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Cohort plc

15 December 2014

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

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2014

Cohort plc, the independent technology group, today announces its unaudited results for the six months ended 31 October 2014.

Highlights include:

- Adjusted* operating profit up 34% at £2.5m (2013: £1.8m).
- Revenue up 13% to £37.6m (2013: £33.2m).
- Acquisitions of a majority of Marlborough Communications Ltd (MCL) and J+S Ltd (J+S) completed in period adding £38m to the Group's order book.
- In addition to orders acquired, order intake of £64.5m (2013: £35.7m), up 80%.
- Strong closing order book of £146.6m (30 April 2014: £81.7m).
- Net funds of £6.7m (31 Oct 2013: £13.6m; 30 April 2014: £16.3m) after net acquisition spend of £16.6m.
- Interim dividend increased by 14% to 1.6p per share (2013: 1.4p per share).
- Adjusted* earnings per share 39% higher at 5.50p (2013: 3.97p).

Looking forward:

- £44.1m of 31 October 2014 order book is deliverable in the second half and when added to the recently announced orders of 8 December 2014 underpin 88% of the consensus forecast revenue for the full year.
- Prospects for further order intake in the second half across the Group are encouraging.

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

Commenting on the results, Nick Prest, Chairman of Cohort, said:
"It is pleasing to report that as well as growing organically, Cohort made two significant acquisitions during the first half of this year. We acquired a majority stake in MCL, which has joined Cohort as a fourth member of the Group, and our subsidiary SEA acquired J+S, which is being fully integrated into its existing operations."

"The Group's order book of £146.6m, enhanced further by recent contract wins, underpins a significant proportion of the second half revenue. Cohort is well positioned to make progress in the current financial year and beyond."

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

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

> MASS - a specialist systems house with considerable experience in the defence market and a focus on electronic warfare operational support and secure information systems. Based in Cambridgeshire, MASS was acquired by Cohort in August 2006;
>
> MCL - an expert provider of communications and surveillance technology. MCL sources, designs, manufactures, supports and provides training on systems for end users including the UK armed forces and other government agencies. Based in Surrey, MCL has been part of the Group since July 2014;
>
> SCS - a defence technical advisory business, combining technical expertise with practical experience and domain knowledge. Based in Berkshire, SCS has been owned by Cohort since flotation in March 2006;
>
> SEA - an advanced surveillance systems and software house with hardware development capability operating in the defence, transport and offshore energy market sectors. Based in Somerset, Devon, Bristol and Aberdeen, SEA was acquired by Cohort in October 2007.

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

Chairman's statement

Overview

The Group's 2014/15 first half trading performance (adjusted operating profit) was 34% higher than last year at £2.5m (2013: £1.8m) on increased revenue of £37.6m (2013: £33.2m). The improvement was driven primarily by an increase in sales and profit at MASS. The Group result was enhanced by an initial contribution from MCL as well as a small improvement at SEA. SCS's trading performance was slightly down compared to last year, a result of its mix of work.

Key financials

The Group's revenue was £37.6m (2013: £33.2m), including £12.2m from SEA (including J+S), £15.6m from MASS, £7.2m at SCS and an initial four month contribution from MCL of £2.6m. In the six months ended 31 October 2014, the Group's adjusted operating profit was £2.5m (2013: £1.8m) (stated before exceptional items and amortisation of intangible assets). This included contributions from MASS of £1.9m (2013: £1.2m), SEA (including J+S) £1.1m (2013: £1.0m), SCS £0.3m (2013: £0.4m) and an initial contribution from MCL of £0.2m with central costs of £1.0m (2013: £0.8m). Cohort's operating profit after recognising exceptional items and amortisation of intangible assets was £1.3m (2013: £1.8m).

Adjusted earnings per share for the six months ended 31 October 2014 increased by 39% to 5.50 pence (2013: 3.97 pence). The tax rate in respect of adjusted operating profit was 18% (2013: 17%). Basic earnings per share were 2.84 pence (2013: 3.95 pence).

There was an operating cash inflow of £6.2m (2013: inflow of £0.3m) in the first half, offset by tax payments of £0.8m, dividends paid of £1.1m and capital expenditure of £0.4m. The Group's net funds at 31 October 2014 of £6.7m (2013: £13.6m) were £9.6m below the 30 April 2014 position of £16.3m. This decrease reflects the significant cash outflows from the acquisitions of the majority of MCL (£4.7m) in July and the whole of J+S (£11.9m) in October, both net of cash and debt acquired respectively.

Following the sale of SEA's space business to Thales Alenia Space (UK) Limited (TAS) on 30 April 2014, the Group received a further £2.5m of its consideration bringing the total to date to £5.0m. A further £1.5m of the expected consideration remains outstanding pending determination of the completion accounts.

Order intake for the first half, including orders held by MCL and J+S at the time of acquisition, was £102.5m, resulting in a closing order book for the period of £146.6m (30 April 2014: £81.7m), of which £44.1m is expected to be delivered as revenue in the second half of the current year. Taken together with revenue already received and recently announced order wins, this underpins 88% of the consensus forecast revenue for the full year.

MASS

MASS had a much stronger first half this year, delivering an adjusted operating profit of £1.9m (2013: £1.2m) on revenues of £15.6m (2013: £11.7m). The improved performance arose from increased revenue from higher margin electronic warfare support contracts driving MASS's operating margin to 12.3% (2013: 10.6%).

MASS had a good first half order intake, securing a number of important overseas electronic warfare contracts which are deliverable over a number of years.

Of MASS's closing order book of £52.5m, £11.7m is deliverable in the second half.

The strong order book underpinning, recent order wins and further export opportunities give confidence that MASS will have a stronger second half, improving further on its operating margins.

MCL

Marlborough Communications Ltd (MCL) was acquired by the Group on 9 July 2014 and has become the fourth stand-alone member of Cohort. The initial acquisition was of 50% plus one share. The numbers reported below and in the rest of this report are for 100% of MCL, as the Group has effective control.

MCL sources, designs, manufactures, supports and provides training on systems for end users including the UK armed forces and other government agencies.

As expected, MCL has been immediately earnings enhancing making a contribution of £0.2m of adjusted operating profit on £2.6m of revenue.

In addition to the acquired order book of £5.4m, MCL has also secured £4.4m of orders since acquisition including an important order to upgrade communication antennae on a fleet of vehicles returning from Afghanistan.

MCL's order book of £7.2m at 31 October 2014 underpins £6.1m of revenue expected to be delivered in the second half. MCL's short term prospects and its agility in responding quickly to customer requirements give confidence in its performance for the remainder of the financial year.

I take this opportunity to welcome MCL's management and staff to the Group. The MCL management, including minority shareholders, have adapted well to becoming part of Cohort**.**

SCS

SCS's operating profit was down compared to the first half last year at £0.3m (2013: £0.4m) as a result of slightly lower revenue of £7.2m (2013: £7.5m) and a change in mix, the first half this year having higher levels of lower margin technical support work, mostly delivered by associates.

The net margin of SCS at 4.3% (2013: 5.6%) remains below our medium term target for the business. Higher revenue will improve its net margin as it benefits from operational gearing and we do expect a stronger performance in the second half.

Of SCS's order book at 31 October 2014 of £6.3m, £5.2m is deliverable in the second half. This, combined with SCS's good prospects and the usual weighting of activity to the second half, gives us confidence that SCS will make further progress this year.

SEA

SEA has had a busy period. Having completed the disposal of its Space business at the very end of last year, it acquired the entirety of J+S Ltd (J+S) on 1 October 2014. J+S is a systems and in-service support provider for the defence and offshore energy markets and brings the Group additional capabilities and an enlarged customer base. I would like to welcome all the staff of J+S to the Cohort Group.

SEA's improved adjusted operating profit of £1.1m (2013: £1.0m) was on lower revenue of £12.2m (2013: £14.0m).

The operating margin at SEA of 8.9% (2013: 7.0%) was much improved and reflects the disposal of the lower margin Space business, as well as the higher levels of defence work, including further deliveries of the external communications system (ECS) for the Royal Navy's Astute Class submarines.

The integration of J+S has begun and is progressing well. We remain on track to deliver the expected annualised cost saving of £0.5m from May 2015 and we expect J+S to deliver a positive contribution for the period to 30 April 2015.

In addition to acquiring £32.6m of order book with J+S, SEA secured £34.9m of orders in the first half, a very strong performance including the important order to extend ECS to the remainder of the UK's submarine fleet, a strong endorsement of SEA's capabilities in naval communications.

SEA's order book at 31 October 2014 is £80.7m, of which £21.1m is deliverable in the second half. This provides confidence that SEA, with J+S now on board, will continue to make progress.

Dividend

The Board is recommending an increase of 14% in the interim dividend to 1.60 pence per share (2013: 1.40 pence). This increase reflects the Group's good cash position and the Board's confidence in the outlook for Cohort and commitment to a progressive dividend policy. The dividend will be paid on 4 March 2015 to shareholders on the register at 6 February 2015.

Outlook

Our order book remains strong and we see opportunities both in the UK and export defence markets.

The second half of this year is already well supported by the October order book and recently announced contract wins and we expect, as seen last year, a much stronger performance than in the first half. The second half performance will also benefit from full contribution from the acquired businesses, MCL and J+S.

We continue to look to grow through acquisition as well as organically. We believe that there are good businesses in the UK and elsewhere that would thrive under Cohort ownership, whether as new members of the Group or as "bolt-in" acquisitions to our existing businesses.

Cohort is well positioned to make progress in the current financial year and beyond.

Nick Prest CBE
Chairman

Consolidated income statement
for the six months ended 31 October 2014

	Notes	**Six months ended 31 October 2014 Unaudited £'000**	Six months ended 31 October 2013 Unaudited £'000	Year ended 30 April 2014 Audited £'000
Revenue	2	**37,581**	33,167	71,555
Cost of sales (including marking forward exchange contracts to market value at period end)		**(26,393)**	(23,268)	(47,842)
Gross profit		**11,188**	9,899	23,713
Administrative expenses (including amortisation of intangible assets and exceptional items)		**(9,921)**	(8,072)	(17,095)
Operating profit	2	**1,267**	1,827	6,618
Operating profit comprises:				
Adjusted operating profit	2	**2,463**	1,840	8,171
Income/(expense) on marking forward exchange contracts to market value at period end		**—**	51	(103)
Amortisation of intangible assets		**(549)**	(64)	(64)
Exceptional items:				
Cost of acquisition of MCL (included in administrative expenses)	7	**(197)**	—	—
Cost of acquisition of J+S (included in administrative expenses)	8	**(417)**	—	—
Loss on disposal of SEA's Space business (included in administrative expenses)	9	**(33)**	—	(1,386)
Operating profit		**1,267**	1,827	6,618
Finance income		**56**	74	125
Profit before tax		**1,323**	1,901	6,743
Income tax expense	3	**(304)**	(314)	(843)
Profit for the period		**1,019**	1,587	5,900
Attributable to:				
Equity holders of the parent		**1,132**	1,587	5,900
Non-controlling interests		**(113)**	—	—
		1,019	1,587	5,900

Earnings per share		***Pence***	Pence	Pence
Basic	4	**2.84**	3.95	14.75
Diluted	4	**2.78**	3.86	14.37

All profit for the period is derived from continuing operations.

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

Consolidated statement of financial position
as at 31 October 2014

	Notes	31 October 2014 Unaudited £'000	31 October 2013 Unaudited £'000	30 April 2014 Audited £'000
Assets				
Non-current assets				
Goodwill		**34,798**	31,395	29,395
Other intangible assets		**21,924**	—	—
Property, plant and equipment		**11,399**	8,608	8,502
Deferred tax asset		**301**	470	301
		68,422	40,473	38,198
Current assets				
Inventories		**2,284**	401	297
Trade and other receivables		**19,411**	20,252	22,998
Derivative financial instruments		—	12	—
Cash and cash equivalents		**6,745**	13,617	16,338
		28,440	34,282	39,633
Total assets		**96,862**	74,755	77,831
Liabilities				
Current liabilities				
Trade and other payables		**(17,239)**	(12,045)	(13,297)
Current tax liabilities		**(865)**	(935)	(782)
Derivative financial instruments		—	—	(142)
Bank borrowings		**(88)**	—	—
Provisions		**(2,176)**	(890)	(791)
		(20,368)	(13,870)	(15,012)
Non-current liabilities				
Deferred tax liability		**(4,977)**	(684)	(621)
Provisions		**(71)**	—	—
Other creditors	7	**(12,500)**	—	—
		(17,548)	(684)	(621)
Total liabilities		**(37,916)**	(14,554)	(15,633)
Net assets		**58,946**	60,201	62,198
Equity				
Share capital		**4,096**	4,096	4,096
Share premium account		**29,656**	29,656	29,656
Own shares		**(1,216)**	(534)	(2,274)
Share option reserve		**626**	721	526
Other reserve: option for acquiring non-controlling interest in MCL	7	**(12,500)**	—	—
Retained earnings		**29,787**	26,262	30,194
Total equity attributable to the equity shareholders of the parent		**50,449**	60,201	62,198
Non-controlling interests		**8,497**	—	—
Total equity		**58,946**	60,201	62,198

Consolidated statement of changes in equity
for the six months ended 31 October 2014

	Attributable to the equity of holders of the parent								
	Share capital	Share premium account	Own shares	Share option reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2013	4,079	29,519	(731)	571	-	25,609	59,047	-	59,047
Profit for the period	-	-	-	-	-	1,587	1,587	-	1,587
Transactions with owners of Group and non-controlling interests recognised directly in equity:									
Equity dividend	-	-	-	-	-	(926)	(926)	-	(926)
New shares issued	17	137	-	-	-	-	154	-	154
Own shares sold	-	-	189	-	-	-	189	-	189
Net loss on selling own shares	-	-	8	-	-	(8)	-	-	-
Share based payments	-	-	-	150	-	-	150	-	150
At 31 October 2013	4,096	29,656	(534)	721	-	26,262	60,201	-	60,201
At 1 May 2013	4,079	29,519	(731)	571	-	25,609	59,047	-	59,047
Profit for the year	-	-	-	-	-	5,900	5,900	-	5,900
Transactions with owners of Group and non-controlling interests recognised directly in equity:									
Equity dividend	-	-	-	-	-	(1,482)	(1,482)	-	(1,482)
New shares issued	17	137	-	-	-	-	154	-	154
Vesting of restricted shares	-	-	-	-		16	16	-	16
Own shares acquired	-	-	(1,979)	-	-	-	(1,979)	-	(1,979)
Own shares sold	-	-	307	-	-	-	307	-	307
Net loss on selling own shares	-	-	129	-	-	(129)	-	-	-
Share-based payments	-	-	-	235	-	-	235	-	235
Transfer of share reserve on vesting of options	-	-	-	(280)	-	280	-	-	-
At 30 April 2014	4,096	29,656	(2,274)	526	-	30,194	62,198	-	62,198
At 1 May 2014	4,096	29,656	(2,274)	526	-	30,194	62,198	-	62,198
Profit for the period	-	-	-	-	-	1,132	1,132	(113)	1,019
Transactions with owners of Group and non-controlling interests recognised directly in equity:									
Equity dividend	-	-	-	-	-	(1,119)	(1,119)	-	(1,119)
Vesting of restricted shares	-	-	-	-	-	43	43	-	43
Own shares sold	-	-	595	-	-	-	595	-	595
Net loss on selling own shares	-	-	463	-	-	(463)	-	-	-
Share-based payments	-	-	-	100	-	-	100	-	100
Option for acquiring non-controlling interest in MCL	-	-	-	-	(12,500)	-	(12,500)	-	(12,500)
Introduction of non-controlling interest on acquisition of MCL	-	-	-	-	-	-	-	8,610	8,610
At 31 October 2014	**4,096**	**29,656**	**(1,216)**	**626**	**(12,500)**	**29,787**	**50,449**	**8,497**	**58,946**

Consolidated cash flow statement
for the six months ended 31 October 2014

	Notes	**Six months ended 31 October 2014 Unaudited £'000**	Six months ended 31 October 2013 Unaudited £'000	Year ended 30 April 2014 Audited £'000
Net cash generated from/(used in) operating activities	6	**5,458**	(188)	2,576
Cash flow from investing activities				
Interest received		**58**	74	125
Purchases of property, plant and equipment		**(449)**	(2,028)	(2,271)
Acquisition of MCL, net of cash acquired	7	**(4,715)**	—	—
Acquisition of J+S, including overdraft acquired	8	**(11,878)**	—	—
Disposal of SEA's Space business	9	**2,500**	—	2,500
Net cash used in investing activities		**(14,484)**	(1,954)	354
Cash flow from financing activities				
Equity dividends paid		**(1,119)**	(926)	(1,482)
Repayment of borrowings		**(43)**	—	—
Purchase of own shares		—	—	(1,979)
Sale of own shares		**595**	189	307
Issue of new shares		—	154	154
Net cash used in financing activities		**(567)**	(583)	(3,000)
Net (decrease)/increase in cash and cash equivalents		**(9,593)**	(2,725)	(70)
Represented by:				
Cash and cash equivalents brought forward		**16,338**	16,426	16,426
Cash flow		**(9,593)**	(2,725)	(70)
Exchange		—	(84)	(18)
Cash and cash equivalents carried forward		**6,745**	13,617	16,338

Notes to the interim report

for the six months ended 31 October 2014

1. Basis of preparation

The financial information contained within this Interim Report has been prepared applying the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the EU and expected to apply at 30 April 2015. As permitted, this Interim Report has been prepared in accordance with AIM Rules for Companies and is not required to comply with IAS 34 'Interim Financial Reporting' to maintain compliance with IFRS. This Interim Report is presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

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

Going concern

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

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing this Interim Report.

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

(A) Statutory accounts

The financial information set out above does not constitute the Group's statutory accounts for the year ended 30 April 2014. KPMG LLP has reported on these accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

(B) Statement of compliance

The accounting policies applied by the Group in its consolidated financial statements for the year ended 30 April 2014 are in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

The Interim Report was approved by the Board and authorised for issue on 15 December 2014.

2. Segmental analysis of revenue and adjusted operating profit

	Six months ended 31 October 2014 Unaudited £'000	Six months ended 31 October 2013 Unaudited £'000	Year ended 30 April 2014 Audited £'000
Revenue			
MASS	**15,545**	11,739	27,568
MCL	**2,594**	—	—
SCS	**7,233**	7,540	15,107
SEA (includes J+S)	**12,222**	14,009	29,137
Inter-segment revenue	**(13)**	(121)	(257)
	37,581	33,167	71,555
Operating profit comprises:			
Trading profit of:			
MASS	**1,914**	1,244	4,999
MCL	**164**	—	—
SCS	**308**	419	1,037
SEA (includes J+S)	**1,074**	984	3,803
Central costs	**(997)**	(807)	(1,668)
Adjusted operating profit	**2,463**	1,840	8,171
Income/(expense) on marking forward exchange contracts to market value at period end	—	51	(103)
Amortisation of intangible assets	**(549)**	(64)	(64)
Exceptional items	**(647)**	—	(1,386)
Operating profit	**1,267**	1,827	6,618

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

Notes to the interim report continued

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

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

The MASS trading profit of £1,914,000 (six months ended 31 October 2013: £1,244,000; year ended 30 April 2014: £4,999,000) is after excluding amortisation of other intangible assets of £nil (six months ended 31 October 2013: £64,000; year ended 30 April 2014: £64,000).

The SEA trading profit of £1,074,000 (six months ended 31 October 2013: £984,000; year ended 30 April 2014: £3,803,000) is after excluding a charge in respect of marking forward exchange contracts to market value of £nil (six months ended 31 October 2013: income of £51,000; year ended 30 April 2014 charge of: £103,000), exceptional charges of £33,000 in respect of the disposal of its Space business (six months ended 31 October 2013: £nil; year ended 30 April 2014: charge of £1,386,000), and £417,000 for the acquisition of J+S Ltd (£nil in respect of the six months ended 31 October 2013 and year ended 30 April 2014) and amortisation of other intangible assets of £43,000 (six months ended 31 October 2014: £nil; year ended 30 April 2014: £nil).

The Group's adjusted operating profit includes the cost of share options of £100,000 for the six months ended 31 October 2014 (six months ended 31 October 2013: £150,000; year ended 30 April 2014: £292,000) and is applied to each reporting segment in proportion to the number of employees in the Group's various share option schemes. It excludes the exceptional charge of £197,000 in respect of the acquisition of MCL (six months ended 31 October 2014: £nil; year ended 30 April 2014: £nil) and amortisation of other intangible assets of £506,000 (six months ended 31 October 2014: £nil; year ended 30 April 2014: £nil).

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

Revenue analysis by sector and type of work

	Six months ended 31 October 2014 Unaudited		Six months ended 31 October 2013 Unaudited		Year ended 30 April 2014 Audited	
	£m	**%**	£m	%	£m	%
By sector						
UK defence & security	**27.2**	**72**	23.3	70	48.3	67
Export defence customers	**5.5**	**15**	3.4	10	9.5	14
Defence and security revenue	**32.7**	**87**	26.7	80	57.8	81
Transport	**1.4**		2.3		4.9	
Space	—		2.5		4.5	
Other commercial	**3.5**		1.7		4.4	
Non-defence revenue	**4.9**	**13**	6.5	20	13.8	19
Total revenue	**37.6**	**100**	33.2	100	71.6	100
By capability						
Secure networks	**8.8**	**23**	6.9	21	14.5	20
Electronic systems	**8.5**	**23**	8.4	25	15.6	22
Application software	**3.3**	**9**	3.5	11	8.6	12
Operational support	**3.0**	**8**	2.0	6	3.9	5
Training	**4.5**	**12**	4.0	12	8.1	11
Specialist expertise	**4.1**	**11**	4.1	12	10.1	15
Applied research	**2.9**	**8**	2.3	7	6.6	9
Studies and analysis	**2.5**	**6**	2.0	6	4.2	6
Total revenue	**37.6**	**100**	33.2	100	71.6	100

Notes to the interim report continued

3. Income tax expense

The income tax expense/(credit) comprises:

	Six months ended 31 October 2014 Unaudited £'000	Six months ended 31 October 2013 Unaudited £'000	Year ended 30 April 2014 Audited £'000
Current tax: in respect of this period	**443**	317	1,222
Current tax: in respect of prior periods	**—**	—	(482)
	443	317	740
Deferred taxation: in respect of this period	**(139)**	(3)	103
	304	314	843

The income tax expense for the six months ended 31 October 2014 is based upon the anticipated charge for the full year.

4. Earnings per share

The earnings per share are calculated as follows:

	Six months Ended 31 October 2014 Unaudited £'000	Six months ended 31 October 2013 Unaudited £'000	Year ended 30 April 2014 Audited £'000
Earnings			
Basic and diluted earnings	**1,132**	1,587	5,900
(Income)/charge on marking forward exchange contracts to market at period end (net of income tax)	—	(39)	140
Exceptional items (net of income tax):			
Cost on acquisition of MCL	**197**	—	—
Cost on acquisition of J+S	**417**	—	—
Loss on disposal of SEA's Space business	**5**	—	1,572
Amortisation of intangible assets (net of income tax)	**437**	49	49
Adjusted basic and diluted earnings	**2,188**	1,597	7,661

	Number	Number	Number
Weighted average number of shares			
For the purposes of basic earnings per share	**39,808,740**	40,186,666	40,010,675
Share options	**880,587**	914,678	1,036,715
For the purposes of diluted earnings per share	**40,689,327**	41,101,344	41,047,390

The weighted average number of ordinary shares for the six months ended 31 October 2014 excludes 728,180 ordinary shares held by the Cohort plc Employee Benefit Trust (which do not receive a dividend) for the purposes of calculating earnings per share (six months ended 31 October 2013: 515,519; year ended 30 April 2014: 1,378,047).

	Six months ended 31 October 2014 Unaudited Pence	Six months ended 31 October 2013 Unaudited Pence	Year ended 30 April 2014 Audited Pence
Earnings per share			
Basic	**2.84**	3.95	14.75
Diluted	**2.78**	3.86	14.37
Adjusted earnings per share			
Basic	**5.50**	3.97	19.15
Diluted	**5.38**	3.89	18.66

Notes to the interim report continued

5. Dividends

	Six months ended 31 October 2014 Unaudited Pence	Six months ended 31 October 2013 Unaudited Pence	Year ended 30 April 2014 Audited Pence
Dividends per share proposed in respect of the period			
Interim	**1.60**	1.40	1.40
Final	**—**	—	2.80

The interim dividend for the six months ended 31 October 2014 is 1.60 pence (six months ended 31 October 2013: 1.40 pence) per ordinary share. This dividend will be payable 4 March 2015 for shareholders on the register at 6 February 2015.

The final dividend charged to the income statement for the year ended 30 April 2014 was 3.70 pence per ordinary share comprising 1.40 pence interim dividend for the six months ended 31 October 2013 and 2.30 pence for final dividend for the year ended 30 April 2013.

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

	Six months ended 31 October 2014 Unaudited £'000	Six months ended 31 October 2013 Unaudited £'000	Year ended 30 April 2014 Audited £'000
Profit for the period	**1,019**	1,587	5,900
Adjustments for:			
Tax expense	**304**	314	843
Depreciation of property, plant and equipment	**372**	310	612
Amortisation of intangible assets	**549**	64	2,064
Net finance income	**(56)**	(74)	(125)
Share-based payment	**100**	150	235
Derivative financial instruments	**—**	(51)	103
Increase/(decrease) in provisions	**473**	(21)	(120)
Operating cash flows before movements in working capital	**2,761**	2,279	9,512
Increase in inventories	**(491)**	(173)	(69)
Decrease/(increase) in receivables	**5,967**	(867)	(5,613)
Decrease in payables	**(1,995)**	(948)	(212)
	3,481	(1,988)	(5,894)
Cash generated from operations	**6,242**	291	3,618
Tax paid	**(782)**	(479)	(1,042)
Interest paid	**(2)**	—	—
Net cash generated from/(used in) operating activities	**5,458**	(188)	2,576

Notes to the interim report continued

7. Acquisition of Marlborough Communications Ltd (MCL)

The Group acquired 50% plus one share of Marlborough Communications (Holdings) Limited on 9 July 2014 for a cash consideration of £6.0m and a deferred cash consideration of up to £2.0m depending upon certain performance criteria for the year to 30 September 2014. Marlborough Communications (Holdings) Ltd is the 100% parent company of Marlborough Communications Ltd (MCL), the trading entity.

The deferred consideration of up to £2.0m is payable by 31 December 2014 per the Sale and Purchase Agreement. Following a review of the specific performance criteria the deferred consideration payable has been reduced to £983,000 with £1,017,000 of deferred consideration no longer considered payable.

	Book Value £'000	Fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	146	146
Other intangible assets	—	15,678
Inventory	94	94
Trade and other receivables	397	397
Trade and other payables	(3,130)	(3,430)
Deferred tax	—	(3,136)
Cash	3,149	3,149
	656	12,898
50% acquired		6,449
Goodwill		2,398
Total consideration		8,847
Satisfied by:		
Cash		7,864
Deferred consideration		983
Total consideration transferred		8,847
Net cash outflow arising on acquisition:		
Cash consideration		7,864
Less: cash and cash equivalents acquired		(3,149)
		4,715

Other intangible assets of £15.7m and their estimated useful lives are analysed as follows:

	Other intangible asset £'000	Estimated life Years
Contracts acquired	1,345	1.25
Marketing agreements, future orders and prospects	14,333	4.50
	15,678	

A deferred tax liability of £3.1m in respect of the other intangible asset balance above was established on acquisition and is disclosed as part of the deferred tax liability.

The goodwill of £2.4m arising from the acquisition represents the customer contacts, supplier relationships and know-how to which no certain value can be ascribed. None of the goodwill is expected to be deductable for income tax purposes.

The non-controlling interest share of goodwill as the acquisition of MCL was £2.2m.

Acquisition costs of £197,000 in respect of MCL were charged as an exceptional item in the consolidated income statement.

MCL contributed £2,694,000 of revenue and £164,000 to the Group's adjusted operating profit for the period from 9 July 2014 to 31 October 2014.

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

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

Notes to the interim report continued

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

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

In accordance with IFRS3, the Group has ascribed a value to the option to acquire the non-controlling interest of MCL. This value is £12.5m and the option is shown as a non-current liability and as the non-controlling interest has a right to dividends, in the other reserves as 'option for acquiring non-controlling interest in MCL'.

8. Acquisition of J+S Ltd (J+S)
The Group's subsidiary, SEA, acquired 100% of J+S Ltd (J+S) on 1 October 2014 for a cash consideration of £11.7m. No further consideration is payable in respect of this acquisition.

	Book Value £'000	Fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	2,669	2,669
Other intangible assets	1,069	6,795
Inventory	1,956	1,402
Trade and other receivables	2,206	1,983
Trade and other payables	(2,486)	(2,486)
Deferred tax	(214)	(1,359)
Overdraft	(149)	(149)
Bank borrowings and overdrafts	(131)	(131)
	4,920	8,724
Goodwill		3,005
Total consideration		11,729
Satisfied by:		
Cash		11,729
Net cash outflow arising on acquisition:		
Cash consideration		11,729
Plus: overdrafts acquired		149
		11,878

Other intangible assets of £6.8m and their estimated useful lives are analysed as follows:

	Other intangible asset £'000	Estimated life Years
Contracts acquired	6,795	9.5

A deferred tax liability of £1.4m in respect of the other intangible asset balance above was established on acquisition and is disclosed as part of the deferred tax liability.

The goodwill of £3.0m arising from the acquisition represents the customer contacts, supplier relationships and know-how to which no certain value can be ascribed. None of the goodwill is expected to be deductable for income tax purposes.

Acquisition costs of £417,000 in respect of J+S were charged as an exceptional item in the consolidated income statement.

J+S contributed £633,000 of revenue and a loss of £144,000 to the Group's adjusted operating profit for the period from 1 October 2014 to 31 October 2014.

9. Disposal of SEA's Space business
As previously reported, the Group's subsidiary, SEA sold its Space business, in its entirety, to Thales Alenia Space (UK) Ltd (TAS) for a total consideration of £6.5m, of which £5.0m has been received.

A further £1.5m of the expected consideration remains outstanding pending determination of the completion accounts. Further costs of £33,000 have been incurred completing the disposal and have been disclosed as an exceptional item in the income statement, as previously reported.

The total costs of disposal to date are £372,000 and the revised loss on the disposal of SEA's Space business is £1,419,000.

Independent review report to Cohort plc
for the six months ended 31 October 2014

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 October 2014 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 October 2014 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Andrew Campbell-Orde for and on behalf of KPMG LLP
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15 December 2014