2 Waterside Drive
Arlington Business Park
Reading
Berks
RG7 4SW

Cohort plc

3 July 2018

COHORT PLC

FINAL RESULTS

FOR THE YEAR ENDED 30 APRIL 2018

Profit progress in a challenging market

Cohort plc today announces its final results for the year ended 30 April 2018. Highlights include:

	2018	2017	%
• Revenue	£111.8m	£112.7m	*(1)*
• Adjusted operating profit*	£15.6m	£14.5m	*8*
• Adjusted profit before tax*	£15.5m	£14.5m	*7*
• Statutory profit before tax	£9.9m	£1.0m	-
• Basic earnings per share	19.87p	9.09p	*118*
• Adjusted earnings per share*	30.00p	27.93p	*7*
• Net funds	£11.3m	£8.5m	*33*
• Order book (closing)	£102.5m	£136.5m	*(25)*
• Proposed final dividend per share	5.65p	4.90p	*15*
• Total dividend per share	8.20p	7.10p	*15*

- Overall results in line with expectations, performance benefited from growth at EID and MASS
  - Another strong performance from EID
  - Return to growth at MASS
  - Flat performance at MCL
  - Weaker performance at SEA. Business to be restructured in 2018/19 to improve performance going forward
- Lower order intake of £76.6m (2017: £108.6m), was substantially due to delays rather than losses or lack of opportunities, and there is a larger than normal concentration of opportunities in 2018/19
- Adjusted operating profit increased 8% and equivalent earnings per share increased 7%
- Dividend increased by 15%
- Further 23% of EID acquired, taking Group holding to 80%
- Net funds up on last year to £11.3m (2017: £8.5m)

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

Looking forward:

- Order book, order intake since year end and pipeline of prospects provide a reasonable underpinning for revenue in the coming year
- Important order opportunities in 2018/19
- Net funds and bank facility provide resources for investment and acquisitions

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 contribution from EID and a return to growth at MASS, with MCL steady, offset a weaker performance at SEA. Some restructuring at SEA in 2018/19 will improve its performance."

"The closing order book of £102.5m, together with recent contract wins, provides a reasonable underpinning for the current year."

"*MASS, EID and MCL are all in discussions with customers about large orders, and a reasonable measure of success in relation to these prospects is important for our future performance."*

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 £15.6m in 2018 (2017: £14.5m). This result was driven by a strong performance from EID, a return to growth at MASS and the elimination of SCS's losses. These all offset a decline in both revenue and profit at SEA.

In the course of the year, we acquired a further 23% of EID taking our ownership to 80%, the Portuguese Government retaining the remaining 20%. We welcome the Portuguese Government's continued involvement in EID and expect this ownership structure to remain in place for the foreseeable future.

The Portuguese market has shown signs of returning to growth and is supported by a planned budget increase in the coming year of 9% in defence equipment spend.

Our main domestic market, in the UK, remains tight, with spending on, for example, support, research and development, and the commencement of new projects being constrained by the scale of commitments to existing projects. MASS and MCL, have achieved growth in their UK MOD business, but at SEA, the continuing hiatus in research expenditure and re-scheduling of expenditure on the UK submarine programme have resulted in a weaker year.

Our current expectation is that the UK market for SEA will remain tight in the near term, pending commencement of our main activity on the new Dreadnought submarines. As a result, we have carried out, at the start of 2018/19, a restructuring exercise at SEA to align its cost base with its expected revenue stream.

Order intake of £76.6m (2017: £108.6m) was below last year. The reduction was mostly at EID and MCL where significant orders for Naval Communications Systems and Hearing Protection respectively were secured in 2016/17 and repetition was not expected in 2017/18. MASS and SEA also saw lower order intake, the former due to slippage of some long-term renewals, now expected in 2018/19. At SEA, the shortfall arose from lower levels of submarine-related orders.

Key financials

In the year ended 30 April 2018, Cohort achieved revenue of £111.8m (2017: £112.7m), including £37.5m (2017: £32.5m) from MASS Consultants Limited (MASS), £37.8m (2017: £44.4m) from SEA (Group) Limited (SEA), £17.4m from Marlborough Communications Limited (MCL) (2017: £14.8m) and £19.1m from EID (2017: £16.0m for 10 months).

The Group's adjusted operating profit was £15.6m (2017: £14.5m). This included contributions from MASS of £7.1m (2017: £5.9m), SEA £4.4m (2017: £5.3m), MCL £2.1m (2017: £2.1m) and £4.7m from EID (2017: £4.2m for 10 months).

Cohort Group overheads were £2.7m (2017: £2.5m).

MASS, which remains the Group's largest contributor to adjusted operating profit, delivered an increase of over 20% on a revenue increase of 15%. This result came from a combination of improved mix in terms of margin and a full year contribution of the former SCS division that was incorporated into MASS (2017: six months only).

MCL delivered profit in line with last year on higher revenue, the revenue growth mostly driven by delivery of Hearing Protection Systems for the UK MOD. The net margin for MCL is lower than last year due to an increased level of bought-in product compared with support work.

EID produced a very good performance. As expected, its net margin was lower than last year's unusually high return, although only slightly, and with growth in its revenue was able to deliver a result 12% above last year.

SEA fell short of its previous year's profit performance, a result of falling revenue and cost increases on certain maritime technology development projects.

The Group operating profit of £10.0m (2017: £1.0m) is stated after recognising amortisation of intangible assets of £5.3m (2017: £11.3m) and exceptional items of less than £0.1m (2017: £2.7m). Net foreign exchange losses of £0.4m (2017: net gain of £0.4m) were also recognised. Profit before tax was £9.9m (2017: £1.0m) and profit after tax was £8.5m (2017: £2.1m).

Adjusted earnings per share (EPS) were 30.0 pence (2017: 27.93 pence). The adjusted EPS figure was based upon profit after tax, excluding amortisation of other intangible assets, net foreign exchange movements and exceptional items. Basic EPS was 19.87 pence (2017: 9.09 pence). The adjusted EPS included the benefit of releasing some tax contingency in respect of prior years, which are now 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 29.41 pence against 26.63 pence in 2017, an increase of 10%.

The net funds at the year end were, as expected, higher than in 2017 at £11.3m (2017: £8.5m).

Dividends

The Board is recommending a final dividend of 5.65 pence per ordinary share (2017: 4.90 pence), making a total dividend of 8.20 pence per ordinary share (2017: 7.10 pence) for the year, a 15% increase. This will be payable on 19 September 2018 to shareholders on the register at 24 August 2018, subject to approval at the Annual General Meeting on 11 September 2018.

EID

EID made a very good contribution in its first full year in the Cohort Group following a strong initial contribution for 10 months in 2016/17. An adjusted operating profit of £4.7m (2017: £4.2m, for 10 months) on £19.1m of revenue produced a net margin of 24.5% (2017: 26.3%). The currency impact was immaterial.

The slightly weaker net margin compared to last year was a result of a change in mix with lower levels of naval support work, but was much better than our expectations for the year which were nearer 20%.

EID's closing order book of £18.2m provides a reasonable underpinning for the coming year, which, along with some strong order prospects, give us an expectation that EID will continue to grow its revenue whilst its net margin returns to a more historically normal level of around 20%.

We completed the final stage of the EID acquisition at a cost of £3.5m for a further 23% shareholding on 24 November 2017. The Group now holds 80% of EID and the Portuguese Government the minority 20%.

A shareholders' 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 between the two parties. The shareholders' agreement also puts in place an assignment by the Government of its dividend rights of up to €3m or six years, whichever is reached sooner, to Cohort plc.

MASS

MASS's adjusted operating profit of £7.1m (2017: £5.9m) was ahead of last year. Its net margin increased slightly from 18.2% to 18.9% on higher revenue of £37.5m (2017: £32.5m).

Of the revenue growth, £2m was due to a full year contribution from the former SCS business. The revenue was further boosted by a large UK Joint Forces exercise towards the end of the financial year. The underlying MASS business saw growth in Cyber, with commencement of delivery of digital forensics systems for the Metropolitan Police and new work in cyber vulnerability investigations. In EWOS, for export customers, MASS completed the delivery of a countermeasures project early in the year, and expects to start on delivering support for the Typhoon fighter plane this coming year.

As expected, MASS's order book decreased during the year. Order intake of £29.1m included significant order wins from the UK MOD for renewal of MASS's exercise support to the Joint Forces Command (£10.5m) for another two years; the Group has now supported this exercise work for over 15 years. Other orders included further renewals and new wins in its cyber division for cyber vulnerability investigations. Its closing order book of £40.9m (2017: £49.3m) provides a good underpinning for 2018/19. MASS expects to secure renewals or replacements of several long-term EWOS contracts this year. This, together with recently secured orders, gives us confidence that MASS will make progress this year.

MASS is competing this year to renew a long-term support contract for the UK MOD, a service MASS has provided for many years for a critical part of the UK's strategic defence. We expect the result of the competition to be announced in the Autumn, and the new contract is expected to take effect in March 2019.

MCL

MCL's adjusted operating profit was in line with last year at £2.1m (2017: £2.1m) on higher revenue of £17.4m (2017: £14.8m). This level performance was a result of higher revenue offset by a weaker mix with increased delivery of hearing protection systems containing a higher proportion of bought in content. Most of this was delivered in the second half of the year.

On 22 August 2017 we settled the final earn out payment for MCL for a consideration of £2.5m.

MCL's order intake of over £12.1m included nearly £6m of hearing protection orders. Its closing order book of £10.3m (2017: £15.5m) along with some good prospects, including a number of renewals and extensions, should enable MCL to make further progress this year.

SEA

SEA's performance for the year was weaker, with lower revenue and trading profit.

SEA's adjusted operating profit of £4.4m (2017: £5.3m), which included a full year contribution from the former SCS businesses, was on revenue of £37.8m (2017: £44.4m), with a weaker net margin of 11.7% (2017: 11.9%). The slight deterioration in net margin is a result of a weaker revenue not matched by lower overhead. The mix of work, in terms of gross margin, has improved due to higher export defence sales and product sales in transport, offsetting the reduction in submarine activity.

SEA's divisions saw a mixed performance.

In defence, SEA won an important research order to continue its work on future soldier systems but despite this, the level of research work continues to be at a much lower level than we saw only a few years ago.

SEA made progress on delivering torpedo launch systems to overseas customers, completing one project altogether and winning a new customer in South East Asia for delivery in the next few years.

Elsewhere, SEA delivered the final systems on a maritime technology development contract which has suffered cost overruns arising from delays and technical issues. We anticipate no further loss on this in the future.

We had expected the level of submarine communications system work to fall in 2018, although this drop off was greater than we anticipated, due to delays to the Dreadnought programme.

SEA's transport activity in 2018 included completion of an upgrade of its bus lane enforcement system for Transport for London and provision of a new mobile phone app for London's traffic enforcement officers, activities which started in 2017. Overall, transport revenue fell slightly, but RoadFlow sales rose again with £3.4m (2017: £2.8m) of revenue derived from its various product range and services.

SEA's oil and gas business, based in Aberdeen, continued to be profitable despite a challenging market environment.

Because of the reduction in research and its lower current submarine activity, we do not expect SEA's revenue to grow in the near term. As a result, we have taken steps to adjust its cost base to align more closely with its expected revenue level. The cost of this restructuring (estimated at £0.5m) will be recognised as an exceptional item in 2018/19 and will realise an annual saving of £1.0m, most of which should be achieved in the coming financial year.

SEA secured £27.1m (2017: £33.1m) of orders in the year. The fall in order intake was mainly in submarines with a slowing of activity on the Astute Class and a delay to the Dreadnought Class. The order intake for the year included nearly £5m in transport and a similar sized order for torpedo launch systems to an export customer.

SEA's year end order book of £33.1m (2017: £44.0m), along with recent wins in May and June underpins over half of SEA's expected revenue for 2018/19. This position, along with good prospects and the restructuring of the business give us reasonable confidence that SEA will increase its profitability in the coming year, although its revenue is expected to remain relatively flat.

Cash
As expected, the net funds of the Group grew this year from £8.5m to £11.3m. The £15.6m (2017: £14.5m) of adjusted operating profit and a small working capital outflow resulted in £15.1m of operating cash inflow (2017: £3.3m inflow). This stronger cash performance was achieved despite the weaker performance at SEA and some significant receipts slipping into 2018/19, especially at EID.

The operating cash inflow was utilised in paying tax, dividends and capital investment, a total outflow of £5.5m (2017: £6.0m) as well as acquiring 23.09% of EID (£3.5m) and paying the earn-out for MCL (£2.5m).

Looking forward, we expect net funds to remain flat over the coming year as we build working capital for contracted and expected projects. We expect the Group's net funds to grow strongly again in 2019/20 as the growth in working capital over the current year unwinds.

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.

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 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, although in Portugal we are seeing some growth.

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 develop although their timing is always unpredictable. Outside defence, MASS continues to make progress with its cyber capability and SEA with its RoadFlow product range. We have begun to introduce our wider product range in the new markets brought to the Group by EID, and EID's products and technology to our UK and other customers. We expect, in due course, to convert some of these introductions into orders.

Our business from the UK into EU countries remains small (£1.4m in 2018; £3.7m in 2017), and consequently we do not expect 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, and the future defence and security relationship that develops between the UK and the EU. Whether these will be favourable or unfavourable is not possible to say. The responsibility 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 offerings, 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.

The closing order book of £102.5m, together with recent contract wins, provides a reasonable underpinning for the current year.

Lower order intake in 2017/18 was substantially due to delays rather than losses or a lack of opportunities, and there is a larger than normal concentration of opportunities in 2018/19.

MASS, EID and MCL are all in discussions with customers about large orders, and a reasonable measure of success in relation to these prospects is important for our future performance.

Nick Prest CBE
Chairman

Business review

Operating review

2017/18 has been another year of progress for Cohort, with a record level of adjusted operating profit. Revenue was slightly down on last year, reflecting tight market conditions for SEA offset by stronger performances at EID, MASS and MCL. The closing order book of £102.5m, along with a good pipeline of prospects, provide a basis for further progress in the coming financial year.

The Group's adjusted operating profit grew by 7.6% to £15.6m (2017: £14.5m) on revenue of £111.8m (2017: £112.7m), a net return of just under 14.0% (2017: 12.9%). The Group's operating profit of £10.0m (2017: £1.0m) is significantly impacted by the level of amortisation of other intangible assets, a £5.3m charge in 2018 (2017: £11.3m charge). In this review, therefore, the focus is on the adjusted operating profit of each business which we consider to be a more appropriate measure of performance year-on-year.

Adjusted operating profit by subsidiary:

	Adjusted operating profit			Adjusted operating margin	
	2018 £m	2017 £m	Change %	**2018 %**	2017 %
EID	**4.7**	4.2	12	**24.5**	26.3
MASS	**7.1**	5.9	20	**18.9**	18.2
MCL	**2.1**	2.1	-	**11.9**	13.9
SCS	**-**	(0.5)	n/a	**-**	-
SEA	**4.4**	5.3	(17)	**11.7**	11.9
Central costs	**(2.7)**	(2.5)	(8)	**-**	-
	15.6	14.5	8	**14.0**	12.9

The 2017/18 result included a contribution from EID for the full year (2016/17: 10 months).

MASS and SEA reported results include a full year (six months for 2016/17) 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.

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

As expected, MASS remains the strongest contributor to the Group's adjusted operating profit. The inclusion of the full year of the former SCS division, Training Support, added £2m of the £5m growth in revenue. The remainder of the growth at MASS was due to a large Joint Forces training exercise during March and April 2018, these usually being held every other year, and growth in MASS's cyber activity with the commencement of work on its digital forensics service for the Metropolitan Police.
Growth in these areas was partly offset by a drop in Electronic Warfare Operational Support (EWOS) activity with the provision of countermeasures to an overseas customer ending in the early part of 2017/18.

Excluding the contribution of the former SCS businesses (approximately £1m of revenue), SEA's revenue fell by £7m. Almost all of this was due to the contraction in its UK submarine activity, partly offset by growth in export deliveries and a modest recovery in its research activity. Much of the deterioration in SEA's submarine activity was expected, with our major design work on the Royal Navy's existing submarine platforms coming to an end. The business also experienced some unforeseen contraction, the result of a delay to work on the Dreadnought Class, probably slipping into 2020.

As a consequence of the reduced revenue, SEA's adjusted operating profit was down 17%. Gross margin as a percentage showed an increase, the result of an improved revenue mix, but after overheads the net return percentage was also slightly down.

SEA's revenue in the near term is expected to remain relatively flat and we have acted to reduce its cost base accordingly. The restructuring will be completed by the end of July 2018 and a net cost reduction of £1m per annum will be seen from the second half of 2018/19.

MCL's adjusted operating profit was flat on an 18% increase in revenue. The revenue growth was from higher volumes of hearing protection systems which have greater bought-in content, and hence lower gross margin, compared to the support and engineering work which made up a greater proportion of 2016/17 revenue.

Following the acquisition by Cohort of the management's minority interest in MCL in January 2017, the final earn-out (£2.5m) was paid in August 2017.

Following an unusually strong performance in 2017, we had expected EID's operating margin to fall, but in the event, at 24.5% (2017: 26.3%), it was higher than forecast. The proportion of naval work was, as expected, higher, although the content of naval support work within this was lower, accounting for the slightly weaker margin. EID's contribution to the Group was for a full 12 months in 2017/18 (2016/17: 10 months).

Our current expectation is that EID's operating margin for the coming few years will be lower, at around 20%, with the levels of intercom and radio deliveries, in which the bought-in content is higher, rising significantly.

The increase in central costs was as expected. It reflects the addition of some central marketing and human resources expertise to improve the Group's ability to add value to its operating businesses.

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 35 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, and many other export customers. In total its maritime 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 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 customers in the UK and overseas. MASS has some unique capabilities that have enabled it to establish strong niche positions in these important areas. It also has an increasing reputation as a leading provider of secure networks, cyber protection and analysis (including digital forensics) to defence and other security customers. MASS provides 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 and is led by its Managing Director, Chris Stanley.

- MCL is a supplier of advanced electronic warfare, surveillance technologies and communications equipment, including hearing protection systems, to defence and security customers. 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 of timeframes. MCL was founded in 1980 and is led by its Managing Director, Darren Allery.

- SEA specialises in providing advanced technology systems and specialist services to government and industry. Its External Communications System (ECS) is being provided for the Royal Navy's Astute and Vanguard Class submarines and will ultimately be fitted to all the RN's underwater fleet. Its products include sonar systems, torpedo launchers and a range of simulation-based training solutions and middleware that provide realistic training for complex environments. It offers military airworthiness, defence technology research and technical support services. It also provides software and systems for the transport market, including the successful RoadFlow range of traffic enforcement products, and services for the offshore energy market. 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. High calibre employees find our business model attractive and more rewarding as it allows them to be involved in decisions affecting the business, even at a relatively junior level, rather than being constrained to a narrow or purely technical role. This positions us well with customers where such attributes are highly valued.

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. The reorganisation of SCS in late 2016 was such a case.

Within our markets we have sought to use our agility and innovation to identify niches where 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 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 hearing protection system, our digital forensics offering and our Torpedo Launch System.

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. One example is a £50m in-service support contract awarded to MASS in 2010, and where we are strong contenders for the follow-on contract that is expected to be awarded this year. Others include approximately £75m of contracts awarded to SEA so far for ECS across the UK's submarine platforms, and nearly £30m of orders won by MCL 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 benefit from each other's technical capabilities, customer relationships and market knowledge. We have made further progress in the year on ensuring that EID fully participates in this collaborative approach. We will continue to work to promote all of the Group's services and products in wider markets, including through business development visits. In the past year, Andy Thomis has led visits of both UK and Portuguese teams to Malaysia, Indonesia and Chile.

Co-operation between the Group businesses has extended to the sharing of technology. For example, SEA and EID are working together on developing a secure communication system for the Royal Navy's new Type 31 frigate, bringing together EID's expertise in surface ship communications with SEA's knowledge of the UK and especially its security requirements.

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 current 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 stand-alone members of the Group or as "bolt-in" acquisitions to our existing subsidiaries.

The most likely candidates for bolt-in acquisitions are businesses with capabilities and/or customer relationships that are closely linked to one of our existing subsidiaries. We would expect to integrate an acquired business of this nature fully within the relevant subsidiary. This could lead to both cost savings and benefits from shared access to markets and technologies. The 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 final earn out paid in August 2017.

In November 2017 we completed the acquisition of a further stake of 23% in EID, taking our holding to 80%, the Portuguese Government retaining the other 20%. As part of this transaction, the parties entered into an agreement which gives certain rights and protections to the Portuguese Government as a minority shareholder. The agreement also provides that the Portuguese Government assigns to Cohort its dividend rights up to a value of €3m or for six years, whichever is the sooner. After this arrangement expires, the Government will be entitled to 20% of any future dividend declared by EID.

Divisional Review

EID

	2018 £m	2017 £m
Revenue	**19.1**	16.0
Adjusted operating profit	**4.7**	4.2
Operating cash flow	**1.9**	4.1

Above figures are for 100% of EID and for the year ended 30 April 2018 (10 months ended 30 April 2017)

EID provided another strong contribution to the Group in 2017/18 following its very good initial result last year. This again exceeded our expectations. The average weighted exchange rate for 2017/18 was €1.13:£1 (2016/17: €1.12:£1). The impact of exchange in the reported results in sterling was minimal.

EID's performance in 2017/18 saw, as we expected, more naval activity with around 60% of the total revenue from this division, compared with 30% in 2016/17.

Although we expected the net margin of EID to fall in 2017/18 from 2016/17, driven by less naval support work, the outcome for this year was better than we expected with some higher margin research and development projects. The net margin of 24.5% was only slightly below the 26.3% achieved in 2016/17.

EID's order intake of £8.9m included a significant order for upgrading a class of Portuguese patrol vessels. The order intake was lower than we expected with some important orders for the Portuguese Army slipping into the coming year.

The closing order book of EID of £18.2m provides good underpinning to the coming financial year in its Naval division and some very good prospects, especially in its Tactical systems division. We expect EID's revenue to grow in the coming year.

The mix of work at EID is expected to change in the coming few years with lower levels of naval support activity and increased deliveries of intercom and radio products. The latter generate a lower margin, since they contain a higher proportion of bought-in material. As a result, the net margin is expected to return to more historically normal levels of around 20%.

Divisional Review

MASS

	2018 £m	2017 £m
Revenue	**37.5**	32.5
Adjusted operating profit	**7.1**	5.9
Operating cash flow	**7.1**	4.5

MASS had a welcome return to growth with adjusted operating profit rising 20% on revenue that grew 15% compared to 2016/17.

The inclusion of the Training Support division for a full year (six months in 2017 following transfer from SCS in November 2016) contributed £2m to MASS's revenue. In April 2018 the division completed a large biennial joint forces exercise, further increasing revenue and margin for the year. The other main growth driver was the higher level of cyber activity, including initial deliveries of the digital forensics service to the Metropolitan Police Service and the completion of several cyber vulnerability investigations.

The above positive variances offset a decline in MASS's EWOS work. A countermeasure project for an export client concluded in early 2017/18, and the Shepherd development project also came to an end in the year. Shepherd is now entering its five-year support phase, and we expect to secure extra tasking in the coming years. Some long-term export EWOS activities continued to be funded on short term, lower value rolling purchase orders, while the prime contractor worked to conclude the lead contract. We expect to see these support contracts secured at their full, long term value in the coming year.

MASS's net margin increased to 18.9% (2016/17: 18.2%). Although EWOS activity was lower, the Training Support margin was good and the higher volume in cyber drove both higher margin and improved utilisation. MASS overheads only slightly increased.

MASS's order intake of £29.1m was slightly lower than last year (£32.0m). 2016/17 order intake included two long term contracts, valued at nearly £20m and deliverable over 9-10 years, which were not repeated. The most significant order secured in the year was a two-year extension of the Joint Forces Command Support for £10.5m. Other orders included £6m in cyber and £10m in EWOS.

MASS's operating cash flow this year was stronger than last year with the build-up of working capital at the end of the 2016/17 financial year unwinding in the first half of 2017/18. Looking forward, we expect MASS's operating cash flow to be broadly in line with its profitability.

MASS operated through the year with five divisions. The EWOS division includes the THURBON™ EW database, SHEPHERD (the provision of a system embodying THURBON™ to the UK MOD) and MASS's 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. This division also delivers secure network design, delivery and support and 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. Finally, MASS's Information as a Service division supports a key UK military intelligence platform as well as providing similar information services to other defence and commercial customers.

MASS enters the current year with a strong order book and pipeline of opportunities, including exports and renewals, though these are always unpredictable in terms of timing. MASS will see the conclusion of its current long-term contract with the UK MOD, supporting the UK's strategic defence capability. The UK MOD is holding a competition for the follow-on contract, with a decision expected in the Autumn for the new contract to commence in April 2019.

Divisional Review

MCL

	2018 **£m**	2017 £m
Revenue	**17.4**	14.8
Adjusted operating profit	**2.1**	2.1
Operating cash flow	**5.9**	0.5

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

MCL's revenue grew 18% compared to last year, mostly from increased deliveries of hearing protection systems to the UK MOD. The bought-in content for these items is much higher and as a result, although the absolute gross margin increased, the gross margin percentage fell.

The overall profitability of MCL was flat with the increased volume and margin offset by slightly higher overheads. The latter was the result of MCL adding to its headcount, which increased from 28 to 30, and costs associated with higher levels of overseas supplier activity.

MCL secured several key contracts in the year including a further £6m of orders for 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 it in building an order book and business with greater longevity and visibility. This was achieved last year when the order book grew from £7.0m (April 2016) to £15.5m (April 2017). This objective is a long term one and although the order book has fallen back to £10.3m at April 2018, the level of sustainable support work at MCL continues to grow. The visibility of MCL's revenue remains, on average, in the three to six-month range.

The very strong operating cash flow was better than expected and reflected MCL's peak of activity at the end of the financial year, with supplier payments slipping into early 2018/19.

Divisional Review

SEA

	2018 £m	2017 £m
Revenue	**37.8**	44.4
Adjusted operating profit	**4.4**	5.3
Operating cash flow	**4.0**	(5.5)

SEA has had another challenging year with growth in its maritime export deliveries and a return to growth of its research activity, albeit very small, offset by a significant contraction in its submarine activity.

The change in SEA's business over the last few years is analysed as follows

	2016 £m	2017 £m	2018 £m
Submarines	21.1	16.9	7.3
Research	8.1	2.1	2.3
Other	19.6	25.4	28.2
SEA total revenue	48.8	44.4	37.8

The submarine and research activities are exclusively for the UK MOD.

Despite the reduced revenue, SEA's net margin has increased from 11.1% in 2016 to 11.7% in 2018. This is a result of the trend of the business towards more product sales, particularly in export markets, and a proportionate reduction in customer-funded research work and submarine activity, the latter of which is subject to contractual limitations on margin.

This trend has been accompanied by reduced revenue predictability, as the revenue generated by long-term contracts has declined compared to other areas. For instance, SEA's Software Solutions and Product (SSP) division has a timeframe from order win to delivery that is usually a few weeks to months. We expect to see this unpredictability continue in the medium term whilst we await the next major ECS contract, which will be to provide the system for the new Dreadnought Class of ballistic missile submarines. In the meantime, SEA is actively seeking to expand its export business, especially in maritime markets, but this is also unpredictable in terms of timing.

In SEA's Maritime division the UK submarine communications work moved in 2016/17 from design and testing of systems to delivery. During 2017/18, the level of work dropped further with minimal deliveries of systems and the on-going design work now mainly in respect of technical developments and upgrades. Activity is expected to remain at this low level for the coming 18-24 months until significant Dreadnought Class work commences, which we currently expect in 2020. Good progress on the communications system development work has significantly de-risked the programme, allowing contingency to be released.

Excluding submarines, SEA's maritime business grew. The level of torpedo launch systems was, as expected, above that in 2016/17, with delivery completed for one customer, continuing for a second and starting for a new, third customer. We expect a marked increase in this work in the coming year as two customers receive systems.

Within the Maritime division, SEA suffered further 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 now almost complete, and no further loss is expected.

SEA's SSP division, which is dominated by our offering to the transport market, increased its revenue from just under £9m in 2016/17 to over £9m this year. This growth was mostly from increased orders for traffic enforcement systems in the UK and overseas and other defence products. Total transport revenue dropped slightly, as the delivery of the upgrade to Transport for London for its Digital Traffic Enforcement Systems (DTES) fell following peak activity in the second half of last year.

Improved margins in the Maritime, Research and SSP divisions, along with volume increases, partly offset the marked deterioration in SEA's submarine activity.

Following the fall in activity at the Research division over the last two years, SEA secured a new contract to carry out research into soldier systems, the Future Individual Lethality System (FILS). As a result, revenue has stabilised in this division and we expect it to increase in 2018/19, although not back to the peak levels of two to three years ago.

SEA's Subsea division saw its revenue increase by around 5% and its profitability maintained, despite the low oil price holding back spending by oil producers in the North Sea. The division's gross margin stayed high due to 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 in November 2016. A full year of their contribution in 2017/18 (compared to six months in 2016/17) added £1m to SEA's revenue.

SEA's closing order book of £33.1m includes nearly £16m of revenue to be delivered in the coming financial year.

SEA conducted its business in 2017/18 through three market facing divisions:

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

- 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, other information systems and the Air Systems division (formerly of SCS). This division absorbed SEA's Research & Technical Support division from 1 September 2017, which include SEA's capabilities in the land and research markets of defence and Capability Development division (formerly of SCS).

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

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

Following two years of declining revenue and profitability, and in the expectation that SEA's submarine activity will remain low in the near term, we have acted to reduce the cost base of SEA by approximately £1m per annum. This restructuring, costing about £0.5m, has already commenced and will complete in the first half of 2018/19, delivering an expected saving in 2018/19 of £0.8m.

The restructuring will involve a reduction in both direct and indirect headcount. Back office services at SEA, including finance and purchasing, will be concentrated at Barnstaple. The Maritime and SSP divisions described above will be reorganised as follows:

  - Communications (from the Maritime Division), Research and Technical Support and Software Solutions and Products Divisions to be merged under a single manager based at Beckington.

  - The remainder of the Maritime Divison, Launchers and Advanced Technologies along with Production to be merged under a single manager based at Barnstaple.

These changes will allow the management structure to be streamlined and will allow greater focus on improving project delivery. The Subsea Division is unaffected.

During 2018/19, SEA will complete the final integration of SEA and J+S by implementing a single management and reporting system.

Revenue by sector and business

	EID		MASS		MCL		SCS		SEA		Group			
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	**2018 £m**	%	2017 £m	%
Defence & Security	17.2	16.0	34.6	30.7	17.4	14.7	—	4.9	30.1	35.6	99.3	89	101.9	90
Transport	—	—	—	—	—	—	—	—	5.4	5.9	5.4	5	5.9	5
Offshore energy	—	—	—	—	—	—	—	—	2.1	2.0	2.1	2	2.0	2
Other commercial	1.9	—	2.9	1.8	—	0.1	—	0.1	0.2	0.9	5.0	4	2.9	3
	19.1	16.0	37.5	32.5	17.4	14.8	—	5.0	37.8	44.4	111.8	100	112.7	100

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

	EID		MASS		MCL		SCS		SEA		Group			
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	**2018 £m**	%	2017 £m	%
Direct to UK MOD	—	—	20.1	14.4	15.7	12.5	—	2.4	7.0	5.8	**42.8**	38	35.1	31
Indirect to UK MOD where the Group acts as a sub-contractor or partner	0.4	—	4.2	5.5	0.3	0.5	—	1.1	16.0	23.7	**20.9**	19	30.8	27
Total to UK MOD	0.4	—	24.3	19.9	16.0	13.0	—	3.5	23.0	29.5	**63.7**	57	65.9	58
Portuguese MOD	5.2	2.4	—	—	—	—	—	—	—	—	**5.2**	5	2.4	2
Security	—	—	3.3	0.8	0.9	0.7	—	0.2	—	—	**4.2**	4	1.7	2
Export defence	11.6	13.6	7.0	10.0	0.5	1.0	—	1.2	7.1	6.1	**26.2**	23	31.9	28
	16.8	16.0	10.3	10.8	1.4	1.7	—	1.4	7.1	6.1	**35.6**	32	36.0	32
	17.2	16.0	34.6	30.7	17.4	14.7	—	4.9	30.1	35.6	**99.3**	89	101.9	90

Defence and security revenue is categorised into market segments as follows:

	Year ended 30 April 2018		Year ended 30 April 2017	
	£m	**%**	£m	%
By market segment				
Maritime combat systems	**31.4**	**28**	32.9	29
C4ISTAR	**34.0**	**30**	39.8	35
Cyber security and secure networks	**15.6**	**14**	13.7	12
Simulation and training	**9.4**	**9**	9.2	8
Research, advice and support	**6.7**	**6**	4.9	5
Other	**2.2**	**2**	1.4	1
Total defence and security revenue	**99.3**	**89**	101.9	90

The Group's total revenue, broken down by type of deliverable is as follows:

	Year ended 30 April 2018		Year ended 30 April 2017	
	£m	**%**	£m	%
Product (hardware and/or software)	**32.0**	**29**	32.8	29
Customised systems or sub-systems (hardware and/or software)	**29.9**	**27**	31.9	28
Services	**49.9**	**44**	48.0	43
Total revenue	**111.8**	**100**	112.7	100

Revenue analysis

As we signalled last year, with the Group's focus moving towards more product and software we have changed the revenue analysis as shown above. With the growth of our offering to security customers, including the security services and police forces, we have split these out as a separate customer group called security. This revenue was previously included within the Export and Other category. The comparatives have been restated accordingly.

Overall, the pattern of sales in 2017/18 was very similar to that in 2016/17. The proportion of sales directly to the UK MOD increased, though the total level of sales to the UK MOD as an ultimate customer remained very similar. Sales to security customers and the Portuguese MOD grew. Export sales fell, as did sales in the C4ISTAR area.

Growth in the work for Joint Forces Command at MASS along with the boost in hearing protection sales by MCL account for the increase in sales direct to the UK MOD. The expected growth in Portuguese MOD sales at EID arose from naval work and we expect another strong year as deliveries to the Portuguese Army commence.

The indirect sales to the UK MOD, via other contractors has fallen, as has our work in the C4ISTAR area and customised systems. This is mostly due to the decline in our submarine activity at SEA.

Excluding EID, export sales in 2017/18 were nearly £14.6m (2017: £18.3m), 20% lower than last year. This was due to completion of a specific countermeasures contract at MASS early this year, much of the work having been done in 2016/17, and delayed renewals and extensions to some of MASS's export support contracts. SEA's export business did show growth with deliveries to three separate export customers for its Torpedo Launch System in 2017/18. Including EID, defence export sales (excluding EID's domestic market of Portugal) were £26.2m (2017: £31.9m) of Group revenue. The fall in overall export revenue was, in addition to the MASS change above, a reflection of completion of a large intercom delivery to Egypt in 2016/17. Further work with this customer is expected in the coming few years.

The Group's defence and security business is, and is expected to remain, the largest part of our business, supplying 89% of revenue this year (2017: 90%). Nevertheless, the Group's non-defence revenue was up by nearly 16% compared to last year, with growth coming from EID's work on the Azores Air Traffic Control System upgrade and a small increase in MASS's education activity. SEA's transport division saw a small decline. The sale of RoadFlow and its variants, including to export customers, increased, but this was offset by a fall in activity for Transport for London's DTES (bus lane enforcement) system and its new traffic enforcement officer app (PES), both of which saw peak activity last year. The oil and gas market continued to be difficult but did achieve a small increase (5%) in revenue and maintained its profitability.

Our people

All 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.

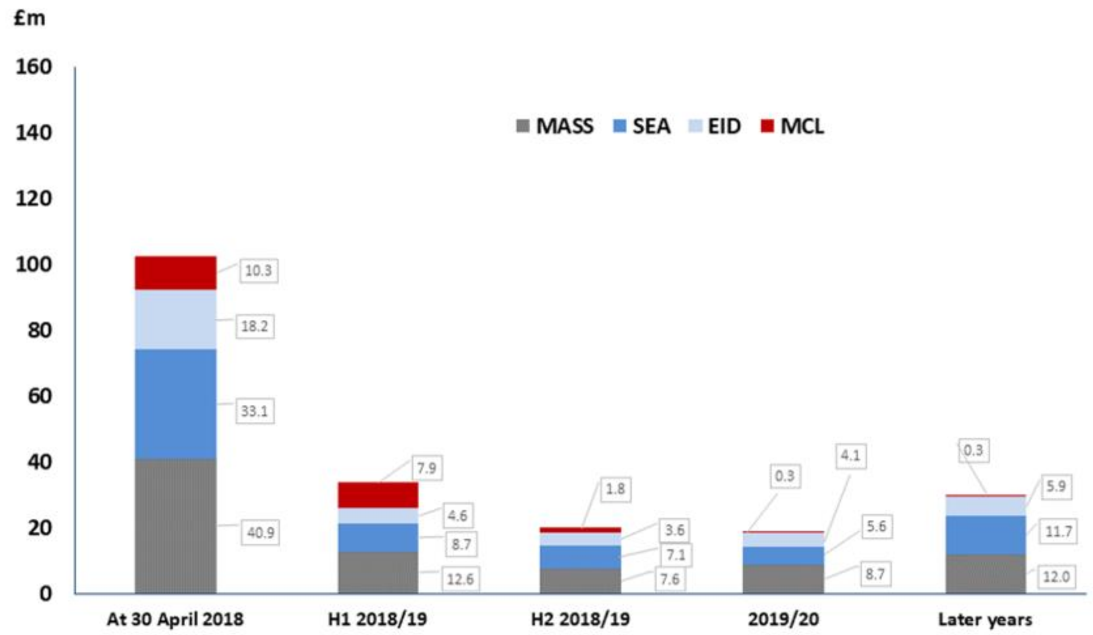
Operational Outlook

Order intake and order book

	Order intake		Order book	
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
EID	**8.4**	18.9	**18.2**	27.6
MASS	**29.1**	32.0	**40.9**	49.4
MCL	**12.1**	23.3	**10.3**	15.5
SCS	**-**	3.0	**-**	-
SEA	**27.0**	31.4	**33.1**	44.0
	76.6	108.6	**102.5**	136.5

The decrease in the Group's order intake was across the Group. This was partly due to slippage of some significant renewals into the current year, especially at MASS. The falls at EID and MCL were to some extent expected, with large orders for naval systems (EID) and hearing protection (MCL) having been received in 2016/17. SEA's order intake was also down, primarily in submarine activity, but we did see another good export win for its Torpedo Launch System.

Delivery of the Group's order book into revenue



The above table shows the underpinning of future revenue from the current order book (all figures are £m).

EID's order intake for this year was just over £8m compared with nearly £19m last year. 2016/17 saw nearly £9m of orders for the Portuguese MOD, delivery of which began in 2017/18. The main item of order intake for EID in 2017/18 was an upgrade to Portuguese offshore patrol vessels. EID's order book of £18.2m gives reasonable underpinning for the year ahead, especially in its Naval division. The Tactical division has, as is typical, a lower level of work on order, but it has good prospects, mostly for extensions and re-orders of work from existing customers.

MASS's order intake of £29.1m included a renewal for two years (£10.5m) for supporting the UK's Joint Forces Command exercise programme. Despite this, overall MASS's order intake was down compared to last year, which included £20m of long term support orders. In cyber, MASS secured more work on various UK government cyber frameworks and on cyber vulnerability investigations. In EWOS, we saw the renewal of several UK and export support contracts for one year, following the completion of longer term contracts. Some of these contracts should be renewed for longer durations in the coming year. MASS's closing order book of £41m provides good underpinning for the coming year and, with several important renewals scheduled, we are optimistic that MASS's order book will grow.

At MCL, order intake of £12.1m was lower than 2016/17's very strong performance of £23.3m. Two hearing protection orders totalling nearly £6m were received; one an extension to an existing customer, the other for a new customer, RAF aircrew. The closing order book and prospects, including some recent wins in unmanned air vehicles and hearing protection give us confidence that MCL should continue to grow in the coming year. Our long-term strategy remains to try and strengthen MCL's order book and prospects to give it more visibility of future work flows.

SEA's order intake of £27.0m was slightly lower than last year (£31.4m) which did include a £9m ten-year development and support order for DTES from Transport for London. In other areas, submarine related orders were down at below £5m. Research and related areas were steady, but in torpedo launch and other naval systems the order intake was much stronger, driven by a new customer for the Torpedo Launch System in South East Asia, the third such.

The Subsea Engineering division of SEA continued to suffer from a tight market in 2017/18 with order intake down from £2.1m in 2016/17 to £1.6m in 2017/18, although it did pick up in the second half.

SEA's closing order book of £33.1m provides reasonable underpinning for the coming year and along with recent wins and some good prospects provides us with a reasonable expectation that SEA should be steady in the coming year.

In the near term, the majority of Cohort's business will continue to be derived 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 UK MOD and armed forces in acquiring new equipment. As we predicted last year, this tightness, coupled to a shortage of commercial staff has resulted in unpredictable fluctuations between purchase commitments and cash controls in 2017/18. We expect these adverse conditions to continue in 2018/19. The new review, Defence Modernisation Programme, is expected to be published this summer. We await its outcome but do not expect a major change from what was the focus of 2015's Strategic Defence Review.

Even after taking account of the run-off of long-term orders, the Group's order book is reduced compare to the position last year. We see several important long-term opportunities that are likely to be decided in 2018/19 which will have a major impact on our prospects for organic growth over the next few years. These include:

- The renewal of a major support contract for MASS. The UK MOD is conducting a competition to select the supplier, and this is likely to be decided this Autumn.
- Further export EWOS contracts for MASS, particularly for the supply of countermeasures and the provision of local support in the Middle East.
- A large opportunity for EID to supply vehicle intercom systems to a customer in the Middle East.
- An extension of MCL's contract to provide tactical intelligence-gathering equipment to the Royal Navy.
- Several competitive opportunities for SEA to provide its Torpedo Launch System for export customers, and, working with EID, to supply communications equipment for the Royal Navy's new Type 31 Frigate.

A reasonable measure of success in relation to these prospects is important for our future performance.

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.

NatWest is 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 NatWest.

The current 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 2018 the facility was drawn as follows:

	Facility £m	Drawn £m
M&A loan	15	9.2
Overdraft	3	-
FX, bonding and other trade instruments	7	2.0
	25	11.2

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.

This facility is expected to be renewed on or before November 2018, discussions with our banks having already commenced. At this stage, we have every expectation that the facility will be renewed on broadly similar terms to the existing facility but with only two banks participating, NatWest and Lloyds.

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.

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 0.00% to 0.15% (2017: 0.0% 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 (2017: 0.3m) 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 2018 (2017: 1.7m).

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

1. the reporting of overseas subsidiaries' earnings (currently only EID) 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 15% to a total dividend paid and payable of 8.20 pence per share (2017: 7.10 pence).

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
2018	**8.2**	**15**	**3.7**	**4.0**
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

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 2018 was, as had been expected, stronger than last year. In summary, the Group's cash performance was as follows:

	2018 £m	2017 £m
Adjusted operating profit	**15.6**	14.5
Depreciation and other non-cash operating movements	**1.2**	1.4
Working capital movement	**(1.7)**	(11.2)
	15.1	4.7
Acquisition of EID; 23% in 2018, 57% in 2017 (net of cash acquired)	**(3.5)**	(4.0)
Payment of final earn out in 2018 (acquisition of the minority of MCL in 2017))	**(2.5)**	(5.1)
Reorganisation of SCS	**(0.6)**	(1.3)
Tax, dividends, capital expenditure, interest, loans and investments	**(5.7)**	(5.6)
Increase/(decrease) in net funds	**2.8**	(11.3)

The slightly higher cash outflow in tax, dividends etc., was mostly due to higher investment in Cohort's own shares by the EBT, a net outflow of £0.8m (2017: inflow of £0.5m) offset by lower tax payments. 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 24 days (2017: 42 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 decrease in debtor days is a reflection of invoicing revenue, especially at SEA and MCL, earlier in the final quarter than last year, enabling more receipts to be collected in the financial year.

Tax

The Group's tax charge for the year ended 30 April 2018 of £1,395,000 (2017: credit of £1,144,000) was at an effective rate of 14.1% (2017: credit rate of 119%) of profit before tax. This includes a current year corporation tax charge of £2,869,000 (2017: £2,445,000), a prior year corporation tax credit of £631,000 (2017: credit of £845,000) and a deferred tax credit of £843,000 (2016: £2,744,000).

The current UK tax rate (including deferred tax) on profit before tax is lower than the standard rate (calculated at 19.00%; 2017: 19.92%), primarily due to recognition of Research & Development (R&D) credits in the current year (£0.5m) and statutory deductions on the exercise of share options by employees (£0.1m). 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 19.00% (2017: 19.92%). 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. Looking forward, the Group's effective current tax rate for both 2018/19 and 2019/20 is estimated at 16%. This takes account of the expected reduction in headline tax rates in the UK and assuming that the R&D tax credit regime remains unchanged from its current level and scope, offset by an increased proportion of profit before tax from EID at higher Portuguese tax rates. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2016/17 and 2017/18.

Exceptional items

The small exceptional item was in respect of the acquisition of a further 23.09% of EID, taking the Group to its final position of 80% of ownership.

Adjusted earnings per share

The adjusted earnings per share (EPS) of 30.00 pence (2017: 27.93 pence) is reported in addition to the basic earnings per share and excludes the effect of amortisation of intangible assets, exchange movement on marking forward exchange contracts to market and exceptional items, all net of tax.

The adjusted earnings per share excludes the non-controlling interest of EID, 43%, up to 24 November 2017 and 20% thereafter.

The reconciliation is as follows:

	Adjusted operating profit £m	Adjusted earnings per share pence
Year ended 30 April 2017	14.5	27.93
EID adjusted operating profit and earnings impact (57% owned for period from 1 May to 24 November 2017 and 80% owned from 24 November to 2017 to 30 April 2018)	0.5	0.80
100% owned businesses throughout the year ended 30 April 2018	0.6	1.47
Dilution from higher weighted average number of shares (due to option exercises)	-	(0.20)
Year ended 30 April 2018	15.6	30.00
Increase from 2017 to 2018	8%	7%

The adjustments to the basic EPS in respect of the exchange movements and other intangible asset amortisation of EID 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	Applicable Tax adjustment	Adjustment to adjusted earnings per share (net of tax)	
	£000	£000	£000	
Exceptional items	50	-	50	
Exchange gain on marking forward contracts to market value	280	(53)	227	
Amortisation of other intangible assets:				
J+S	1,320	(251)	1,069	
MCL	2,430	(461)	1,969	
EID	1,039	(233)	806	*Note 1*
	5,119	(998)	4,121	

Note 1: This adjustment is at 43.09% up to 24 November and 20% thereafter 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 £0.2m (2017: £0.5m) which when taken into account reduces the adjusted earnings per share by 0.59 pence to 29.41 pence (2017: 26.63 pence), 10% higher than last year's equivalent figure.

Andy Thomis
Chief Executive Officer

Simon Walther
Finance Director

CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2018

	Notes	**Year ended 30 April 2018 £000**	Year ended 30 April 2017 £000
Revenue	2	**111,798**	112,651
Cost of sales		**(72,409)**	(73,676)
Gross profit		**39,389**	38,975
Administrative expenses		**(29,429)**	(38,012)
Operating profit	2	**9,960**	963
Comprising:			
Adjusted operating profit	2	**15,602**	14,489
Amortisation of other intangible assets (included in administrative expenses)		**(5,312)**	(11,259)
(Charge)/credit on marking forward exchange contracts to market value at the year end (included in cost of sales)		**(280)**	171
Exchange gain on revaluing cash held for acquisition consideration of EID to market value at the acquisition date (included in administrative expenses)		**-**	259
Exceptional items:			
Costs of acquisition of EID (included in administration expenses)	8	**(50)**	(80)
Costs of acquisition of MCL (included in administrative expenses)		**-**	(47)
Reorganisation of SCS (included in administrative expenses)		**-**	(2,570)
Operating profit	2	**9,960**	963
Finance income		**14**	47
Finance costs		**(103)**	(46)
Profit before tax		**9,871**	964
Income tax (charge)/credit	3	**(1,395)**	1,144
Profit for the year		**8,476**	2,108
Attributable to:			
Equity holders of the parent		**8,087**	3,672
Non-controlling interests		**389**	(1,564)
		8,476	2,108

All profit for the year is derived from continuing operations.

	Note	**Year ended 30 April 2018 Pence**	Year ended 30 April 2017 Pence
Earnings per share	4		
Basic		**19.87**	9.09
Diluted		**19.67**	8.97
Adjusted earnings per share	4		
Basic		**30.00**	27.93
Diluted		**29.70**	27.56
Dividends per share paid and proposed in respect of the year	5		
Interim		**2.55**	2.20
Final		**5.65**	4.90
		8.20	7.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2018

	Year ended 30 April 2018 £000	Year ended 30 April 2017 £000
Profit for the year	**8,476**	2,108
Foreign currency translation differences on net assets of EID, net of loan used to finance acquisition	**(167)**	95
Other comprehensive income for the year, net of tax	**(167)**	95
Total comprehensive income for the year	**8,309**	2,203
Attributable to:		
Equity shareholders of the parent	**7,787**	3,959
Non-controlling interests	**522**	(1,756)
	8,309	2,203

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 April 2018

	Notes	At 30 April 2018 £000	At 30 April 2017 £000
ASSETS			
Non-current assets			
Goodwill		**39,156**	39,156
Other intangible assets		**6,168**	11,480
Property, plant and equipment		**9,597**	9,938
Deferred tax asset		**406**	833
		55,327	61,407
Current assets			
Inventories		**6,426**	5,296
Trade and other receivables		**33,258**	38,010
Derivative financial instruments		**51**	148
Cash and cash equivalents		**20,511**	12,017
		60,246	55,471
Total assets		**115,573**	116,878
LIABILITIES			
Current liabilities			
Trade and other payables		**(27,303)**	(34,285)
Current tax liabilities		**(265)**	-
Derivative financial instruments		**(183)**	-
Bank loans and overdrafts		**(9,173)**	(3,540)
Other creditors		**-**	(465)
Provisions		**(1,156)**	(1,377)
		(38,080)	(39,667)
Non-current liabilities			
Bank loans and overdrafts		**-**	(5)
Deferred tax liability		**(1,414)**	(2,483)
Provisions		**(436)**	(735)
		(1,850)	(3,223)
Total liabilities		**(39,930)**	(42,890)
Net Assets		**75,643**	73,988
Equity			
Share capital		**4,096**	4,096
Share premium account		**29,657**	29,657
Own shares		**(1,190)**	(1,142)
Share option reserve		**626**	783
Other reserve: option for acquiring non-controlling interest in MCL	7	**-**	(465)
Retained earnings		**39,900**	36,901
Total equity attributable to the equity shareholders of the parent		**73,089**	69,830
Non-controlling interests		**2,554**	4,158
Total equity		**75,643**	73,988

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 APRIL 2018

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
	Attributable to the equity shareholders of the parent								
At 1 May 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 purchased	—	—	(109)	—	—	—	(109)	—	(109)
Own shares sold	—	—	583	—	—	—	583	—	583
Net loss on selling own shares	—	—	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
Profit for the year	—	—	—	—	—	8,087	8,087	389	8,476
Other comprehensive income for the year	—	—	—	—	—	(300)	(300)	133	(167)
Total comprehensive income for the year	—	—	—	—	—	7,787	7,787	522	8,309
Transactions with owners of Group and non-controlling interests, recognised directly in equity									
Equity dividends	—	—	—	—	—	(3,035)	(3,035)	—	(3,035)
Vesting of Restricted Shares	—	—	—	—	—	175	175	—	175
Own shares purchased	—	—	(1,467)	—	—	—	(1,467)	—	(1,467)
Own shares sold	—	—	697	—	—	—	697	—	697
Net loss on selling own shares	—	—	722	—	—	(722)	—	—	—
Share-based payments	—	—	—	273	—	—	273	—	273
Deferred tax adjustment in respect of share-based payments	—	—	—	(248)	—	—	(248)	—	(248)
Transfer of share option reserve on vesting of options	—	—	—	(182)	—	182	—	—	—
Completion of acquisition of MCL by settlement of non-controlling interests' earn out	—	—	—	—	465	—	465	—	465
Effect of acquisition of 23.09% of non-controlling interest in EID	—	—	—	—	—	(1,388)	(1,388)	(2,126)	(3,514)
At 30 April 2018	**4,096**	**29,657**	**(1,190)**	**626**	**—**	**39,900**	**73,089**	**2,554**	**75,643**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 April 2018

	Notes	**Year ended 30 April 2018 £000**	Year ended 30 April 2017 £000
Net cash generated from operating activities	6	**13,220**	659
Investing activities			
Interest received		**14**	47
Purchases of property, plant and equipment		**(747)**	(875)
Acquisition of EID, net of cash acquired	8	**(3,514)**	(4,045)
Acquisition of MCL	7	**(2,529)**	(5,080)
Net cash used in investing activities		**(6,776)**	(9,953)
Financing activities			
Dividends paid		**(3,035)**	(2,544)
Repayment of borrowings		**(3)**	(3)
Drawdown of borrowings		**5,514**	-
Purchase of own shares		**(1,467)**	(109)
Sale of own shares		**697**	583
Net cash generated from/(used in) financing activities		**1,706**	(2,073)
Net increase/(decrease) in cash and cash equivalents		**8,150**	(11,367)

	At 1 May 2017 £000	Effect of foreign exchange rate changes £000	Cash Flow £000	**At 30 April 2018 £000**
Funds reconciliation				
Cash and bank	12,017	344	8,150	**20,511**
Short term deposits	-	-	-	**-**
Cash and cash equivalents	12,017	344	8,150	**20,511**
Loan	(3,536)	(117)	(5,514)	**(9,167)**
Finance lease	(9)	-	3	**(6)**
Debt	(3,545)	(117)	(5,511)	**(9,173)**
Net funds	8,472	227	2,639	**11,338**

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 2018. The information in this preliminary statement has been extracted from the financial statements for the year ended 30 April 2018 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 a further 23% was acquired on 24 November 2017, taking the Group's holding to 80%. The Group has had effective control from 27 June 2016. Therefore, 100% of EID's result and balances has been consolidated from 27 June 2016 with the non-controlling interest identified.

The Group's Annual Report for the year ended 30 April 2018 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 2018 and 2017 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 2017 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 3 July 2018.

Copies of the Annual Report and accounts for the year ended 30 April 2018 will be posted to shareholders on 27 July 2018 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 2018 £000	Year ended 30 April 2017 £000
Revenue		
EID	**19,084**	16,023
MASS	**37,553**	32,476
MCL	**17,381**	14,761
SCS	**-**	5,001
SEA	**37,780**	44,390
	111,798	112,651
Adjusted Operating Profit		
EID	**4,677**	4,234
MASS	**7,113**	5,908
MCL	**2,072**	2,053
SCS	**-**	(455)
SEA	**4,433**	5,294
Central costs	**(2,693)**	(2,545)
	15,602	14,489
Amortisation of other intangible assets	**(5,312)**	(11,259)
(Charge)/credit on marking forward exchange contracts to market value at the year end	**(280)**	171
Exchange gains on revaluing cash held for acquisition consideration for EID	**-**	259
Exceptional items:		
Costs of acquisition of EID	**(50)**	(80)
Costs of acquisition of MCL	**-**	(47)
Reorganisation of SCS	**-**	(2,570)
Operating Profit	**9,960**	963

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 (in 2017) and exceptional items.

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

3. TAX CHARGE/(CREDIT)

	Year ended 30 April 2018 £000	Year ended 30 April 2017 £000
UK Corporation tax:		
Current year	**1,812**	1,466
Prior year	**(629)**	(845)
Portugal corporation tax	**1,117**	965
Other foreign corporation tax	**(13)**	13
	2,287	1,599
Deferred taxation:		
Prior year	**264**	55
Current year	**(1,156)**	(2,798)
	(892)	(2,743)
	1,395	(1,144)

The current year corporation tax charge (2017: credit) includes £nil (2017: £512,000) in respect of exceptional items and the current year deferred tax credit includes a credit of £1,063,000 (2017: credit of £2,402,000) in respect of the amortisation of other intangible assets and a credit of £53,000 (2017: £86,000 charge) in respect of marking forward exchange contracts to market value at the year end.

4. EARNINGS PER SHARE

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

	Year ended 30 April 2018 £000	Year ended 30 April 2017 £000
Earnings		
Basic and diluted earnings	**8,082**	3,672
Amortisation of other intangible assets (net of tax of £945,000; 2017: £1,550,000)	**3,844**	5,773
Charge/(credit) on non-trading foreign exchange movements (net of tax credit of £53,000 (2017: charge of £86,000)	**227**	(344)
Costs of acquisition of EID (nil tax)	**50**	80
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	**12,203**	11,286

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 2018 and the year ended 30 April 2017 reflect the interests of the equity holders of the parent only and exclude the proportion allocated to the non-controlling interest in each year.

	Number	Number
Weighted average number of shares		
For the purposes of basic earnings per share	**40,679,428**	40,400,179
Share options	**413,334**	553,515
For the purposes of diluted earnings per share	**41,092,762**	40,953,694

	Year ended 30 April 2018 Pence	Year ended 30 April 2017 Pence
Earnings per share		
Basic	**19.87**	9.09
Diluted	**19.67**	8.97
Adjusted earnings per share		
Basic	**30.00**	27.93
Diluted	**29.70**	27.56

5. DIVIDENDS

The proposed final dividend for the year ended 30 April 2018 is 5.65 pence (2017: 4.90 pence) per ordinary share. This dividend will be payable on 19 September 2018 to shareholders on the register at 24 August 2018 subject to approval by shareholders at the AGM on 11 September 2018.

The total paid and proposed dividend for the year ended 30 April 2018 is 8.20 pence per ordinary share; a cost of £3,369,000 (2017: 7.10 pence per ordinary share; cost of £2,891,000).

The charge for the year ended 30 April 2018 of £3,035,000 is the final dividend for the year ended 30 April 2017 paid (£1,999,000) and the interim dividend for the year ended 30 April 2018 paid (£1,036,000).

6. NET CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended 30 April 2018 £000	Year ended 30 April 2017 £000
Profit for the year	**8,476**	2,108
Adjustments for:		
Tax charge/(credit)	**1,395**	(1,144)
Depreciation of property, plant and equipment	**1,116**	1,207
Amortisation of goodwill and other intangible assets	**5,312**	11,259
Net finance expense/(income)	**89**	(1)
Share-based payment	**273**	221
Derivative financial instruments and other non-trading exchange movements	**280**	(430)
(Decrease)/increase in provisions	**(520)**	297
Operating cash inflows before movements in working capital	**16,421**	13,517
Increase in inventories	**(1,130)**	(1,386)
Decrease/(increase) in receivables	**4,499**	(3,002)
Decrease in payables	**(4,665)**	(5,815)
	(1,296)	(10,203)
Cash generated by operations	**15,125**	3,314
Tax paid	**(1,802)**	(2,609)
Interest paid	**(103)**	(46)
Net cash generated from operating activities	**13,220**	659

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

The acquisition of 100% MCL was completed last year, 31 January 2017. At that time, an earn out payable to the non-controlling interests was estimated at £2,426,000 and recognised as a creditor due less than one year. On 22 August 2017, an amount of £2,529,000 was paid in full and final settlement of the earn out.

No further amounts are payable by Cohort plc in respect of the acquisition of MCL.

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

As announced on 24 November 2017, Cohort plc acquired a further 23.09% of EID for a total consideration of £3.5m (€4.4m) taking the Group's holding from that date to 80%. The non-controlling interest of EID (held by the Portuguese Government) is now 20%.

On acquiring a further 23.09% of EID, the following adjustment arose in the accounts of Cohort plc:

	£000
Charge to equity (retained earnings)	1,388
Reduction of non-controlling interest from 43.09% to 20.00%	2,126
	3,514
This was funded by:	
Cash consideration to acquire 23.09% of non-controlling interest	3,514

EID contributed £4.7m of adjusted operating profit on £19.1m of revenue for the year ended 30 April 2018, of which £11.6m and £2.5m respectively were for the period from 25 November 2017 to 30 April 2018.

Further costs of £50,000 were incurred in acquiring the further proportion of the non-controlling interest. These have been recognised as an exceptional item in the consolidated income statement.