2 Waterside Drive
Arlington Business Park
Reading
Berks
RG7 4SW

Cohort plc

29 June 2017

COHORT PLC

FINAL RESULTS

FOR THE YEAR ENDED 30 APRIL 2017

Solid overall progress in a year of significant change and contrasts

Cohort plc today announces its final results for the year ended 30 April 2017. Highlights include:

	2017	2016	%
• Revenue	**£112.7m**	£112.6m	-
• Adjusted operating profit*	**£14.5m**	£11.9m	***22***
• Adjusted profit before tax*	**£14.5m**	£12.0m	***21***
• Statutory profit before tax	**£1.0m**	£5.3m	***(81)***
• Basic earnings per share	**9.09p**	19.14p	***(53)***
• Adjusted earnings per share*	**27.93p**	27.18p	***3***
• Net funds	**£8.5m**	£19.8m	***(57)***
• Order book (closing)	**£136.5m**	£116.0m	***18***
• Proposed final dividend per share	**4.9p**	4.1p	***20***
• Total dividend per share	**7.1p**	6.0p	***18***

- Performance benefited from the expanded portfolio of the Group
  - Strong initial contribution from EID and growth at MCL
  - Flat performance at MASS and SEA
  - Poor performance at SCS prior to its successful reorganisation at half year
- Strong order intake for the year of £108.6m (2016: £94.8m)
- Adjusted earnings per share increased 3%
- Dividend progression maintained, at 18% for the year
- Minority of MCL acquired, taking holding to 100% from 31 January 2017
- Net funds, as expected, down on last year

** Excludes exceptional items, amortisation of other intangible assets and non-trading exchange differences, including marking forward exchange contracts to market.*

Looking forward:

- Larger order book provides a strong underpinning for revenue in the coming year
- Net funds and bank facility provide resources for investment and acquisitions
- Acquisition of further 23% of EID expected

Commenting on the results, Nick Prest CBE, Chairman of Cohort plc said: *"Cohort again improved its performance in the year, achieving record adjusted operating profit. A strong initial contribution from EID and growth at MCL offset flat performances at MASS and SEA. The poor performance at SCS was partly mitigated by the reorganisation at the half year with a positive contribution from the transferred operating businesses of SCS in the second half.*

"Recent contract wins have given a positive start for the year and the Board considers that Cohort's order book and near-term prospects provide a good base for future progress."

A presentation for analysts is being hosted today 29 June 2017 at 9.15am for 9.30am at MHP Communications's offices, 6 Agar Street, London, WC2N 4HN

For further information please contact:

Cohort plc Andy Thomis, Chief Executive Simon Walther, Finance Director	0118 909 0390
Investec Bank Plc Keith Anderson, Daniel Adams	020 7597 5970
MHP Communications Limited Reg Hoare, Ollie Hoare	020 3128 8100

NOTES TO EDITORS

Cohort plc (www.cohortplc.com) is the parent company for four innovative, agile and responsive businesses working primarily for defence, wider government and industry clients.

- EID (www.eid.pt) – a Portugal based supplier of advance electronics, communication, and command and control products and systems for the global defence market. Cohort acquired a majority stake in June 2016.
- MASS (www.mass.co.uk) - a specialist defence and technology business, focused mainly on electronic warfare, information systems and cyber security. Acquired by Cohort in August 2006.
- MCL (www.marlboroughcomms.com) - an expert in sourcing, design and integration of communications and surveillance technology, as well as support and training for UK end users including the MOD and other government agencies. MCL has been part of the Group since July 2014.
- SEA (www.sea.co.uk) - an advanced electronic systems and software house operating in the defence, transport and offshore energy markets. 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 800 core staff there and at its other operating company sites in Bristol, Cambridgeshire, Devon, Lincolnshire, Somerset, Surrey, Scotland and Portugal.

CHAIRMAN'S STATEMENT

Cohort achieved a record adjusted operating profit of £14.5m in 2017 (2016: £11.9m). This result was driven primarily by a strong maiden contribution from EID and improved performance at MCL.

In the course of the year, we acquired a controlling stake in EID, took our ownership of MCL to 100% and restructured SCS by transferring its operating divisions to MASS and SEA. This was made necessary by a steep decline in demand from UK MoD for some of SCS's services. The tighter UK market conditions also affected MASS and SEA, both of which saw a slight reduction in profit compared to 2015/16.

Order intake in the year was strong, particularly in the second half. The improved closing order book position, taken together with orders received since the year end and a good pipeline of further prospects at all four businesses, provide a solid base for 2017/18 and beyond.

Key financials

In the year ended 30 April 2017, Cohort achieved revenue of £112.7m (2016: £112.6m), including £32.5m (2016: £32.0m) from MASS Consultants Limited (MASS), £44.4m (2016: £48.8m) from SEA (Group) Limited (SEA), £14.8m from Marlborough Communications Limited (MCL) (2016: £13.7m) and an initial contribution from EID of £16.0m for 10 months. SCS's closing revenue was significantly down on last year's, reflecting the weaker trading performance which catalysed the decision to transfer its operating divisions to MASS and SEA with effect from 1 November 2016.

The Group's adjusted operating profit was £14.5m (2016: £11.9m). This included contributions from MASS of £5.9m (2016: £6.0m), SEA £5.3m (2016: £5.4m), MCL £2.1m (2016: £1.4m) and an initial contribution from EID of £4.2m for 10 months. SCS reported a loss of just under £0.5m for the year on revenue of £5.0m (2016: £1.2m profit on revenue of £18.1m), following the effective termination of its trading at the half year point.

The MASS and SEA adjusted operating profits for the year included a contribution from the former SCS divisions of £0.5m and £0.3m respectively. This £0.8m of SCS-derived operating profit on £4.1m of revenue in the second half represented a marked improvement on the first half, much of it due to the restructuring programme. This has realised an annual saving of £1.6m from a total one-off restructuring cost of £2.6m, the latter including £1.0m in respect of an onerous lease on SCS's former operating site in Theale.

Cohort Group overheads were £2.5m (2016: £2.1m).

MASS, which remains the Group's largest contributor to profit, recorded a small reduction in profit on a slight increase in revenue. This result came from a combination of improved second half gross margin and the second half contribution of the SCS divisions, offset by increased overheads, including some one-off costs. SEA also fell slightly short of its 2016 performance, after taking account of the contribution from former SCS activities.

MCL had a much stronger year on the back of delivery of Tactical Hearing Protection Systems for the British Army and good support activity. The hearing protection work will continue in the coming year and the order book in this area has been enhanced by further orders for hearing protection systems for other UK military users.

The strong initial contribution from EID exceeded our expectations. A relatively high gross margin was the result of a rich mix of work, with higher than usual levels of naval system support work and deliveries of vehicle intercom and related systems to export customers. The fall in Sterling against the Euro following the Brexit referendum last June has further enhanced the value of EID's contribution.

The Group operating profit of £1.0m (2016: £5.2m) is stated after recognising amortisation of intangible assets of £11.3m (2016: £6.4m) and exceptional items of £2.7m. This latter figure includes the cost of the reorganisation of SCS (£2.6m), and acquisition costs associated with EID and completing the purchase of 100% of MCL (£0.1m combined). Net foreign exchange gains of £0.4m (2016: £0.5m) were also recognised. Profit before tax was £1.0m (2016: £5.3m) and profit after tax was £2.1m (2016: £5.4m).

Adjusted earnings per share (EPS) were 27.93 pence (2016: 27.18 pence). The adjusted EPS were based upon profit after tax, excluding amortisation of other intangible assets, net foreign exchange gains and exceptional items. Basic EPS were 9.09 pence (2016: 19.14 pence). The adjusted EPS included the benefit of releasing some tax contingency in respect of prior years, those tax years having been closed out. A similar tax impact was seen last year. When comparing the adjusted EPS with the one off tax effects removed, the figure is 26.63 pence against 24.98 pence in 2016, an increase of 7%.

Order intake for the year at £108.6m (2016: £94.8m), was, as expected, higher than last year and combined with the acquired order book of EID, £23.1m, accounts for the higher closing order book of £136.5m. The net funds at the year end were, as expected, significantly down on 2016 at £8.5m (2016: £19.8m).

Dividends
The Board is recommending a final dividend of 4.9 pence per ordinary share (2016: 4.1 pence), making a total dividend of 7.1 pence per ordinary share (2016: 6.0 pence) for the year, an 18% increase. This will be payable on 13 September 2017 to shareholders on the register at 18 August 2017, subject to approval at the Annual General Meeting on 7 September 2017.

EID
EID made a strong initial contribution for its first 10 months in the Cohort Group. An adjusted operating profit of £4.2m on £16.0m of revenue, a net margin of over 26% was above our expectations.

This was a result of higher level of support activity in its Naval division, attracting higher margins due to the level of EID labour content, and successful delivery of vehicle intercom and related products to various export customers.

The EID contribution was further boosted on translation by the weaker Sterling to Euro exchange rate following the Brexit referendum result of last June.

Looking ahead, we expect the mix of work at EID to return closer to its historical norm, with net margins expected to be below 20%.

EID's order intake since acquisition has been close to £19m and its order book has grown from the £23.1m acquired to a closing £27.6m. This provides strong underpinning for the coming year and with good prospects in both domestic and export markets, EID should grow its revenue in the coming year.

Although it has been slow, we have made progress on completing the next stage of the EID acquisition, with the aim for the Group to hold 80% of EID and the Portuguese Government the other 20%. The Group having acquired 56.89% in June 2016.

A shareholder agreement giving the Portuguese Government certain rights, most of which are typical for a minority shareholding, whilst ensuring Cohort has day-to-day management control over EID, has been agreed in principle between the two parties.

The transaction requires a formal notification to, and approval by, the Portuguese Competition Authority. This is in process and we expect to be able to announce the second stage of the EID acquisition in the coming months.

MASS
MASS's adjusted operating profit of £5.9m (2016: £6.0m) was slightly behind last year. Its net margin decreased from 18.7% to 18.2% reflecting the inclusion of SCS's Training Support division in the second half and investment in building its secure IT and cyber work.

MASS's underlying performance, excluding the impact of SCS, was down on last year. This was due to slower order intake in export EWOS and a delay to the kick off of the Metropolitan Police Service's (MPS) Digital Forensics Service, a contract secured towards the end of the end of the year and for which MASS will provide a managed service to the MPS for the next nine years. There were also some additional one-off costs incurred during the year.

MASS's order book increased during the year. Order intake of £32.6m included significant order wins from the MPS (£8.6m) and a long term support contract for the RAF's Sentry Platform (£12.5m). MASS's closing order book also includes £6.1m of orders transferred from SCS in respect of its Training Support division. Its closing order book of £49.3m (2016: £41.7m) provides a good underpinning for 2017.

MCL
MCL improved its adjusted operating profit to just under £2.1m (2016: £1.4m) on revenue of £14.8m (2016: £13.7m). The improved performance was a result of both higher revenue and improved mix with increased support activity, particularly in the second half of the year. The net margin increased from 10.7% to 13.9%.

We expect the net margin to fall back to a historically lower percentage level in the coming year as revenue is boosted by delivery of a range of Hearing Protection Systems, which have a higher proportion of bought in product.

The Group acquired the remaining non-controlling interest (49.999%) of MCL on 31 January 2017 for a consideration of just under £5.1m. A further £0.5m is payable as earn out in respect of MCL's closing order book at 30 April 2017 and just over £1.9m as the non-controlling shareholders' share of the surplus cash in the business as at 30 April 2017. These amounts are expected to be paid on or before 31 July 2017.

The further consideration paid, and to be paid, is in accordance with the original sale and purchase agreement of 9 July 2014.

MCL's contribution to the Group in the final quarter, when 100% owned, was just under £1.4m of adjusted operating profit on £5.0m of revenue, reflecting its typical strong second half performance, especially in providing support and spares to its deployed product base with the UK MoD.

MCL's order intake of over £23m included nearly £15m of hearing protection orders. Its closing order book of £15.5m along with around £6m of orders secured since the year end provide very good visibility for the coming year.

SEA
SEA's underlying performance in the year varied considerably across its divisions.

SEA's adjusted operating profit of £5.3m (2016: £5.4m), which included a small contribution from the former SCS businesses in the second half, was on lower revenue of £44.4m (2016: £48.8m), delivering a net margin of 11.9% (2016: 11.2%).

There was a strong net contribution from its Maritime Division, especially in relation to submarine communications and launcher systems for export customers, which together more than offset a difficult development project which is now nearing completion.

SEA's range of Roadflow products also had a strong year with unit sales of 108 in 2016/17 bringing the total deployed to date to well over 400. However, SEA's Research division suffered from a serious delay to the renewal of its soldier systems research programme, much of this due to budgetary issues at its customer, DSTL. The impact of this was a fall in revenue from just over £8m in 2016 to less than £2m, accounting for the decrease in SEA's revenue overall.

The oil and gas business also suffered from a tight market although it saw improved margins as the balance of its work switched from replacement to repair.

Despite the fall in revenue, the net margin of SEA increased as a result of improved mix. The proportion of relatively high margin product sales increased and the business was able to retire some risk contingency on its major maritime projects, as the external communications and torpedo launcher systems both entered their production phases.

SEA secured just under £32m (2016: £36m) of orders in the year, the drop off being particularly noticeable in the Research division. SEA's order intake did include nearly £9m of orders for its transport products and services. The increased activity in SEA's transport business has brought an improvement in net margin. The SEA order book of £44.0m (2016: £55.6m) underpins almost half of SEA's expected revenue for 2017/18, and along with good order prospects gives us reasonable confidence that SEA will return to growth in the coming year.

Cash
As expected, the net funds of the Group decreased by £11.3m from £19.8m to £8.5m. The £14.5m (2016: £11.9m) of adjusted operating profit, after an expected net working capital outflow and the cost of reorganisation at SCS, delivered £3.3m of operating cash inflow (2016: £8.5m inflow). This weaker cash performance was in part due to the reversal of the stronger than expected inflow in the final quarter of last year.

The operating cash inflow was utilised in paying tax, dividends and capital investment, a total outflow of £6.0m (2016: £4.9m) as well as acquiring 56.89% of EID (£4.0m, net of cash acquired) and the non-controlling interest in MCL (£5.1m).

The closing net funds were slightly below our expectations as some significant receipts (£3.5m) were received just after the year end.

Looking forward, we expect to pay out just over £2.5m on or before 31 July 2017 to complete the earn-out condition in respect of acquiring the non-controlling interest of MCL.

As already mentioned, we also expect to acquire a further 23% of EID taking our holding to 80%. This cost of €4.4m will be funded using the Group's debt facility, providing a natural hedge of Euro debt against our Euro-based assets in Portugal.

Despite these further committed acquisition outflows, the Group still expects to grow its net funds in the coming year

Board, management and staff
As always, my thanks go to all staff within the businesses. Their hard work, skill and ability to deliver what the customer needs are what continues to drive the performance of our Group.

I welcomed the staff of EID into the Group last year, the initial acquisition completing on the day of announcing our 2015/16 results. I would like to take this opportunity to thank them and their Managing Director António Marcos Lopes for a strong contribution to the Group in their first year, and for the positive way they have adapted to life in a UK listed entity.

Andy Thomis and his senior executive colleagues have continued the dedicated and skilful work which has helped the Group to progress in the face of challenging trading conditions in parts of the Defence market.

Outlook
The closing order book of £136.5m (2016: £116.0m) provides a solid underpinning for the coming year. Although the UK defence market remains tight, the Cohort businesses have strong and relevant capabilities, established positions on some key long-term UK MOD programmes, and a good pipeline of new opportunities. Export prospects continue to strengthen although their timing is always unpredictable. Outside defence, MASS continues to make progress with its cyber capability as underlined by its recent securing of a contract to deliver the Metropolitan Police's digital forensic service for the next nine years, a service we are working on extending to other police forces both in the UK and overseas. We are also encouraged by the progress in SEA's transport offering which achieved record sales of Roadflow units in the last year. We have already made progress on improving access to the new markets introduced to the Group by EID and expect, in due course, to convert some of these introductions into orders for the rest of the Group.

The political and economic context within which Cohort operates has not changed appreciably since last year. On the one hand the international and domestic security environment calls for greater resources to be devoted to Defence and Counter Terrorism in the UK and many other countries. On the other hand the pressures on public expenditure in the UK are strong and this applies in varying degrees in many other markets, including Portugal.

As regards Brexit, Defence trade has not been part of the single market and, in any case, our business from the UK into EU countries is currently small (£3.1m in 2017; £1.0m in 2016). We do not therefore anticipate any direct effects upon Cohort from the Brexit process. In the longer term there could be indirect effects, resulting from the broad economic and political consequences of Brexit. Whether these will be favourable or unfavourable is not possible to say. The job of the Cohort Board is to manage our affairs so that our businesses prosper whatever the political and economic backdrop.

Our collective experience of Defence business, our size and decentralised management structure, which together enable us to make quick decisions, and our focus on niche product and service offering, for which demand is increasing both domestically and internationally, are the keys to this.

We continue to look for opportunities to augment organic growth through targeted acquisitions. Recent contract wins have given us a positive start to the year, and the Board considers that Cohort's order book and near-term prospects provide a good base for future progress.

Nick Prest CBE
Chairman

BUSINESS REVIEW

Operating review

2016/17 has been another year of progress for Cohort, with a record level of adjusted operating profit. Revenue was at a similar level to last year, reflecting tight market conditions for MASS, SCS and SEA offset by strong performances at MCL and EID. The closing order book of £136.5m, along with a good pipeline of prospects, provide a basis for further progress in the coming financial year.

The Group's adjusted operating profit of £14.5m (2016: £11.9m) on revenue of £112.7m (2016: £112.6m) was a net return of 12.9% (2016: 10.5%).

Adjusted operating profit by subsidiary:

	Adjusted operating profit			Operating margin	
	2017	2016	Change	2017	2016
	£m	£m	%	%	%
EID	4.2	-	n/a	26.4	-
MASS	5.9	6.0	(2)	18.2	18.7
MCL	2.1	1.4	50	13.9	10.2
SCS	(0.5)	1.2	n/a	-	6.6
SEA	5.3	5.4	(2)	11.9	11.1
Central costs	(2.5)	(2.1)	(19)	-	-
	14.5	11.9	22	12.9	10.6

The 2016/17 result includes an initial contribution from EID for ten months.

MASS and SEA reported results include a contribution from the former operating divisions of SCS which transferred to these businesses on 1 November 2016 when the SCS business was reorganised and its headquarters and support functions closed.

Taking into account the transfers from SCS and the impact of EID, the Group performance on a like for like basis was as follows:

	2017 Revenue as reported	2017 Adjustment for the reorganisation of SCS	2017 Like for like revenue	2016 Revenue	Change %
	£m	£m	£m	£m	
MASS	32.5	(2.6)	29.9	32.0	(7)
MCL	14.8	-	14.8	13.7	8
SCS	5.0	4.1	9.1	18.1	(50)
SEA	44.4	(1.5)	42.9	48.8	(12)
Group as at the start of the year	96.7	-	96.7	112.6	(14)
EID	16.0	-	16.0	-	-
	112.7	**-**	**112.7**	**112.6**	**-**

	2017 Adjusted operating profit/(loss) as reported	2017 Adjustment for the reorganisation of SCS	2017 Like for like adjusted operating profit	2016 Adjusted operating profit	Change %
	£m	£m	£m	£m	
MASS	5.9	(0.5)	5.4	6.0	(10)
MCL	2.1	-	2.1	1.4	50
SCS	(0.5)	0.8	0.3	1.2	(75)
SEA	5.3	(0.3)	5.0	5.4	(7)
Central costs	(2.5)	-	(2.5)	(2.1)	(19)
Group as at the start of the year	10.3	-	10.3	11.9	(13)
EID	4.2	-	4.2	-	-
	14.5	**-**	**14.5**	**11.9**	**22**

Elsewhere in this report, we comment on the reported result of each of the Group's businesses.

The above table highlights the initial contribution from EID, which was acquired earlier in the financial year as well as the impact of the reorganisation of SCS.

As previously reported, SCS was reorganised at the end of the first half of this financial year, with its Training Support division transferring to MASS, and its Air Systems and Capability Development divisions to SEA.

The cost of this reorganisation was just under £2.6m which included just over £1.0m in respect of an onerous lease on SCS's former operating facility at Theale, which expires in September 2021. The reorganisation involved the closure of SCS's headquarters and support functions and the annual saving to the Group is expected to be £1.6m.

The positive impact of this reorganisation on the Group's adjusted operating profit is shown in the above tables, with SCS's former businesses contributing £0.8m of adjusted operating profit on £4.1m of revenue in the second half compared with a loss of nearly £0.5m on £5.0m of revenue in the first half of the year.

Removing the SCS contribution from MASS and SEA, the like for like adjusted operating profits and revenue of these businesses were both down compared to 2016.

MASS remains the strongest contributor to the Group's adjusted operating profit. However, excluding the contribution from the businesses transferred from SCS, MASS saw a 7% drop in revenue, accompanied by a 10% drop in adjusted operating profit, the latter after one-off costs of £0.3m.

The cessation of some low margin activity accounted for most of the revenue drop at MASS. Despite this, the overall gross margin was maintained, but the bottom line was impacted by higher overheads. These were partly one-off in nature but also reflected investment in growing its cyber offering.

Similarly, excluding the contribution of the former SCS businesses, SEA's revenue fell by nearly £6m. Almost all of this was due to the contraction in its Research division following an extended delay to the renewal of its soldier system research programme by the customer, DSTL.

The impact of this revenue shortfall on net margin was partly offset by higher margin sales in other areas of SEA, particularly launcher systems for overseas customers, and increased activity within our transport market.

In contrast, MCL delivered strong adjusted operating profit growth of 50% on an 8% increase in revenue. This was mostly due to favourable mix with higher margin support work being delivered in the final quarter, which is historically the strongest period for MCL.

The Group acquired the minority interest in MCL at the end of January 2017, and MCL's contribution after this date was very strong with £1.4m of adjusted operating profit on £5.0m of revenue.

EID's initial contribution to the Group, which was only for 10 months, materially exceeded our expectations. The £4.2m of adjusted operating profit on £16.0m of revenue, a net return of over 26% was unusually high. This was the result of a strong mix, including naval support work and the delivery of intercom and related products to export markets.

We do not expect to see such strong margins at EID in the future and although we are optimistic of achieving revenue growth in the coming year, the mix of work will change. This will reduce net margin percentages back to the level we would regard as normal for this business.

The increase in central costs was as expected and reflects the growth of the Group over the past year, particularly after absorbing its new overseas subsidiary EID.

Overall, excluding EID's contribution, the Group saw a 13% fall in adjusted operating profit on a 14% fall in revenue. This was mostly a result of the contraction seen at SEA and the difficulties experienced by SCS, especially in the first half.

Operating strategy

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

- EID is a hi-tech company with more than 30 years' experience in the design, manufacture and support of advanced, high performance command, control and communications equipment for the global defence and security market. The Royal Navy is amongst the customers for its naval communications systems, as are the navies of Portugal, the Netherlands, Spain and Belgium. It has also supplied a number of other export customers; in total its products equip over 120 warships worldwide, and its army products have also enjoyed wide domestic and export success.

  EID operates through two market-facing divisions:

  - Naval Communications: integrated command, control and communications systems for warships and submarines; and
  - Tactical Communications: radio, field and vehicle communication equipment and networking equipment

  These divisions are supported by an internal production and logistics unit. EID operates from an engineering facility near Lisbon, and has a regional office in Indonesia. It is led by its Managing Director, António Marcos Lopes.

- MASS is a business which enables customers to better protect, analyse and interpret data to provide valuable information. It is a leading international provider in the fields of electronic warfare (EW) and secure communications, including cyber security. Its products include the THURBON™ EW database and it provides EW operational 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 leading provider of secure networks, cyber protection and analysis to defence and other security services. Most recently it has been awarded a contract to provide digital forensics service to London's Metropolitan Police. MASS is also now the provider of training support and simulation to the UK's Joint Forces Command, a service the Group has provided for over 15 years. MASS was founded in 1983.

- MCL is a supplier of advanced electronic warfare, surveillance technologies and hearing protection systems to defence and security customers, mostly in the UK. It sources technologies from a global supplier network as well as developing and supplying its own solutions. MCL has a reputation for being flexible and agile in creating effective, mission deployable solutions for customers in the most challenging timeframes. MCL was founded in 1980 and is led by its Managing Director Darren Allery.

- SEA specialises in providing systems engineering and specialist design solutions to government and industry. Its External Communications System is being provided for all of the Royal Navy's Astute Class submarines, and will ultimately be fitted to all of the RN's underwater fleet. It is also a supplier of systems and in-service support for the defence and offshore energy markets in the UK and overseas. Its products include sonar systems, torpedo launchers and other naval equipment. It provides a range of simulation-based training solutions and middleware to provide realistic training for complex environments. It also provides software and systems for the transport market, including the successful Roadflow traffic enforcement system. SEA is now the provider of military airworthiness and other technical support previously provided through SCS. SEA was founded in 1988 and is led by Managing Director Steve Hill.

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 positions us well to supply systems and services to our customers where these attributes are highly valued.

Although the degree of autonomy our subsidiary businesses enjoy is high, and we believe that this is an effective operational strategy, we take a practical view of the best way forward when circumstances change. When the operational situation is such that a merger, restructuring or even sale is necessitated, we will act and have acted in the best interests of the wider Group and its shareholders. During the year, the reorganisation of SCS was such a case. Its operational divisions were performing profitable work but struggling to grow to a sufficient size to merit the retention of SCS's separate support functions. The closure of these support functions and the transfer of SCS's profitable operational divisions elsewhere in the Group was a necessary step which generated a much stronger second half performance from the reorganised business.

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, SEA's External Communication System (ECS) for submarines and MCL's range of hearing protection systems. 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 have continued to widen the customer base for our network security offering and extended the application of our Roadflow product to address moving traffic offences, in particular yellow box junctions and banned right turns.

Being part of the Cohort Group brings 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 might otherwise be perceived as risky. Examples include MASS's £50m in-service support contract awarded in 2010, its recent win to support the Metropolitan Police Services' Digital Forensics provision for the next nine years, over £70m of contracts awarded to SEA so far for ECS across the UK's submarine platforms and MCL winning over £20m of orders to date for supply and support of hearing protection systems across a range of UK military users. 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 current three UK 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. We have made progress in the year on ensuring that EID fully participates in this collaborative approach and will continue to try and ensure access is widened to all of the Group's markets for all our services and products.

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

The most likely candidates for bolt-in acquisitions are businesses with capabilities and/or customer relationships that are closely linked to one of our existing subsidiaries. We would expect to integrate an acquired business of this nature fully within the relevant subsidiary. This could lead to both cost savings and benefits from shared access to markets and technologies. The J+S acquisition by SEA in 2014/15 is a good example of this.

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 important. The acquisition of just over 50% of MCL in 2014/15 met these criteria, with the remainder of MCL (just under 50%) acquired for a further consideration of £5.1m on 31 January 2017, with a further £0.5m payable as an earn out on or before 31 July 2017.

As mentioned last year, the Group has added a fourth member of Cohort by acquiring just under 57% of EID. The total consideration paid for this was just under €11m (£8.9m). Subject to final approval of the Portuguese Government, the Group expects to acquire a further 23% of EID from the Government on the same terms and price as the initial 57% with the Portuguese Government retaining a 20% stake in EID. The second part of the acquisition of EID was originally expected to complete in the financial year ended 30 April 2017. Negotiation of a Shareholders' Agreement, satisfactory to a number of separate ministries and agencies of the Portuguese Government has taken some time. A Portuguese Competition Authority clearance is also required. A formal notification to this independent authority is in the advanced stages of preparation and we expect to complete the second stage of the acquisition of EID, subject to approval, within the coming months.

Following the the acquisition of its 57% stake, Cohort took effective control and consolidated 100% of EID from 28 June 2016, recognising the minority interest in EID as appropriate.

Divisional Review

EID

	2017 **£m**	2016 £m
Revenue	**16.0**	-
Adjusted operating profit	**4.2**	-
Operating cash flow	**4.1**	-

Above figures are for 100% of EID and for the 10 months ended 30 April 2017

EID provided a very strong initial contribution to the Group result for 2016/17. This exceeded our expectations in Euro terms and was further enhanced by the actual exchange rate to convert the EID € based earnings to £ sterling being lower than budgeted, the acquisition completing just after the Brexit referendum of last June. The average weighted exchange rate for 2016/17 was €1.1745:£1.

The EID performance saw a significant level of higher margin naval support activity, for both domestic (Portuguese) and export customers. The Tactical division, where it delivers mostly off the shelf EID designed and manufactured product, delivered on a significant contract for the Egyptian Army.

The combination of this support activity and higher volumes of export product deliveries drove an unusually high net margin of over 26%.

EID has secured nearly £19m of orders since joining the Group which included over £8m from the Portuguese MoD and follow on orders from Egypt of nearly £1.5m.

The closing order book of EID of £27.6m provides a good underpinning to the coming financial year and some very good prospects, especially in naval systems, are expected to add to this. We expect EID's revenue to grow in the coming year.

However, the mix of work at EID is expected to change in the coming year with lower levels of support activity. As a result the net margin is expected to return to more historically normal levels.

Divisional Review

MASS

	2017 **£m**	2016 £m
Revenue	**32.5**	32.0
Adjusted operating profit	**5.9**	6.0
Operating cash flow	**4.5**	4.9

MASS had a mixed year with a slight decrease (2%) in adjusted operating profit on slightly higher revenue.

The MASS figures in 2017 included £0.5m of adjusted operating profit on £2.6m of revenue from SCS's former Training Support division, which transferred to MASS on 1 November 2016.

MASS's revenue was up slightly (2%) on last year with the transfer from SCS offsetting a reduction in MASS's existing business where a low margin, non-core service it had provided for many years was halted.

The adjusted operating profit of MASS was slightly down on last year with improved gross margin offset by an increase in overhead. This was partly a result of one-off costs, the balance being investment in business development and project support, particularly in the Cyber division.

As we indicated was likely last year, MASS's net margin decreased to 18.2% (2016: 18.7%). This was primarily due to the overhead increase.

During the year, MASS secured a number of significant contracts in the growth areas of secure information systems and cyber. This included the Metropolitan Police Services (MPS) Digital Forensic managed service for nine years (£8.6m) and a ten year secure information management service for the RAF's Sentry platform (£12.5m), the latter being an extension of existing work. MASS's order intake included over £8m of other renewals and extensions of existing work and we expect more of this in the coming year.

The MPS win is particularly pleasing and opens up a significant new market for both similar and new offerings to other UK police forces as well as overseas customers.

MASS's operating cash flow this year was slightly weaker than last year with a build-up of working capital at the end of the financial year linked to higher activity. MASS, as part of its cyber strategy, is currently investing in facility upgrades to enable it to offer a more comprehensive cyber service. This work completed at the end of 2016/17 and the resulting new facility will become operational in 2017.

MASS operated through the year with four divisions, adding the Training Support division as a fifth at the half year. For the coming 2017/18 financial year it expects to continue to operate through these five profit centres. The EWOS division provides MASS's EW capability, including the THURBON™ EW database, SHEPHERD (the provision of a system embodying THURBON™ to the UK MOD) and its EW managed service offerings in the UK and elsewhere. The Cyber Security division includes MASS's offerings of solutions and training to government security customers, including now the Metropolitan Police. The Secure Networks division includes MASS's secure network design, delivery and support, including Information assurance services to commercial, defence and educational customers. The Strategic Systems division provides certain managed service and niche technical offerings to the UK MOD. The Training Support division provides training simulation and support to the UK's Joint Warfare Centre as well as similar high level command training to other UK and overseas customers.

MASS enters the current year with a strong order book and pipeline of opportunities, including exports, though the latter are always unpredictable in terms of timing.

Divisional Review

MCL

	2017 **£m**	2016 £m
Revenue	**14.8**	13.7
Adjusted operating profit	**2.1**	1.4
Operating cash flow	**0.5**	0.5

The above figures are for 100% of MCL in both years

MCL's increased revenue (8%) on last year was mostly from increased support services for the UK MoD, primarily in the land environment. Typically for MCL, much of this activity arose in the final quarter.

This support work, much of which involves utilising MCL's own people, is typically at higher margins than MCL's product sales where the bought-in content is much higher.

The increased revenue and especially favourable mix drove MCL's adjusted operating profit up by 50% compared to last year, £1.4m of it being delivered after Cohort's acquisition of the minority shareholding on 31 January 2017.

MCL secured a number of key orders in the year including a further £15m of hearing protection systems and other equipment development, production and support for specialist military users.

When we acquired MCL, back in July 2014, one of the primary objectives was to support MCL in building an order book and business with greater longevity and visibility. The 2017 closing order book of £15.5m (2016: £7.0m), along with further recent wins of around £6m, shows this objective of improved visibility and predictability is making progress. This gives us confidence that MCL will continue to grow in the coming year, although we expect margin percentages to be lower due to the level of bought-in content.

The positive, albeit small, operating cash flow was expected and reflects MCL's peak of activity at the end of the financial year.

Darren Allery, MCL's Managing Director, has led his team through the integration with Cohort. We are looking forward to continuing to work with the existing MCL team following the acquisition of the remaining management shareholders' stakes on 31 January 2017.

Divisional Review

SEA

	2017 **£m**	2016 £m
Revenue	**44.4**	**48.8**
Adjusted operating profit	**5.3**	**5.4**
Operating cash flow	**(5.5)**	**2.7**

SEA, led by Managing Director Steve Hill, has had a mixed year with growth in its transport business offset by a significant contraction in its research activities.

Continuing the trend of recent years, despite the reduced revenue the net margin of SEA increased from 11.1% to 11.9%. This is a result of the trend of the business towards more product sale, particularly in export markets, and a proportionate reduction in customer-funded development work.

This trend has been accompanied by a reduced predictability of the revenue stream, especially in the SEA's software solutions and product division where the timeframe from order win to delivery is usually a few weeks to months. We expect to see this continue in the medium term whilst we await the next major stages of the UK submarine fleet's external communications system, the Vanguard Class upgrade and the new Dreadnought Class. In the meantime, SEA is actively seeking to expand its export business, especially in maritime markets.

SEA's maritime business remained steady with the expected decline in its UK submarine communications activity offset by increased delivery of torpedo launcher systems for export customers.

In SEA's Maritime division the UK submarine communications work has moved from design and testing of systems to delivery. We continue to have good levels of re-design and upgrade work whilst the engineering team await the next major activity on the Vanguard Class in the near future.

The moving of the communications system from design to production has de-risked the programme allowing previously held risk contingency to be released.

The level of torpedo launcher activity, as expected, increased as we completed design and moved to the first production systems for two export customers. The level of this activity will be sustained for the coming year. The business is tracking opportunities to win further export orders with the potential to provide growth in 2018/19 and beyond.

Within the Maritime division, SEA suffered project losses on a one-off development project for a specialist sonar array, a contract inherited with the J+S business acquired in 2014. This programme is expected to conclude in 2017/18 and no further losses are envisaged.

SEA's Software, Simulation and Product division (SSP), which is dominated by our offering to the transport market, increased its revenue from just under £7m in 2015/16 to nearly £9m this year.

This growth was mostly from increased orders for enforcement systems in the UK and overseas, as well as an important follow on order for Digital Traffic Enforcement Systems (DTES) at Transport for London. The initial upgrade work on DTES commenced in 2016/17.

The improved margins in the Maritime division and volume increase in SSP offset a marked deterioration in SEA's Research and Technical Services (RTS) division.

For some years, SEA has been a leading provider of research to the UK MoD in the areas of sonar, maritime and especially land. The former two areas continue to provide revenue streams for SEA, as well as providing expertise for its development of low profile sonar array systems, now being sold as the Krait Array to a number of customers around the world.

In the land domain, SEA has led a team of suppliers over a period of 8 years on two major research programmes into Dismounted Soldier Systems. The last of those research programmes, Delivering Dismounted Effect (DDE) completed last year. A follow on programme, known as the Dismounted Engine

Room (DER), was expected but various internal and budget issues on the side of the customer, DSTL, have delayed it. The timing of DER remains uncertain and initial work is now likely to be delayed into 2018/19.

The impact of this delay resulted in revenue in SEA's Research division dropping significantly, from over £8m in 2015/16 to around £2m in 2016/17. This contraction accounts for most of the revenue fall seen at SEA.

SEA's subsea division also had a tough year with revenue dropping by a third to £2m as the low oil price continued to hold back spending by oil producers in the North Sea. Despite this, the division largely maintained its profitability by a combination of some cost reduction, including redeploying staff to support SEA's Maritime division, and improved gross margin. The latter arose from an increase in the proportion of refurbishment and repair activity, reflecting the cost conscious approach in the oil and gas sector. Much of this work is done by SEA's staff, with lower bought-in content.

SEA absorbed the former SCS divisions of Capability Development and Air Systems. Together these made a positive contribution to SEA's second half performance, with £0.3m adjusted operating profit on £1.5m of revenue.

SEA's closing order book of £44.0m includes nearly £24m of revenue to be delivered in the coming financial year.

SEA continued to conduct its business through four market facing divisions:

- Maritime division, including design, development, production and support of its naval communication systems, sonar, torpedo launch and other naval systems.

- Research and Technical Support division, including its capabilities in the land and research markets of defence. This absorbed the Capability Development division of SCS from 1 November 2016.

- Software Solutions and Product division, including SEA's transport work in the UK and overseas as well as other civil and non-maritime products, its training and simulation capabilities and other information systems. This absorbed the Air Systems division of SCS from 1 November 2016. During the coming year (2017/18) the Research & Technical Support division will be combined with the Software Solutions and Product division from 1 September 2017.

- Subsea Engineering Division, developing and delivering SEA's activities in the offshore energy market, primarily oil and gas.

These four business development and delivery divisions have been supported by a single production facility at its Barnstaple site.

Revenue by market and business

	EID		MASS		MCL		SCS		SEA		Group			
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	%	2016 £m	%
Defence & Security	16.0	—	30.7	30.1	14.7	13.6	4.9	17.9	35.6	41.4	101.9	90	103.0	91
Transport	—	—	—	—	—	—	—	—	5.9	3.5	5.9	5	3.5	3
Offshore energy	—	—	—	—	—	—	—	—	2.0	3.0	2.0	2	3.0	3
Other commercial	—	—	1.8	1.9	0.1	0.1	0.1	0.2	0.9	0.9	2.9	3	3.1	3
	16.0	—	32.5	32.0	14.8	13.7	5.0	18.1	44.4	48.8	112.7	100	112.6	100

The defence and security revenue is further broken down as follows:

	EID		MASS		MCL		SCS		SEA		Group			
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	%	2016 £m	%
Direct to UK MOD	—	—	14.4	13.1	12.5	11.1	2.4	10.7	5.8	11.6	35.1	31	46.5	41
Indirect to UK MOD where the Group acts as a sub-contractor or partner	—	—	5.5	6.7	0.5	0.4	1.1	2.7	23.7	26.9	30.8	27	36.7	32
Total to UK MOD	—	—	19.9	19.8	13.0	11.5	3.5	13.4	29.5	38.5	65.9	58	83.2	73
Portuguese MOD	2.4	—	—	—	—	—	—	—	—	—	2.4	2	—	—
Export and other	13.6	—	10.8	10.3	1.7	2.1	1.4	4.5	6.1	2.9	33.6	30	19.8	18
	16.0	—	10.8	10.3	1.7	2.1	1.4	4.5	6.1	2.9	36.0	32	19.8	18
	16.0	—	30.7	30.1	14.7	13.6	4.9	17.9	35.6	41.4	101.9	90	103.0	91

Revenue breakdown by capability

		2017 £m	%	2016 £m	%
Defence products	Defence products: the design, supply and support of such equipment and its associated embedded software, as well as the integration of commercial "off the shelf" equipment for specialist applications primarily by SEA, EID and MCL.	63.6	56	47.0	42
Application software	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 and defence customers.	11.1	10	8.7	8
Secure networks	Secure networks: the provision of advice and system implementation to protect against cyber attack and other threats. MASS provides these services for a range of clients.	9.7	9	7.9	7
Operational support	Operational support: the provision of direct support to active operations which takes place at MASS through its Electronic Warfare Operational Support activities, and at SEA in defence and offshore energy.	9.0	8	11.3	10
Specialist expertise	Specialist expertise: the provision of expert individuals as part of a customer's team. Two of our businesses are active in this area, SEA and MASS.	6.8	6	12.0	11
Training	Training: this includes formal, on-the-job and scenario-based training services. An example is MASS's provision of exercise-based training for the UK's Joint Forces Command.	6.4	6	10.7	9
Studies and analysis	Studies and analysis: other self-contained studies, consultancy and analytical work such as SEA's work on the Protector UAV	4.7	4	8.9	8
Applied research	Applied research: the management and execution of scientific investigation work aimed at specific objectives, mostly at SEA.	1.4	1	6.1	5
		112.7	100	112.6	100

Notable changes between 2016 and 2017 were:

- A significant growth in defence products, in absolute and percentage terms. A major factor in this was the acquisition of EID, whose output is almost 100% product. Other contributing factors included growth at MCL and SEA's naval product and support business and enforcement systems in transport.
- A fall in specialist expertise provision. This has been steadily declining over the last few years and the reorganisation of SCS and the cessation of some of this activity at MASS during the year contributed to a further significant drop.
- A fall in studies and analysis activity. Again, following the reorganisation of SCS, which was prompted by the loss of a significant piece of work in this capability area.
- A fall in applied research as the DDE project, which completed in 2015/16 has not yet been renewed.

We have maintained our capability breakdown analysis as for last year but with the Group's focus moving towards more product, software, secure information systems and cyber we are likely to revisit the capability analysis in 2017/18.

Our people

At the year end the Group had 811 (2016: 648) permanent employees as well as a number of people on fixed-term or task-specific contracts. Many of these are highly qualified engineers, mathematicians and scientists and along with our management and support people, all make important contributions.

In the 2017 financial year in our Business Excellence Award scheme, the Gold Award went to the team from SEA for designing, testing and manufacturing a low profile sonar array, known as the Krait Array. This array, which is only 16mm in diameter is much lighter than the usual towed arrays deployed by navies around the world. We have already seen some significant sales of this product and prospects for further deployments, especially in combination with unmanned surface vehicles, are good.

Other team winners included MCL for expanding its hearing protection offering to other key military users.

The awards also gave an opportunity to celebrate some relatively unsung but important achievements by the Group's support staff.

Having completed the Group's first Leadership Development Scheme last year, the second Leadership Development Scheme commenced in 2016/17. The scheme is intended to hone the skills of the next generation of our senior leaders and is supported by the top management of both the operating businesses and the headquarters team. As well as developing individual skills and encouraging people to achieve their full potential we see this as being a way to encourage the growth of informal networks across the Group, improving our ability to share information and work together more effectively. In addition, a scheme to broaden the skills of some of our able technical people was also launched in the year.

Cohort's largest customers are the UK armed forces, and the work we do helps them to carry out their vital task more effectively. This is a significant motivating factor for our people, many of whom are current reservists or former members of the armed forces themselves. Cohort is proud to have been an early signatory of the UK Armed Forces Corporate Covenant and as a Group we currently hold two Silver Awards under the Defence Employer Recognition Scheme.

Our people are frequently involved in fund-raising for armed forces charities, activities which we are pleased to support, in a modest way, corporately, either directly or through matching employee efforts the Group donated nearly £34,000 in 2016/17 (2015/16: £36,000), the majority to military charities including SSAFA, and charities local to our businesses.

All of the Group's capabilities and customer relationships ultimately derive from our people, and such success as we have enjoyed is a result of their efforts. We would like to take this opportunity to express our thanks to all employees of Cohort and its businesses.

Operational Outlook
Order intake and order book

	Order intake		Order book	
	2017	2016	2017	2016
	£m	£m	£m	£m
EID	18.9	-	27.6	-
MASS	32.0	20.3	49.4	41.7
MCL	23.3	18.0	15.5	7.0
SCS	3.0	20.1	-	11.7
SEA	31.4	36.4	44.0	55.6
	108.6	94.8	136.5	116.0

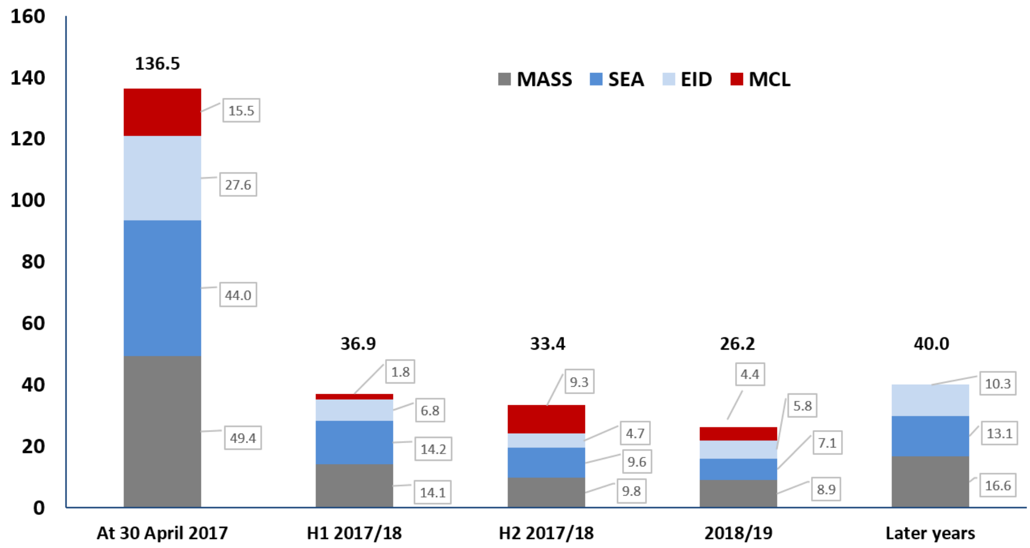
Note: The closing order books of MASS and SEA as at 30 April 2017 include £8.2m and £1.5m respectively of order book transferred from SCS on its reorganisation on 1 November 2016.

The increase in the Group's order intake was due to the improved order intake at MASS and MCL as well as the introduction of EID.

As indicated at the interim report stage last December, SCS's order intake was significantly down on 2015/16 and when including the intake in its former divisions (now within MASS and SEA) was only around £4.0m in total for the year, considerably down on last year, although 2015/16 did include over £9m in respect of a two year renewal of the JWC contract, the extension of which, for a further two years, is expected in 2017/18.

The Group's closing order book includes £23.1m of acquired order book with EID and £1.5m increase in its value on revaluing the underlying EID Euro order book at the closing exchange rate at 30 April 2017.

Delivery of the Group's order book into revenue



The above table shows the underpinning of future revenue from the current order book.

EID's order intake since acquisition last June was nearly £19m and included over £8m of orders from its domestic customer, the Portuguese MoD. The most important single element of this was an order of just over £6m for the next generation of communication equipment for the Portuguese Army.

The balance of order intake (£11m) was export, underlining EID's very good export record.

EID's underpinning for the coming year is good and prospects for its domestic customer and export opportunities support our view that its revenue will grow in the coming year.

MASS's order intake of £32.0m included some key wins in markets that MASS has been working to grow over the last few years.

A ten year secure information management service for the RAF's Sentry platform was secured at £12.5m, building on MASS's existing support work for this customer. Late in the year, a nine year managed service to run and support the Metropolitan Police Services' Digital Forensic programme at £8.6m was secured. This latter order, a significant win for MASS with a new customer in a growing market, utilises MASS's experience in running long term technical managed service programmes. We are looking to expand this offering to other police and related security services in the UK and overseas.

MASS's closing order book of over £49m provides good underpinning for the coming year giving us optimism that MASS's revenue, including the former SCS division of Training Support, will grow.

MCL had a very good year for order intake securing just over £23m to which a further £6m has been added since the start of the new financial year.

One of our objectives, when acquiring MCL was to increase its order book visibility. The closing order book and recent wins give us confidence that it will continue to grow in the coming year.

SEA's order intake was down on last year and like its performance in 2016/17, was one of contrasts. Its SSP division, including transport products and services, had a very strong year, securing orders for over £13m. Defence, the core of SEA's business, was a mixed picture. Orders of nearly £12m were secured for maritime products and services, in contrast to research where order intake was only £3.0m, well below half the level of revenue in 2015/16 and with almost no orders secured in the area of Soldier Systems. We hope to see a pick-up in this area in 2017/18 but our expectation at present is that this will not return to the level of 2015/16.

The Subsea Engineering division of SEA continued to suffer from a tight market in 2016/17 although in the second half we did begin to see an improvement in monthly volumes of order wins.

SEA's closing order book of £44.0m provides reasonable underpinning for the coming year and along with some good prospects provides us with a reasonable expectation that SEA should show some growth compared to the current year.

In the near term, the majority of Cohort's business will continue to derive from the UK MOD, either directly or indirectly. The Government's Strategic Defence Review published in November 2015 gave high priority to a number of areas where the Group's capabilities are strong, including submarines, Special Forces, cyber and secure communications. It also brought a welcome increase in planned defence equipment spending originally set to begin in 2017/18. We do expect to see opportunities arising from this increase, but it is also clear that delays and cost growth are limiting the freedom of movement of the MOD and armed forces in acquiring new equipment. This tightness, coupled to a shortage of commercial staff and some problems with IT implementation, has resulted in unpredictable fluctuations between purchase commitments and cash controls in 2016/17. We expect this to continue into 2017/18.

We have continued to focus on growing our export business. Excluding EID, export sales in 2016/17 were £19m, some 4% higher than last year. Including EID, defence export sales (excluding EID's domestic market of Portugal) were nearly £32m, almost 30% of Group revenue, significantly higher than the 16% achieved in 2015/16. Correspondingly, our sales to UK MoD, direct and indirect, reduced from 73% of revenue in 2016 to 58% in 2017.

The Group's non-defence revenue streams were also up by 10% compared to last year, with all of the growth coming from transport and in particular SEA's traffic enforcement products and services.

The oil and gas market continued to be difficult. Nevertheless, despite a fall in revenue from £3m to just under £2m, the Group's oil and gas business remained profitable with improved margins as a result of its mix of work.

The Group's defence and security business remains the significant majority of our business with 90% (2016: 91%) and will remain so going forward.

Looking forward, our order book and pipeline of prospects give us confidence that we will grow our revenue in the coming year.

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 and its banking facility provide it with the resources to conduct its acquisition strategy.

RBS remain the Group's primary bank, especially for clearing purposes and day to day transactions.
In November 2015 the Group completed a tri-bank facility with Barclays, Lloyds and RBS.

The facility is a revolving credit facility for three years with an option to extend for up to a further two years. The amount is £25m with an option to extend by a further £10m to £35m.

The facility itself provides the Group with a flexible arrangement to draw down on for acquisitions and trading activities and as at 30 April 2017 the facility was drawn as follows:

	Facility £m	Drawn £m
M&A loan	10-15	3.5
Overdraft	3	-
FX, bonding and other trade instruments	7-12	0.9
	25	4.4

The above segmenting of the facility is approximate and there is scope to reallocate elements of the undrawn facility as necessary.

The three banks participate equally in the facility and it is the role of the Group Treasury function to ensure that at any time the Group has available to it sufficient facilities to enable it to meet its requirements flexibly and efficiently.

The Group takes a prudent approach to treasury policy with its overriding objective being protection of capital. In implementing this policy, deposits are usually held with institutions with credit ratings of at least Baa2. 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. Most of the Group's UK cash (that is not on short term deposit) is managed through a set-off arrangement, enabling the most efficient use of the Group's cash from day to day, under the supervision of the Group's finance function.

MCL's cash balances were held with Barclays and were outside the above facility and offset arrangements. MCL's cash balances were absorbed into the Group's offset arrangement with RBS early in 2017/18.

The Group has retained its inherited bank relationship with Clydesdale in order for customer payments to be received where contractual terms or relationships make bank changes impractical. These accounts will be closed once they are no longer receiving deposits.

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

EID provides no security over its assets and its wide range of banks enable it to be well supported in executing export business.

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 0.0% to 0.75% (2016: 0.20% to 0.75%).

In addition to its cash resources, the Group has in issue 41.0m ordinary shares of 10 pence each. Of these shares 0.3m (2016: 0.7m) are owned by the Cohort plc Employee Benefit Trust (EBT), which waives its rights to dividends. In addition the Group has issued options over ordinary shares through Key Employee Share Option and SAYE schemes to the level of 1.7m at 30 April 2017 (2016: 1.8m).

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

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

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

In terms of reporting the assets, we have in place a natural hedge of borrowing in Euros to acquire a Euro asset (EID) but over time as the asset grows and the loan diminishes, this hedge will naturally wane.

We take a prudent approach to transactional foreign exchange risk requiring all significant sales and purchases to be hedged at the point in time when we consider the likelihood of the transaction to be certain, usually on contract award. We do not hedge account and mark these forward contracts to market at each reporting date, recognising any gain or loss in the income statement.

The Group, as in the past, has maintained its progressive dividend policy, increasing its dividend this year by 18% to a total dividend paid and payable of 7.1 pence per share.

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

Year ended 30 April	Dividend paid and proposed Pence	Growth over previous year %	Earnings cover (based upon adjusted earnings per share)	Cash cover (based upon net cash generated from operations
2017	7.1	18	3.9	0.2
2016	6.0	20	4.5	2.8
2015	5.0	19	4.1	9.2
2014	4.2	20	4.6	1.5
2013	3.5	21	5.1	2.9

The growth over recent years has moved the dividend from a relatively low base to a more normal level for an established cash generative business.

Looking forward the Group plans to maintain a policy of growing its dividend each year but we expect the rate of growth to reduce over the coming years to align more closely with the earnings growth of the Group.

The Group's cash generation in 2016/17 was, as had been expected, weaker than last year. In summary, the Group's cash performance was as follows:

	2017 **£m**	2016 £m
Adjusted operating profit	**14.5**	11.9
Depreciation and other non-cash operating movements	**1.4**	1.5
Working capital movement	**(11.2)**	(4.4)
	4.7	9.0
Acquisition of EID (net of cash required)	**(4.0)**	(0.7)
Acquisition of the minority of MCL (49.999%)	**(5.1)**	-
Reorganisation of SCS	**(1.3)**	-
Tax, dividends, capital expenditure, interest, loans and investments	**(5.6)**	(8.2)
(Decrease)/increase in net funds	**(11.3)**	0.1

As signalled last year, we experienced a significant decrease in net funds in 2016/17. This outflow was mostly due to the acquisition of MCL and EID but also an increase in working capital following a very strong inflow in the final quarter of 2015/16. This outflow was slightly worse than expected due to the delay to some significant receipts, £3.5m of which were received shortly after the year end.

The lower cash outflow in tax, dividends etc., was due to lower investment in Cohort's own shares by the EBT, a net inflow of £0.5m (2016: outflow of £3.2m). Looking forward, we retain the flexibility to use newly issued shares as well as EBT shares to satisfy employee share options.

The Group's customer base of Governments, major prime contractors and international agencies make its debtor risk low. The year end debtor days in sales were 42 days (2016: 31 days). This calculation is based upon dividing the revenue by month, working backwards from April, into the trade debtor's balance (excluding unbilled income and work in progress) at the year end. This is a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year. The increase in debtor days is a reflection of the high level of trading in the final quarter across the Group, especially at MASS, MCL and SEA and the inclusion of EID which typically has longer credit periods granted to its customers.

Tax

The Group's tax credit for the year ended 30 April 2017 of £1,144,000 (2016: credit of £54,000) was at an effective credit rate of 119% (2016: credit rate of 1.0%) of profit before tax. This includes a current year corporation tax charge of £2,445,000 (2016: £1,935,000), a prior year corporation tax credit of £845,000 (2016: credit of £368,000) and a deferred tax credit of £2,744,000 (2016: £1,621,000).

The current tax rate (including deferred tax) on profit before tax is lower than the standard rate (calculated at 19.92%; 2016: 20.00%), primarily due to recognition of Research & Development (R&D) credits in the current year (£0.4m) and statutory deductions on the exercise of share options by employees (£0.2m). The Group will continue to recognise its R&D tax credit in the tax line, in accordance with IAS 12, whilst its subsidiary statutory accounts now make use of the R&D expenditure credit (RDEC), recognising the tax credit in their operating costs.

The Group's overall tax rate was below the standard corporation tax rate of 19.92% (2016: 20.00%). The reduction is due to the reasons given above for the current year's rate and in addition, a prior year tax credit in respect of the release of earlier year R&D tax credit provisions where tax years have now closed, and further tax allowable expenditure in respect of J+S prior to its acquisition by the Group. Both of these are regarded as one-off tax items. Looking forward, the Group's effective current tax rate for both 2017/18 and 2018/19 is estimated at 15%, taking account of the reduction in headline tax rates and assuming that the R&D tax credit regime remains unchanged from its current level and scope. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2015/16 and 2016/17.

Exceptional items

The majority of the £2.7m exceptional cost in the year (just under £2.6m) was in respect of the reorganisation of SCS. The major elements were an onerous lease at SCS's former operating facility at Theale (£1.0m), redundancy and related costs (£1.0m) and fixed asset write offs and transition costs to integrate the former operating divisions of SCS into MASS and SEA. The exceptional items also included further costs of the acquisition of EID (£80,000) and completion of the acquisition of the minority of MCL (£47,000).

Adjusted earnings per share

The adjusted earnings per share (EPS) of 27.93 pence (2016: 27.18 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, revaluing the cash set aside to acquire EID and exceptional items, all net of tax.

The adjusted earnings per share excludes the non-controlling interest of both EID and MCL, the latter up to 31 January 2017. This accounts for the difference between the 22% growth in adjusted operating profit and the 3% growth in the adjusted earnings per share. The reconciliation is as follows:

	Adjusted operating profit £m	Adjusted earnings per share pence
Year ended 30 April 2016	11.9	27.18
EID adjusted operating profit and earnings impact (57% owned for period from 28 June 2016 to 30 April 2017)	4.2	4.60
Growth in MCL adjusted operating profit and earnings impact (50% owned until 31 January 2017 and then 100% from then onwards)	0.7	0.70
100% owned businesses throughout the year ended 30 April 2017	(2.3)	(4.55)
Year ended 30 April 2017	14.5	27.93
Increase from 2016 to 2017	22%	3%

The adjustments to the basic EPS in respect of the exchange movements and other intangible asset amortisation of EID and MCL only reflect that proportion of the adjustment that is applicable to the equity holders of the parent, analysed as follows:

	Adjustment to adjusted operating profit £000	Applicable Tax adjustment £000	Adjustment to adjusted earnings per share (net of tax) £000	
Exceptional items	2,697	(512)	2,185	
Exchange gain on marking forward contracts to market value and revaluing EID cash held for acquisition to market value at acquisition date (2016: year end)	(430)	86	(344)	
Amortisation of other intangible assets:				
J+S	1,686	(337)	1,349	
MCL	2,126	(425)	1,701	*note 1*
EID	3,511	(788)	2,723	*note 2*
	9,590	(1,976)	7,614	

Note 1: This adjustment is at 50% of the adjustment to adjusted operating profit, reflecting the share appropriate to the equity holdings of the parent up to 31 January 2017 when the non-controlling interest was acquired in full.

Note 2: This adjustment is at ~56.7% of the adjustment to the adjusted operating profit, reflecting the share appropriate to the equity holding of the parent.

As reported in the Chairman's statement, the adjusted earnings per share includes some one-off tax credits of £0.5m (2016: £0.9m) which when taken into account reduces the adjusted earnings per share by 1.30 pence to 26.63 pence (2016: 24.98 pence), 7% higher than last year's equivalent figure.

Financial estimates and judgements

In preparing the Annual Report and Accounts of Cohort plc for 2017, 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 EID, MASS (including Abacus EW), MCL and SEA (including J+S). 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 EID, MASS (including Abacus EW), MCL and SEA (including J+S) has been tested for impairment as at 30 April 2017. In all four 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 IAS38 '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 2017.

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 on revaluing cash set aside for acquiring EID 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 £221,000 (2016: £197,000) 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 yearend is a requirement of IFRS and has no economic impact upon the Group's performance or assets and liabilities.

Andy Thomis	Simon Walther
Chief Executive Officer	Finance Director

CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2017

	Notes	**Year ended 30 April 2017 £000**	Year ended 30 April 2016 £000
Revenue	2	**112,651**	112,577
Cost of sales		**(73,676)**	(79,061)
Gross profit		**38,975**	33,516
Administrative expenses		**(38,012)**	(28,270)
Operating profit	2	**963**	5,246
Comprising:			
Adjusted operating profit	2	**14,489**	11,902
Amortisation of other intangible assets (included in administrative expenses)		**(11,259)**	(6,379)
Credit on marking forward exchange contracts to market value at the year end (included in cost of sales)		**171**	7
Exchange gain on revaluing cash held for acquisition consideration of EID to market value at the acquisition date (28 June 2016; 2016: year end) (included in administrative expenses)		**259**	537
Exceptional items:			
Costs of acquisition of EID (included in administration expenses)		**(80)**	(821)
Costs of acquisition of MCL (included in administrative expenses)		**(47)**	-
Reorganisation of SCS (included in administrative expenses)		**(2,570)**	-
Operating profit	2	**963**	5,246
Finance income		**47**	68
Finance costs		**(46)**	(4)
Profit before tax		**964**	5,310
Income tax credit	3	**1,144**	54
Profit for the year		**2,108**	5,364
Attributable to:			
Equity holders of the parent		**3,672**	7,775
Non-controlling interests		**(1,564)**	(2,411)
		2,108	5,364

All profit for the year is derived from continuing operations.

	Note	Year ended 30 April 2017 Pence	Year ended 30 April 2016 Pence
Earnings per share	4		
Basic		**9.09**	19.14
Diluted		**8.97**	18.78
Adjusted earnings per share	4		
Basic		**27.93**	27.18
Diluted		**27.56**	26.67
Dividends per share paid and proposed in respect of the year	5		
Interim		**2.20**	1.90
Final		**4.90**	4.10
		7.10	6.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 April 2017

	Year ended 30 April 2017 £000	**Year ended 30 April 2016 £000**
Profit for the year	**2,108**	5,364
Foreign currency translation differences on net assets of EID, net of loan used to finance acquisition	**95**	—
Other comprehensive income for the year, net of tax	**95**	—
Total comprehensive income for the year	**2,203**	5,364
Attributable to:		
Equity shareholders of the parent	**3,959**	7,775
Non-controlling interests	**(1,756)**	(2,411)
	2,203	5,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2017

	Notes	At 30 April 2017 £000	At 30 April 2016 £000
ASSETS			
Non-current assets			
Goodwill		**39,156**	36,961
Other intangible assets		**11,480**	12,492
Property, plant and equipment		**9,938**	10,227
Deferred tax asset		**833**	818
		61,407	60,498
Current assets			
Inventories		**5,296**	2,036
Trade and other receivables		**38,010**	28,000
Derivative financial instruments		**148**	-
Cash and cash equivalents		**12,017**	23,109
		55,471	53,145
Total assets		**116,878**	113,643
LIABILITIES			
Current liabilities			
Trade and other payables		**(34,285)**	(30,223)
Current tax liabilities		**-**	(570)
Derivative financial instruments		**-**	(31)
Bank loans and overdrafts		**(3,540)**	(3,297)
Other creditors	7	**(465)**	(5,500)
Provisions		**(1,377)**	(499)
		(39,667)	(40,120)
Non-current liabilities			
Bank loans and overdrafts		**(5)**	(7)
Deferred tax liability		**(2,483)**	(2,727)
Provisions	7	**(735)**	-
		(3,223)	(2,734)
Total liabilities		**(42,890)**	(42,854)
Net Assets		**73,988**	70,789
Equity			
Share capital		**4,096**	4,096
Share premium account		**29,657**	29,657
Own shares		**(1,142)**	(2,735)
Share option reserve		**783**	1,067
Other reserve: option for acquiring non-controlling interest in MCL	7	**(465)**	(5,500)
Retained earnings		**36,901**	38,394
Total equity attributable to the equity shareholders of the parent		**69,830**	64,979
Non-controlling interests		**4,158**	5,810
Total equity		**73,988**	70,789

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 APRIL 2017

	Attributable to the equity shareholders of the parent								
Group	Share capital £000	Share premium account £000	Own shares £000	Share option reserve £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 1 May 2015	4,096	29,657	(835)	403	(12,500)	33,805	54,626	8,221	62,847
Profit for the year	-	-	-	-	-	7,775	7,775	(2,411)	5,364
Transactions with owners of Group and non-controlling interests, recognised directly in equity:									
Equity dividends	-	-	-	-	-	(2,158)	(2,158)	-	(2,158)
Vesting of restricted shares	-	-	-	-	-	76	76	-	76
Own shares acquired	-	-	(4,162)	-	-	-	(4,162)	-	(4,162)
Own shares sold	-	-	914	-	-	-	914	-	914
Loss on own shares sold	-	-	1,348	-	-	(1,348)	-	-	-
Share-based payments	-	-	-	197	-	-	197	-	197
Deferred tax adjustment in respect of share based payments	-	-	-	711	-	-	711	-	711
Transfer of share option reserve on vesting of options	-	-	-	(244)	-	244	-	-	-
Change in value of option for acquiring non-controlling interest in MCL	-	-	-	-	7,000	-	7000	-	7000
At 30 April 2016	4,096	29,657	(2,735)	1,067	(5,500)	38,394	64,979	5,810	70,789
Profit for the year	-	-	-	-	-	3,672	3,672	(1,564)	2,108
Other comprehensive income for the year	-	-	-	-	-	287	287	(192)	95
Total comprehensive income for the year	-	-	-	-	-	3,959	3,959	(1,756)	2,203
Transactions with owners of Group and non-controlling interests, recognised directly in equity:									
Equity dividends	-	-	-	-	-	(2,544)	(2,544)	-	(2,544)
Vesting of restricted shares	-	-	-	-	-	117	117	-	117
Own shares acquired	-	-	(109)	-	-	-	(109)	-	(109)
Own shares sold	-	-	583	-	-	-	583	-	583
Loss on own shares sold	-	-	1,119	-	-	(1,119)	-	-	-
Share-based payments	-	-	-	221	-	-	221	-	221
Deferred tax adjustment in respect of share based payments	-	-	-	(336)	-	-	(336)	-	(336)
Transfer of share option reserve on vesting of options	-	-	-	(169)	-	169	-	-	-
Non-controlling interest introduced on acquisition of EID	-	-	-	-	-	-	-	5,115	5,115
Effect of acquisition of non-controlling interest in MCL	-	-	-	-	5,035	(2,075)	2,960	(5,011)	(2,051)
At 30 April 2017	**4,096**	**29,657**	**(1,142)**	**783**	**(465)**	**36,901**	**69,830**	**4,158**	**73,988**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 April 2017

	Notes	**Year ended 30 April 2017 £000**	Year ended 30 April 2016 £000
Net cash generated from operating activities	6	**659**	6,718
Investing activities			
Interest received		**47**	68
Purchases of property, plant and equipment		**(875)**	(980)
Acquisition of EID, net of cash acquired	8	**(4,045)**	(744)
Acquisition of MCL	7	**(5,080)**	-
Net cash used in investing activities		**(9,953)**	(1,656)
Financing activities			
Dividends paid		**(2,544)**	(2,158)
Repayment of borrowings		**(3)**	(3)
Drawdown of borrowings		**-**	3,302
Purchase of own shares		**(109)**	(4,162)
Sale of own shares		**583**	914
Net cash out flow from financing activities		**(2,073)**	(2,107)
Net (decrease)/increase in cash and cash equivalents		**(11,367)**	2,955

	At 1 May 2016 £000	Acquired £000	Effect of foreign exchange rate changes £000	Cash Flow £000	**At 30 April 2017 £000**
Funds reconciliation					
Cash and bank	23,109	-	275	(11,367)	**12,017**
Short term deposits	-	-	-	-	**-**
Cash and cash equivalents	23,109	-	275	(11,367)	**12,017**
Loan	(3,293)	-	(243)	-	**(3,536)**
Finance lease	(11)	(1)	-	3	**(9)**
Debt	(3,304)	(1)	(243)	3	**(3,545)**
Net funds	19,805	(1)	32	(11,364)	**8,472**

NOTES TO THE PRELIMINARY RESULTS ANNOUNCEMENT

1. BASIS OF PREPARATION

The financial information contained within this preliminary report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the EU and applying at 30 April 2017. The information in this preliminary statement has been extracted from the financial statements for the year ended 30 April 2017 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with IFRS.

The non-controlling interest (49.999%) of MCL was acquired 31 January 2017. As the Group had effective control from the original acquisition date, 9 July 2014, 100% of MCL's result and balances have been consolidated from that date with the non-controlling interest identified up to 31 January 2017.

57% of EID was acquired 27 June 2016 and as the Group has effective control, 100% of EID's result and balances has been consolidated from that date with the non-controlling interest identified.

The Group's Annual Report for the year ended 30 April 2017 has yet to be delivered to the Registrar of Companies. The auditors have reported on these accounts. Their report was not qualified and did not contain a statement under Section 498 of the Companies Act 2006. The figures for the year ended 30 April 2017 and 2016 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The comparative figures for the financial year ended 30 April 2016 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was:

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

The preliminary announcement was approved by the Board and authorised for issue on 29 June 2017.

Copies of the Annual Report and accounts for the year ended 30 April 2017 will be posted to shareholders on 28 July 2017 and available on the Company's website (www.cohortplc.com) from that date.

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

	Year ended 30 April 2017 £000	Year ended 30 April 2016 £000
Revenue		
EID	**16,023**	-
MASS	**32,476**	31,998
MCL	**14,761**	13,709
SCS	**5,001**	18,097
SEA	**44,390**	48,773
	112,651	112,577
Adjusted Operating Profit		
EID	**4,234**	-
MASS	**5,908**	5,956
MCL	**2,053**	1,404
SCS	**(455)**	1,250
SEA	**5,294**	5,442
Central costs	**(2,545)**	(2,150)
	14,489	11,902
Amortisation of other intangible assets	**(11,259)**	(6,379)
Credit on marking forward exchange contracts to market value at the year end	**171**	7
Exchange gains on revaluing cash held for acquisition consideration for EID	**259**	537
Exceptional items:		
Costs of acquisition of EID	**(80)**	(821)
Costs of acquisition of MCL	**(47)**	-
Reorganisation of SCS	**(2,570)**	-
Operating Profit	**963**	5,246

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

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 amortisation of other intangible assets, change on marking forward exchange contracts to market value at the year end, the exchange gain on revaluing cash held (in Euros) for the acquisition consideration for EID and exceptional items.

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

The adjusted operating profit is stated after charging £221,000 in respect of share-based payments (2016: £197,000).

The SCS business was reorganised with effect from 1 November 2016 with the closure of its support functions and the transfer of its operating divisions to MASS and SEA. The revenue and adjusted operating profit of SCS is reported within MASS and SEA from 1 November 2016 onwards.

3. **TAX (CREDIT)/CHARGE**

	Year ended 30 April 2017 £000	Year ended 30 April 2016 £000
UK Corporation tax:		
Current year	**1,466**	1,935
Prior year	**(845)**	(368)
Portugal corporation tax; current year	**965**	-
Other foreign corporation tax; current year	**13**	-
	1,599	1,567
Deferred taxation:		
Prior year	**55**	-
Current year	**(2,798)**	(1,621)
	(2,743)	(1,621)
	(1,144)	(54)

The current year corporation tax charge (2016: charge) includes a credit of £512,000 (2016: £nil) in respect of exceptional items and the current year deferred tax credit includes a credit of £2,402,000 (2016: credit of £1,505,000) in respect of the amortisation of other intangible assets and a charge of £86,000 (2016: £109,000) in respect of marking forward exchange contracts to market value at the year end and revaluing the cash held (in Euros) for the purchase of EID at acquisition date (2016: year end).

4. **EARNINGS PER SHARE**

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

	Year ended 30 April 2017 £000	Year ended 30 April 2016 £000
Earnings		
Basic and diluted earnings	**3,672**	7,775
Amortisation of other intangible assets (net of tax of £1,550,000; 2016: £904,000)	**5,773**	2,879
Credit on non-trading foreign exchange movements (net of tax charge of £86,000 (2016: charge of £109,000)	**(344)**	(435)
Costs of acquisition of EID (nil tax)	**80**	821
Costs of acquisition of MCL (nil tax)	**47**	-
Reorganisation of SCS (net of tax credit of £512,000)	**2,058**	-
Adjusted basic and diluted earnings	**11,286**	11,040

The adjustments for the amortisation of intangible assets in respect of EID and MCL and the credit on marking forward exchange contracts to market for the year ended 30 April 2017 and the year ended 30 April 2016 reflect the interests of the equity holders of the parent only and exclude the proportion allocated to the non-controlling interest.

	Number	Number
Weighted average number of shares		
For the purposes of basic earnings per share	**40,400,179**	40,622,496
Share options	**553,515**	767,501
For the purposes of diluted earnings per share	**40,953,694**	41,389,997

	Year ended 30 April 2017 Pence	Year ended 30 April 2016 Pence
Earnings per share		
Basic	**9.09**	**19.14**
Diluted	**8.97**	**18.78**
Adjusted earnings per share		
Basic	**27.93**	**27.18**
Diluted	**27.56**	**26.67**

5. DIVIDENDS

The proposed final dividend for the year ended 30 April 2017 is 4.9 pence (2016: 4.1 pence) per ordinary share. This dividend will be payable on 13 September 2017 to shareholders on the register at 18 August 2017 subject to approval by shareholders at the AGM on 7 September 2017.

The total paid and proposed dividend for the year ended 30 April 2017 is 7.1 pence per ordinary share; a cost of £2,914,000 (2016: 6.0 pence per ordinary share; cost of £2,423,000).

The charge for the year ended 30 April 2017 of £2,544,000 is the final dividend for the year ended 30 April 2016 paid (£1,652,000) and the interim dividend for the year ended 30 April 2017 paid (£892,000).

6. NET CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended 30 April 2017 £000	Year ended 30 April 2016 £000
Profit for the year	**2,108**	5,364
Adjustments for:		
Tax credit	**(1,144)**	(54)
Depreciation of property, plant and equipment	**1,207**	1,090
Amortisation of goodwill and other intangible assets	**11,259**	6,379
Net finance income	**(1)**	(64)
Share-based payment	**221**	197
Derivative financial instruments and other non-trading exchange movements	**(430)**	(7)
Increase/(decrease) in provisions	**297**	(59)
Operating cash inflows before movements in working capital	**13,517**	12,846
Increase in inventories	**(1,386)**	(958)
Increase in receivables	**(3,002)**	(8,585)
(Decrease)/increase in payables	**(5,815)**	5,203
	(10,203)	(4,340)
Cash generated by operations	**3,314**	8,506
Tax paid	**(2,609)**	(1,784)
Interest paid	**(46)**	(4)
Net cash generated from operating activities	**659**	6,718

7. **ACQUISITION OF THE NON-CONTROLLING INTEREST OF MARLBOROUGH COMMUNICATIONS LIMITED (MCL)**

On 31 January 2017, Cohort plc acquired the entire non-controlling interest of Marlborough Communications (Holdings) Limited (49.999%), which in turns owns 100% of Marlborough Communications Limited (MCL), for £5,080,000.

This was in accordance with the original sale and purchase agreement (SPA) of 9 July 2014.

In addition, and in accordance with the SPA, Cohort plc is expected to pay £465,000 earn out in respect of MCL's closing order book at 30 April 2017.

The non-controlling interest is also entitled under the SPA to its share of the surplus cash in MCL at 30 April 2017, estimated at £1,961,000.

These additional amounts (estimated at £2,426,000) are expected to be paid on or before 31 July 2017.

In acquiring the non-controlling interest of MCL, £5,011,000 was eliminated from non-controlling interests and a charge to equity of £2,075,000 made. This was funded by £5,080,000 cash payment, £1,961,000 creditor in respect of surplus cash payable to the non-controlling interest and £45,000 additional creditor in respect of the order book based earn out, the latter now being a total of £465,000 at 30 April 2017.

MCL contributed £2.1m of adjusted operating profit on £14.8m of revenue for the year ended 30 April 2017, of which £1.4m and £5.0m respectively was for the period from 1 February 2017 to 30 April 2017.

8. **ACQUISITION OF EMPRESA DE INVESTIGAÇÃO E DESENVOLVIMENTO DE ELECTRÓNICA, S.A. (EID)**

As mentioned last year, the Group acquired 56.89% of EID on 27 June 2016 for a consideration of £8.9m (€10.3m).

The Group acquired a further 0.02% in the period up to 30 April 2017 under the same terms as the sale and purchase agreement signed 5 August 2015.

As at 30 April 2017 the Group held 56.91% of EID and has agreement with the Portuguese Government (the holder of the remaining 43.09% of EID) to acquire a further 23.09% to take the Group's holding to 80%.

As the Group has effective control, the Group recognised 100% of EID's result and net assets from 27 June 2016.

The acquisition of EID is summarised as follows:

	Fair value £000
Fixed assets acquired	295
Other intangible assets	10,247
Net current liabilities	(237)
Deferred tax	(2,149)
Net cash	3,708
	11,864
56.89% acquired	6,749
Goodwill	2,195
	8,944
Funded by cash of	8,944

The net cash outflow of £4,789,000 is cash consideration paid of £8,944,000 less net cash acquired (£3,708,000).

The other intangible asset arising on acquisition is in respect of contracts (the EID order book) acquired and will be amortised over nine years.

EID contributed £4.2m of adjusted operating profit on £16.0m of revenue for the period from 28 June 2016 to 30 April 2017.