, Chairman

The Group's 2015/16 first half adjusted operating profit was 40% higher than last year at £3.5m (2014: £2.5m) on increased revenue of £49.7m (2014: £37.6m). The increase was driven primarily by increased revenue and profit at SEA and an improved mix at MASS, delivering a higher net margin.

We announced on 13 October 2015 that we expected to complete the acquisition of EID, which is conditional on Portuguese government approval, by mid-December. In the event, the political situation in Portugal following its 4 October general election has taken much longer than we expected to resolve itself, with a government commanding parliamentary support only sworn in on 26 November. With other urgent priorities for the new government, political approval of the transaction could take some time. Consequently we have agreed to acquire a stake of approximately 57% of EID, the entire stake of its private sector shareholders, which together with changes to the existing shareholders' agreement will give Cohort management control of the business. This is expected to take place no later than the end of January 2016, though a limited further delay is possible in the event that Portuguese competition clearance is required. The 57% stake is being acquired at a cost of €10.8m (£7.7m), in line with the original acquisition terms.

Cohort has agreed to acquire the Portuguese government stake as and when approval is given, provided this is no later than 30 June 2016. Both transactions will be on the same terms as announced on 5 August 2015.

Key financials

The Group's revenue totalled £49.7m (2014: £37.6m), including £22.3m from SEA, £15.1m from MASS, £9.1m from SCS and a full six month contribution from MCL of £3.2m. In the six months ended 31 October 2015, the Group's adjusted operating profit was £3.5m (2014: £2.5m). This included contributions from MASS of £2.4m (2014: £1.9m), SEA of £1.8m (2014: £1.1m), SCS of £0.3m (2014: £0.3m) and MCL of just above break even (2014: £0.2m) with central costs of £1.0m (2014: £1.0m).

Cohort's operating profit after recognising exceptional items (£0.2m) and amortisation of intangible assets (£3.2m) was £0.1m (2014: £1.3m). The exceptional item was in respect of the costs incurred to date in acquiring EID.

Adjusted earnings per share for the six months ended 31 October 2015 increased by 29% to 7.11 pence (2014: 5.50 pence). The tax rate in respect of the adjusted operating profit was 18.0% (2014: 18.0%). Basic earnings per share were 2.77 pence (2014: 2.84 pence).

As signalled in June of this year when we reported our results for the year ended 30 April 2015, there was an operating cash outflow of £4.9m in the first half of this year (2014: inflow of £6.2m) reflecting the expected unwinding of the year end favourable working capital position. This operating cash outflow, along with dividend (£1.4m) and tax payments (£0.7m), capital expenditure (£0.5m) and an initial consideration payment of £0.7m in respect of EID, accounts for the lower closing cash of £11.4m (30 April 2015: £19.7m).

During the period, the Group successfully concluded its negotiation with its banks (RBS, Barclays and Lloyds) and has recently put in place a new £25m revolving credit facility. This facility will be partly utilised to fund the acquisition of EID and provides the Group with further acquisition capacity as well as sufficient funding for its day to day operations, especially in respect of export opportunities.

Order intake for the first half was £55.7m (2014: £64.5m excluding acquired order books of MCL (£5.4m) and J+S (£32.6m)), resulting in a closing order book of £140.0m (30 April 2015: £134.0m). As expected, the order intake was lower than last year which included a large order to extend SEA's External Communication Systems (ECS) to the whole UK submarine fleet. Further orders in respect of ECS are expected in the second half of the year.

MASS

MASS had a stronger first half delivering £2.4m (2014: £1.9m) of adjusted operating profit on a slightly lower level of revenue, £15.1m compared with £15.6m in 2014. The improved performance arose from increased revenue from higher margin electronic warfare support contracts, including the recently announced contract win in the Middle East. MASS's first half operating margin of 15.7% (2014: 12.3%) is below what we expect to see for the full year.

Of MASS's closing order book of £52.4m, £15.0m is deliverable in the current financial year. This strong underpinning along with some good opportunities give us confidence that MASS will have a stronger second half.

MCL

MCL made a positive, albeit small, contribution this first half, slightly down on its maiden contribution last year. This performance was a result of slower order intake, with the revenue as a consequence only slightly higher than that reported in 2014/15, which covered a period of only four months.

Although historically MCL has had a good record of growth, it has typically had less visibility of future performance compared to other Cohort companies as it has had fewer long running contracts and a shorter order to delivery cycle. The recent hearing protection order for £11.2m, together with other programmes for which the company is bidding, will help to give it better forward visibility in the future.

Traditionally MCL has had a stronger second half, reflecting the usual UK MoD's in-year spend pattern. This, combined with its £13.9m of closing order book of which £7.2m is deliverable in the current financial year, gives us confidence that MCL will deliver a stronger second half.

The agreement to acquire the initial 50% plus one share of MCL included a mechanism for Cohort to acquire the remaining shares at a price based upon MCL's performance for the two years ending 30 September 2016. Cohort expects to acquire these shares on or before 30 April 2017.

SCS

SCS's adjusted operating profit of £0.3m was in line with the first half of last year on higher revenue of £9.1m (2014: £7.2m).

The lower net margin of 3.3% (2014: 4.3%) reflects a weaker mix, with higher levels of Air Systems work and less overseas support work as a result of the cessation of UK operations in Afghanistan.

SCS's recently announced win to continue to provide support to the UK's Joint Warfare Centre, a service SCS has been providing for 15 years, confirms its strong capabilities in this area. Its closing order book of £17.7m includes £7.2m of revenue which is deliverable in the current financial year. Combined with other opportunities this gives us confidence that SCS, under its recently appointed Managing Director, Christian Cullinane, will perform strongly in the second half and make further progress this year.

SEA

Following a busy year last year, SEA has continued its integration of the J+S business and this is reflected in the improved performance as well as another good performance in order intake.

SEA's improved adjusted operating profit of £1.8m (2014: £1.1m) was on higher revenue of £22.3m (2014: £12.2m). The net margin of 7.9% was lower than the first half last year (8.8%) and was a reflection of a mix of slightly lower margin work and a tough market for our Offshore Energy business.

SEA's closing order book of £56.1m includes £19.0m of revenue to be delivered in the current financial year. This, along with a pipeline of good opportunities and the expectation of the usual stronger second half in its research, support areas and transport, give us confidence that SEA will make further progress in the second half as well as returning to a more usual operating margin for the year as a whole.

Dividend

The Board is proposing an increase of 19% in the interim dividend to 1.90 pence per share (2014: 1.60 pence). This increase reflects the Group's good cash position and the Board's confidence in the outlook for Cohort and commitment to a progressive dividend policy. The dividend will be paid on 2 March 2016 to shareholders on the register at 5 February 2016.

Outlook

The closing order book of £140.0m (30 April 2015; £134.0m) and recent order wins provide a good underpinning to the second half of the year. We expect, as seen in the last few years, a much stronger performance than in the first half.

The Strategic Defence and Security Review recently concluded in the UK gives support to existing programmes, such as submarines, in which Cohort is engaged and foresees greater expenditure in areas such as Cyber and Special Forces in respect of which Cohort has strong and relevant capabilities.

We expect to complete the initial stage of the EID acquisition, giving Cohort control, early in 2016. We will report 100% of the EID result from the time of this acquisition, and we expect EID to deliver a small but positive contribution to Cohort's 2015/16 financial year with more significant contributions thereafter.

Overall, Cohort's order book and pipeline, market positions and strong funding position continue to provide confidence for its future prospects.

Nick Prest CBE
Chairman

Consolidated income statement

for the six months ended 31 October 2015

	Notes	**Six months ended 31 October 2015 Unaudited £'000**	Six months ended 31 October 2014 Unaudited £'000	Year ended 30 April 2015 Audited £'000
Revenue	2	**49,667**	37,581	99,938
Cost of sales (including marking forward exchange contracts to market value at period end)		**(35,049)**	(26,393)	(69,988)
Gross profit		**14,618**	11,188	29,950
Administrative expenses (including amortisation of intangible assets and exceptional items)		**(14,569)**	(9,921)	(24,085)
Operating profit	2	**49**	1,267	5,865
Operating profit comprises:				
Adjusted operating profit	2	**3,476**	2,463	10,085
Expense on marking forward exchange contracts to market value at period end		—	—	(38)
Amortisation of intangible assets		**(3,246)**	(549)	(3,602)
Exceptional items:				
Cost to date of acquiring EID (included in administrative expenses)	7	**(181)**	—	—
Cost of acquisition of MCL (included in administrative expenses)		—	(197)	(197)
Cost of acquisition of J+S (included in administrative expenses)		—	(417)	(427)
Disposal of SEA's Space business (included in administrative expenses)		—	(33)	44
Operating profit		**49**	1,267	5,865
Finance income		**36**	56	82
Profit before tax		**85**	1,323	5,947
Income tax expense	3	**(15)**	(304)	(707)
Profit for the period		**70**	1,019	5,240
Attributable to:				
Equity holders of the parent		**1,126**	1,132	5,628
Non-controlling interests		**(1,056)**	(113)	(388)
		70	1,019	5,240

Earnings per share		**Pence**	Pence	Pence
Basic	4	**2.77**	2.84	14.04
Diluted	4	**2.71**	2.78	13.74

All profit for the period is derived from continuing operations.

The comprehensive income for each of the periods attributable to equity shareholders of the parent and non-controlling interests is the same as the profit for the period attributable to the equity shareholders of the parent and non-controlling interests.

Consolidated statement of financial position

as at 31 October 2015

	Notes	**31 October 2015 Unaudited £'000**	31 October 2014 Unaudited £'000	30 April 2015 Audited £'000
Assets				
Non-current assets				
Goodwill		**36,841**	34,798	36,841
Other intangible assets		**15,738**	21,924	18,871
Property, plant and equipment		**10,382**	11,399	10,338
Deferred tax asset		**104**	301	104
		63,065	68,422	66,154
Current assets				
Inventories		**682**	2,284	1,078
Trade and other receivables		**27,157**	19,411	19,528
Cash and cash equivalents		**11,398**	6,745	19,701
		39,237	28,440	40,307
Total assets		**102,302**	96,862	106,461
Liabilities				
Current liabilities				
Trade and other payables		**(23,155)**	(17,239)	(25,373)
Current tax liabilities		**(732)**	(865)	(786)
Derivative financial instruments		**(38)**	—	(38)
Bank borrowings		**(2)**	(88)	(4)
Provisions		**(517)**	(2,176)	(558)
		(24,444)	(20,368)	(26,759)
Non-current liabilities				
Deferred tax liability		**(3,719)**	(4,977)	(4,345)
Bank borrowings		**(10)**	(71)	(10)
Other creditors	8	**(6,000)**	(12,500)	(12,500)
		(9,729)	(17,548)	(16,855)
Total liabilities		**(34,173)**	(37,916)	(43,614)
Net assets		**68,129**	58,946	62,847
Equity				
Share capital		**4,096**	4,096	4,096
Share premium account		**29,657**	29,656	29,657
Own shares		**(403)**	(1,216)	(835)
Share option reserve		**503**	626	403
Other reserve: option for acquiring non-controlling interest in MCL	8	**(6,000)**	(12,500)	(12,500)
Retained earnings		**33,111**	29,787	33,805
Total equity attributable to the equity shareholders of the parent		**60,964**	50,449	54,626
Non-controlling interests		**7,165**	8,497	8,221
Total equity		**68,129**	58,946	62,847

Consolidated statement of changes in equity

for the six months ended 31 October 2015

	Attributable to the equity shareholders of the parent								
	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 May 2014	4,096	29,656	(2,274)	526	—	30,194	62,198	—	62,198
Profit for the period	—	—	—	—	—	1,132	1,132	(113)	1,019
Transactions with owners of Group and non-controlling interests recognised directly in equity:									
Equity dividend	—	—	—	—	—	(1,119)	(1,119)	—	(1,119)
Vesting of restricted shares	—	—	—	—	—	43	43	—	43
Own shares sold	—	—	595	—	—	—	595	—	595
Net loss on selling own shares	—	—	463	—	—	(463)	—	—	—
Share-based payments	—	—	—	100	—	—	100	—	100
Option for acquiring non-controlling interest in MCL	—	—	—	—	(12,500)	—	(12,500)	—	(12,500)
Introduction of non-controlling interest on acquisition of MCL	—	—	—	—	—	—	—	8,610	8,610
At 31 October 2014	4,096	29,656	(1,216)	626	(12,500)	29,787	50,449	8,497	58,946
At 1 May 2014	4,096	29,656	(2,274)	526	—	30,194	62,198	—	62,198
Profit for the year	—	—	—	—	—	5,628	5,628	(388)	5,240
Transactions with owners of Group and non-controlling interests recognised directly in equity:									
Equity dividends	—	—	—	—	—	(1,765)	(1,765)	—	(1,765)
New shares issued	—	1	—	—	—	—	1	—	1
Vesting of Restricted shares	—	—	—	—	—	44	44	—	44
Own shares sold	—	—	822	—	—	—	822	—	822
Net loss on selling own shares	—	—	617	—	—	(617)	—	—	—
Share-based payments	—	—	—	198	—	—	198	—	198
Transfer of share option reserve on vesting of options	—	—	—	(321)	—	321	—	—	—
Option for acquiring non-controlling interest in MCL	—	—	—	—	(12,500)	—	(12,500)	—	(12,500)
Introduction of non-controlling interest on acquisition of MCL	—	—	—	—	—	—	—	8,609	8,609
At 30 April 2015	4,096	29,657	(835)	403	(12,500)	33,805	54,626	8,221	62,847
At 1 May 2015	4,096	29,657	(835)	403	(12,500)	33,805	54,626	8,221	62,847
Profit for the period	—	—	—	—	—	1,126	1,126	(1,056)	70
Transactions with owners of Group and non-controlling interests recognised directly in equity:									
Equity dividend	—	—	—	—	—	(1,387)	(1,387)	—	(1,387)
Vesting of restricted shares	—	—	—	—	—	76	76	—	76
Own shares purchased	—	—	(631)	—	—	—	(631)	—	(631)
Own shares sold	—	—	554	—	—	—	554	—	554
Net loss on selling own shares	—	—	509	—	—	(509)	—	—	—
Share-based payments	—	—	—	100	—	—	100	—	100
Charge in option for acquiring non-controlling interest in MCL	—	—	—	—	6,500	—	6,500	—	6,500
At 31 October 2015	**4,096**	**29,657**	**(403)**	**503**	**(6,000)**	**33,111**	**60,964**	**7,165**	**68,129**

Consolidated cash flow statement

for the six months ended 31 October 2015

	Notes	**Six months ended 31 October 2015 Unaudited £'000**	Six months ended 31 October 2014 Unaudited £'000	Year ended 30 April 2015 Audited £'000
Net cash (used in)/generated from operating activities	6	**(5,621)**	5,458	18,798
Cash flow from investing activities				
Interest received		**38**	58	87
Purchases of property, plant and equipment		**(584)**	(449)	(1,063)
Consideration paid to date for acquisition of EID	7	**(670)**	—	—
Acquisition of MCL, net of cash acquired		—	(4,715)	(5,698)
Acquisition of J+S, including overdraft acquired		—	(11,878)	(11,688)
Disposal of SEA's Space business		—	2,500	4,000
Net cash used in investing activities		**(1,216)**	(14,484)	(14,362)
Cash flow from financing activities				
Equity dividends paid		**(1,387)**	(1,119)	(1,765)
Repayment of borrowings		**(2)**	(43)	(131)
Purchase of own shares		**(631)**	—	—
Sale of own shares		**554**	595	822
Issue of new shares		—	—	1
Net cash used in financing activities		**(1,466)**	(567)	(1,073)
Net (decrease)/increase in cash and cash equivalents		**(8,303)**	(9,593)	3,363
Represented by:				
Cash and cash equivalents brought forward		**19,701**	16,338	16,338
Cash flow		**(8,303)**	(9,593)	3,363
Exchange		—	—	—
Cash and cash equivalents carried forward		**11,398**	6,745	19,701

Notes to the interim report
For the six months ended 31 October 2015

1. Basis of preparation

The financial information contained within this Interim Report has been prepared applying the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the EU and expected to apply at 30 April 2016. As permitted, this Interim Report has been prepared in accordance with AIM Rules for Companies and is not required to comply with IAS 34 ‘Interim Financial Reporting’ to maintain compliance with IFRS. This Interim Report is presented in sterling and all values are rounded to the nearest thousand pounds (£’000) except where otherwise indicated

For management and reporting purposes, the Group currently operates through its four subsidiaries MASS, MCL, SCS and SEA. These subsidiaries are the basis on which the Company, Cohort plc, reports its primary segment information.

Going concern

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

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 of accounting in preparing this Interim Report.

In accordance with Section 434 of the Companies Act 2006, the unaudited results do not constitute statutory financial statements of the Company. The six months’ results for both years are unaudited.

(A) Statutory accounts

The financial information set out above does not constitute the Group’s statutory accounts for the year ended 30 April 2015. KPMG LLP has reported on these accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

(B) Statement of compliance

The accounting policies applied by the Group in its consolidated financial statements for the year ended 30 April 2015 are in accordance with IFRS as adopted by the European Union. The accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

The Interim Report was approved by the Board and authorised for issue on 14 December 2015.

2. Segmental analysis of revenue and adjusted operating profit

	Six months ended 31 October 2015 Unaudited £'000	Six months ended 31 October 2014 Unaudited £'000	Year ended 30 April 2015 Audited £'000
Revenue			
MASS	**15,126**	15,545	32,553
MCL	**3,233**	2,594	10,143
SCS	**9,048**	7,233	16,948
SEA	**22,275**	12,222	40,375
Inter-segment revenue	**(15)**	(13)	(81)
	49,667	37,581	99,938
Operating profit comprises:			
Trading profit of:			
MASS	**2,372**	1,914	5,492
MCL	**19**	164	1,327
SCS	**303**	308	1,319
SEA	**1,765**	1,074	3,964
Central costs	**(983)**	(997)	(2,017)
Adjusted operating profit	**3,476**	2,463	10,085
Expense on marking forward exchange contracts to market value at period end	—	—	(38)
Amortisation of intangible assets	**(3,246)**	(549)	(3,602)
Exceptional items	**(181)**	(647)	(580)
Operating profit	**49**	1,267	5,865

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

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

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

The SEA trading profit of £1,765,000 (six months ended 31 October 2014: £1,074,000; year ended 30 April 2015: £3,964,000) is after excluding exceptional charges of £Nil in respect of the disposal of its Space business (six months ended 31 October 2014: charge of £33,000; year ended 30 April 2015: income of £44,000), and £Nil for the acquisition of J+S Ltd (six months ended 31 October 2014: charge of £417,000; year ended 30 April 2015: charge of £427,000) and amortisation of other intangible assets of £650,000 (six months ended 31 October 2014: £43,000; year ended 30 April 2015: £1,378,000).

The Group's adjusted operating profit includes the cost of share options of £100,000 for the six months ended 31 October 2015 (six months ended 31 October 2014: £100,000; year ended 30 April 2015: £198,000) and is applied to each reporting segment in proportion to the number of employees in the Group's various share option schemes. It excludes the exceptional charge of £181,000 in respect of the acquisition of EID (£197,000 in respect of the acquisition of MCL for the six months ended 31 October 2014 and the year ended 30 April 2015) and amortisation of other intangible assets of £2,596,000 (six months ended 31 October 2014: £506,000; year ended 30 April 2015: £2,224,000).

The chief operating and decision-maker as defined by IFRS 8 has been identified as the Board.

Revenue analysis by sector and type of work

	Six months ended 31 October 2015 Unaudited		Six months ended 31 October 2014 Unaudited		Year ended 30 April 2015 Audited	
	£m	**%**	£m	%	£m	%
By sector						
UK defence and security	**33.8**	**68**	27.2	72	70.0	70
Export defence customers	**10.2**	**21**	5.5	15	19.4	19
Defence and security revenue	**44.0**	**89**	32.7	87	89.4	89
Transport	**1.7**		1.4		3.9	
Offshore energy	**2.2**		0.2		2.0	
Other commercial	**1.8**		3.3		4.6	
Non-defence revenue	**5.7**	**11**	4.9	13	10.5	11
Total revenue	**49.7**	**100**	37.6	100	99.9	100
By capability						
Defence products	**14.4**	**29**	8.3	22	34.8	35
Operational support	**8.9**	**18**	3.2	8	9.7	10
Specialist expertise	**6.7**	**13**	4.9	13	10.4	10
Training	**5.5**	**11**	4.2	11	10.6	11
Studies and analysis	**4.5**	**9**	3.8	10	8.4	8
Secure networks	**3.8**	**8**	5.6	15	9.1	9
Applied research	**3.0**	**6**	2.9	8	6.8	7
Application software	**2.9**	**6**	4.7	13	10.1	10
Total revenue	**49.7**	**100**	37.6	100	99.9	100

3. Income tax expense

The income tax expense comprises:

	Six months ended 31 October 2015 Unaudited £'000	Six months ended 31 October 2014 Unaudited £'000	Year ended 30 April 2015 Audited £'000
Current tax: in respect of this period	**681**	443	1,485
Current tax: in respect of prior periods	**(40)**	—	(204)
	641	443	1,281
Deferred taxation: in respect of this period	**(626)**	(139)	(518)
	15	304	763

The income tax expense for the six months ended 31 October 2015 is based upon the anticipated charge for the full year ended 30 April 2016.

4. Earnings per share

The earnings per share are calculated as follows:

	Six months Ended 31 October 2015 Unaudited £'000	Six months ended 31 October 2014 Unaudited £'000	Year ended 30 April 2015 Audited £'000
Earnings			
Basic and diluted earnings	**1,126**	1,132	5,628
Charge on marking forward exchange contracts to market at period end (net of income tax)	—	—	23
Exceptional items (net of income tax):			
Cost incurred to date on acquisition of EID	181	—	—
Cost on acquisition of MCL	—	197	197

Cost on acquisition of J+S	—	417	427
Loss/(profit) on disposal of SEA's Space business (net of income tax)	—	5	(72)
Group's share of amortisation of intangible assets (net of income tax)	**1,581**	437	1,992
Adjusted basic and diluted earnings	**2,888**	2,188	8,195

	Number	Number	Number
Weighted average number of shares			
For the purposes of basic earnings per share	**40,659,768**	39,808,740	40,071,658
Share options	**878,989**	880,587	894,739
For the purposes of diluted earnings per share	**41,538,757**	40,689,327	40,966,397

The weighted average number of ordinary shares for the six months ended 31 October 2015 excludes 118,311 ordinary shares held by the Cohort plc Employee Benefit Trust (which do not receive a dividend) for the purposes of calculating earnings per share (six months ended 31 October 2014: 728,180; year ended 30 April 2015: 500,041).

	Six months ended 31 October 2015 Unaudited Pence	Six months ended 31 October 2014 Unaudited Pence	Year ended 30 April 2015 Audited Pence
Earnings per share			
Basic	**2.77**	2.84	14.04
Diluted	**2.71**	2.78	13.74
Adjusted earnings per share			
Basic	**7.11**	5.50	20.45
Diluted	**6.95**	5.38	20.00

5. Dividends

	Six months ended 31 October 2015 Unaudited Pence	Six months ended 31 October 2014 Unaudited Pence	Year ended 30 April 2015 Audited Pence
Dividends per share proposed in respect of the period			
Interim	**1.90**	1.60	1.60
Final	—	—	3.40

The interim dividend for the six months ended 31 October 2015 is 1.90 pence (six months ended 31 October 2014: 1.60 pence) per ordinary share. This dividend will be payable 2 March 2016 for shareholders on the register at 5 February 2016.

The final dividend charged to the income statement for the year ended 30 April 2015 was 4.40 pence per ordinary share comprising 1.60 pence of interim dividend for the six months ended 31 October 2014 and 2.80 pence of final dividend for the year ended 30 April 2014.

6. Net cash (used in)/generated from operating activities

	Six months ended 31 October 2015 Unaudited £'000	Six months ended 31 October 2014 Unaudited £'000	Year ended 30 April 2015 Audited £'000
Profit for the period	**70**	1,019	5,240
Adjustments for:			
Tax expense	**15**	304	707
Depreciation of property, plant and equipment	**539**	372	957
Amortisation of intangible assets	**3,246**	549	3,602
Net finance income	**(36)**	(56)	(82)
Share-based payment	**100**	100	198
Derivative financial instruments	—	—	38
(Decrease)/increase in provisions	**(41)**	473	(356)
Operating cash flows before movements in working capital	**3,893**	2,761	10,304
Decrease/(increase) in inventories	**396**	(491)	450
(Increase)/decrease in receivables	**(7,629)**	5,967	1,861
(Decrease)/increase in payables	**(1,534)**	(1,995)	7,890
	(8,767)	3,481	10,201
Cash (used in)/generated from operations	**(4,874)**	6,242	20,505
Tax paid	**(745)**	(782)	(1,702)
Interest paid	**(2)**	(2)	(5)
Net cash (used in)/generated from operating activities	**(5,621)**	5,458	18,798

7. Acquisition of Empresa de Investigação e Desenvolvimento de Electrónica S.A. (EID)

On 5 August 2015, Cohort announced it had agreed to acquire 99.98% of EID, a Portugal based supplier of advanced electronics, communications and command and control products and systems for the global defence market.

At the same time, Cohort paid €949,000 (£670,000), representing 5% of the total gross consideration (€19.0m; £13.3m). This payment is refundable in full if the acquisition does not complete. This initial consideration has been recognised in other debtors.

The costs to date incurred in acquiring EID of £181,000 have been recognised as an exceptional item. The total expected costs of the acquisition, including renewing the Group's bank facility are estimated at £650,000 and will be disclosed as an exceptional item in the year ended 30 April 2016.

As the Group has no control over EID at this stage, none of the result of EID has been consolidated by the Group in the six months ended 31 October 2015.

8. Acquisition of Marlborough Communications Ltd (MCL)

The Group acquired 50% plus one share of Marlborough Communications Ltd (MCL) on 9 July 2014.

The Group has recognised 100% of MCL's result and net assets as it has effective control.

The Sale and Purchase Agreement in respect of the acquisition of MCL includes an option for the purchase of the remaining shares (just under 50%) in MCL, the non-controlling interest.

This option is exercisable by 31 December 2016 and is capped at £12.5m. If the performance of MCL in the two years ending 30 September 2016 is such that the amount payable for the non-controlling interest's shares exceeds the cap, the Group has the right to negotiate the amount payable at that time or not to acquire the non-controlling interest.

The non-controlling interest is entitled to participate in any dividends payable by MCL during the two years ending 30 September 2016.

In accordance with IFRS 3, the Group has ascribed a value to the option to acquire the non-controlling interest of MCL. This value has been estimated at £6.0m and the option is shown as a non-current liability and as the non-controlling interest has a right to dividends, in the other reserves as 'option for acquiring the non-controlling interest in MCL.

The reduction in the value of the 'option for acquiring the non-controlling interest in MCL' from £12.5m (at 30 April 2015) reflects the latest estimate of MCL's performance for the two years ending 30 September 2016.

Independent review report to Cohort plc

for the six months ended 31 October 2015

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 October 2015 which comprises the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 October 2015 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Andrew Campbell-Orde
for and on behalf of KPMG LLP
Chartered Accountants
Arlington Business Park
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14 December 2015