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12 December 2016

COHORT PLC

HALF YEAR RESULTS

FOR THE SIX MONTHS ENDED 31 October 2016

Continued strong performance

Cohort plc today announces its final results for the six months ended 31 October 2016.

Highlights include:

- Adjusted* operating profit up 11% at £3.9m (2015: £3.5m).
- Revenue up to £50.0m (2015: £49.7m).
- Order intake of £63.6m including acquired order book of £23.1m (2015: £55.7m).
- Strong closing order book of £129.6m (30 April 2016: £116.0m).
- Net funds of £9.9m down on the year end, as expected (31 October 2015: £11.4m; 30 April 2016: £19.8m).
- Interim dividend increased by 16% to 2.20 pence per share (2015: 1.90 pence per share).
- Adjusted* earnings per share 16% lower at 5.99 pence (2015: 7.11 pence), reflecting a significant proportion of the earnings in the period being derived from the partially owned EID and MCL.

Looking forward

- Stronger second half performance in prospect, maintaining our expectations for the year:
  - Historic second half weighting to be repeated
  - £49.5m of the 31 October 2016 order book is deliverable in the second half and underpins nearly 80% of the consensus forecast revenue for the full year.
  - Prospects for further order intake in the second half across the Group are encouraging.
  - Benefit of a full six months' contribution from EID and elimination of SCS's losses.
- Agreement in principle to acquire a further 23% of EID from the Portuguese Government.
- Remainder of MCL expected to be acquired on or before 31 December 2016.

* 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 CBE, Chairman of Cohort plc said:

"The Group's first half operating profit increase was driven by the initial contribution from EID and a much better first half at MCL, balanced by adverse market conditions experienced in some other areas of the business. We are confident of a strong second half performance across the whole Group reflecting our normal seasonality, order book visibility, the benefit of a full second half contribution from EID and the elimination of SCS losses.

"Overall, Cohort's order book and pipeline, market positions, capabilities and strong funding position provide confidence that we will make further progress in 2016/17, and we maintain our expectations for the full year."

A presentation for analysts is being hosted today 12 December 2016 at 9.15am for 9.30am at Investec's offices.

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NOTES TO EDITORS

Cohort is the parent company of four innovative, agile and responsive businesses based in the UK and Portugal, providing a wide range of services and products for domestic and export customers in defence and related markets.

MASS is a specialist defence and technology business, focused on electronic warfare, information systems and cyber security.
www.mass.co.uk

MCL is an expert in the sourcing, design, integration and support of communications and surveillance technology for the defence and security markets.
www.marlboroughcomms.com

SEA is an advanced electronic systems and software house operating in the defence, transport and offshore energy markets.
www.sea.co.uk

EID designs and manufactures advanced communications systems for the defence and security markets.
www.eid.pt

Chairman’s statement

Nick Prest CBE, Chairman

The Group’s 2016/17 first half adjusted operating profit was 11% higher than last year at £3.9m (2015: £3.5m) on revenue of £50.0m (2015: £49.7m). The increase was driven by the initial contribution from EID and a much better first half at MCL. However, adverse market conditions at SCS and delayed customer funded research work at SEA resulted in a weaker like-for-like Group performance, with revenue down 12% and trading profit down 29% compared with the same period last year, after excluding the beneficial impact of EID. We are confident of a strong second half performance across the whole Group reflecting our normal seasonality, order book visibility, the benefit of a full second half contribution from EID and the elimination of SCS losses.

As announced on 28 June 2016, we acquired a controlling interest in EID of 56.89% for a total of £5.2m, and we have agreed in principle with the Portuguese Government to increase our holding to 80% on the same terms and at the same Euro valuation. We expect the cash consideration for the additional 23% to be around £3.5m. In connection with this proposed transaction, we have substantially agreed the terms of a shareholders’ agreement with the Portuguese Government, which will retain the remaining 20% of EID. The agreement will provide certain rights to the Government, most of which are typical for a minority interest, while ensuring Cohort has day-to-day management control over EID.

We are also close to an agreement on acquiring the whole of the minority shareholding (49.999%) of MCL from its management, and we expect to complete this by 31 December 2016. The minority shares will be acquired on the basis agreed in the original agreement of 9 July 2014 and the expected cost for the Group will be £5.5m, in line with our estimate as at 30 April 2016. This cost excludes the share of the surplus cash in the business as at 30 April 2017 payable to the minority shareholders, which is estimated at £2m.

We announced on 11 October 2016 the reorganisation of SCS. This process has been completed, with the operating divisions of SCS transferred to MASS (Training Support) and SEA (Capability Development and Air Systems). The full cost of the reorganisation, now estimated at £2.2m, has been recognised as an exceptional item at 31 October 2016. We expect a positive contribution from this action in the second half trading performance, as well as in future years, mostly from the saving in overhead, which we estimate at £1.6m per annum.

The decision to reorganise the operations of SCS was taken after considerable deliberation. The market for the consulting element of SCS had deteriorated over time and worsened considerably in the first half of this year, making a major restructuring essential. I would like to thank all the staff of SCS who have left or will be leaving the Group for their considerable contribution, in some cases made over many years. For those SCS staff who are transferring to MASS and SEA there are opportunities to develop their lines of business in cooperation with colleagues in MASS and SEA working in related activities. From 1 November 2016 the Group will no longer report SCS’s results separately.

Key financials

The Group’s revenue totalled £50.0m (2015: £49.7m), including £18.0m from SEA, £14.5m from MASS, £7.9m from MCL, £5.0m from SCS and an initial four month contribution of £4.6m from EID for the period from 28 June to 31 October 2016.

For the six months ended 31 October 2016, the Group’s adjusted operating profit was £3.9m (2015: £3.5m). This included contributions from MASS of £2.4m (2015: £2.4m), SEA of £1.0m (2015: £1.8m), MCL of £0.8m (2015: £Nil) and an initial £1.4m from EID. SCS reported a loss of nearly £0.5m (2015: profit of £0.3m). Central costs were £1.2m (2015: £1.0m).

Cohort’s operating loss, after recognising the reorganisation costs of SCS as an exceptional item (£2.2m) and amortisation of intangible assets (£5.0m), was £3.2m (2015: profit of £0.1m).

Adjusted earnings per share for the six months ended 31 October 2016 decreased by 16% to 5.99 pence (2015: 7.11 pence) reflecting the greater proportion of reported Group earnings attributable to the minority in the partially owned EID and MCL businesses. The tax rate in respect of the adjusted operating profit was 18.0% (2015: 18.0%). Basic loss per share was 4.50 pence (2015: earnings per share of 2.77 pence).

As signalled in June of this year when we reported our results for the year ended 30 April 2016, there was an operating cash outflow of £3.1m in the first half of the year (2015: outflow of £4.9m) reflecting the unwinding of the favourable year end working capital position. This operating cash outflow, along with dividend payments (£1.6m), tax payments (£1.2m), capital expenditure (£0.5m) and the completion of the acquisition of 57% of EID (£4.0m), accounts for the lower closing half year net funds of £9.9m (30 April 2016: £19.8m).

Our order intake for the first half was £37.1m (2015: £55.7m), excluding the acquired order book of EID (£23.1m) and foreign exchange movements, resulting in a closing order book of £129.6m (30 April 2016: £116.0m). The order intake in the first half was lower than last year, with a number of contracts that we had expected to be renewed slipping into the second half. Some of these renewals are included in nearly £16m of orders we have received since the period end. These include the nine year, £7m, DTES support contract for Transport for London (TfL) announced on 9 November, an order to extend elements of the Common External Communications System to the Royal Navy’s Trafalgar-class submarines and a number of longer term support contracts. These all provide greater long-term visibility of future revenue and further underpin our performance in the second half of this year.

EID

In the four months since our acquisition of just under 57% of EID it has made a positive contribution of £1.4m to the Group's adjusted operating profit on revenue of £4.6m.

EID's strong performance resulted from long-term projects for various European navies and continued delivery of tactical communications systems for export customers including Egypt and Australia. Since acquisition, EID has secured nearly £5m of orders including £2.6m from its domestic customer, Portugal. This good order intake, along with the acquired order book of £23.1m, underpins £10.4m of EID's second half revenue and gives us confidence that it will have a strong second half.

MASS

MASS's adjusted operating profit of £2.4m (2015: £2.4m) was in line with last year despite slightly lower revenue of £14.5m (2015: £15.1m). The improved margin resulted from a better mix of revenue, with electronic warfare countermeasures and software development work replacing education and other relatively low margin revenue.

MASS continues to grow its cyber offering with revenue in this market increasing to £3.4m (2015: £2.4m). MASS continues to be a key supplier to the UK MOD in a number of important strategic areas and this was recently underlined by the extension of its contract to support the Sentry air platform for a further nine years, with a value of £12m.

Of MASS's closing order book of £43.0m, £11.7m is deliverable in the second half of the year. This level of underpinning, recent order progress and other opportunities give us confidence that MASS will have a stronger second half.

MCL

MCL made a much stronger contribution of £0.8m (2015: £Nil) on higher revenue of £7.9m (2015: £3.2m). This improved performance was a result of the delivery of Tactical Hearing Protection Systems to the British Army, which commenced in the second half of last year. A further order has now been secured to extend deliveries to the end of this financial year and we expect follow-on orders to continue for some time thereafter.

MCL has continued to be a key supplier to the UK's Special Forces and related agencies and has seen increased activity from these customers. MCL's strong position in this market was reinforced by the securing of a contract to design, develop, build and support an Airborne Tactical Communications System with an eventual value expected to be over £7m.

As in the past, MCL's performance is expected to be weighted towards the second half of the financial year. Its closing order book of £4.5m, almost all of which is deliverable this financial year, along with a pipeline of opportunities that includes further hearing protection contracts, gives us confidence that MCL will deliver a stronger second half.

SCS

SCS's adjusted operating loss of £0.5m (2015: profit of £0.3m) on revenue of £5.0m (2015: £9.1m) reflected the challenging market conditions, particularly since the start of the 2016 calendar year, and the loss of one of its air system contracts in a competitive renewal process.

As a result of these market conditions, the Cohort Board took the decision (announced 11 October 2016) to reorganise the SCS business, moving its profitable operating divisions to MASS and SEA and closing its central office function. This process was completed in November (with a number of smaller transition tasks continuing until June next year). The cost of this reorganisation is estimated at £2.2m including redundancy and transition costs, asset write-downs and the provision for an onerous lease on SCS's operating site at Theale. In the case of the Theale office, we will look to mitigate this cost by increasing the use of the site by other Cohort companies as well as investigating other options, including sub-letting.

SEA

SEA's adjusted operating profit of £1.0m (2015: £1.8m) was on lower revenue of £18.0m (2015: £22.3m). The net margin of 5.7% is lower than the first half of last year (7.4%). This was a reflection of reduced activity in its Research division and the operational gearing effect of lower revenue, mostly due to the timing of deliveries of larger maritime projects.

SEA has experienced a hiatus in its research activity, most of which is for the MOD's research organisation, DSTL. Following completion in March this year of a four year research programme, Delivering Dismounted Effect, the expected follow-on programme has been delayed by the customer until the end of our current financial year. As a result we have seen a sharp fall-off in activity levels that will persist into the second half.

SEA's closing order book of £45.8m includes £19.5m of revenue to be delivered in the second half, a significant proportion of which is higher margin maritime systems work for export customers. SEA's pipeline of opportunities, and the recently announced renewal and extension of its DTES solution for TfL, gives us confidence that it will have a stronger second half.

Challenges remain in the offshore energy market where the low oil price continues to put pressure on customer spending although SEA's activity in this area is continuing to generate profitable revenue.

Overall, we now expect SEA's performance for the full year to be similar to last year's.

Dividend

The Board is proposing an increase of 16% in the interim dividend to 2.20 pence per share (2015: 1.90 pence). This increase reflects the Board's confidence in the outlook for Cohort and its commitment to a progressive dividend policy. The dividend is payable on 1 March 2017 to shareholders on the register at 3 February 2017.

Outlook

The Group's closing order book of £129.6m (30 April 2016: £116.0m) and recent order wins provide a good level of underpinning to the second half of the year. We therefore expect, as seen in the last few years, a much stronger performance in the second half, which will include the benefit of a full contribution from EID and the elimination of SCS's losses. As already mentioned, we expect to acquire the remainder of MCL and increase our holding in EID to 80% in the next few months.

Our initial view on the impact of Brexit, which we communicated in late June 2016, remains largely unchanged from that time. We are not exposed to significant amounts of EU revenue through our UK operations; this was a total of £0.9m in the first half of this year and £1.0m in the year ended 30 April 2016. The weakening of Sterling has resulted in an immediate enhancement to the reported value of our Euro operating profit from EID, an improvement of around £0.1m compared with our assumptions at the time of the acquisition.

In the longer term, sustained weakness in Sterling would continue to be of net benefit, the enhancement to our export competitiveness outweighing any impact from increased input costs.

In our key markets, we continue to see a focus by the UK MOD on areas in which we have strong and relevant capabilities, in particular submarines, Special Forces, cyber defence and secure communications. Our new subsidiary, EID, has made a very creditable start to life in the Cohort Group. It has a good record of export success and has continued to secure orders from customers around the globe.

Overall, Cohort's order book and pipeline, market positions, capabilities and strong funding position provide confidence that we will make further progress in 2016/17, and we maintain our expectations for the full year.

Nick Prest CBE
Chairman

Consolidated income statement

For the six months ended 31 October 2016

	Notes	**Six months ended 31 October 2016 Unaudited £'000**	Six months ended 31 October 2015 Unaudited £'000	Year ended 30 April 2016 Audited £'000
Revenue	2	**50,039**	49,667	112,577
Cost of sales		**(33,673)**	(35,049)	(79,061)
Gross profit		**16,366**	14,618	33,516
Administrative expenses		**(19,607)**	(14,569)	(28,270)
Operating (loss)/profit	2	**(3,241)**	49	5,246
Operating profit comprises:				
Adjusted operating profit	2	**3,872**	3,476	11,902
Credit on marking forward exchange contracts to market value at period end (included in cost of sales)		**163**	—	7
Foreign exchange gain on marking cash held (in Euros) for purchase of EID to market value at the period end (included in administrative expenses)		**15**	—	537
Amortisation of other intangible assets (included in administrative expenses)		**(5,012)**	(3,246)	(6,379)
Exceptional items:				
Cost of acquiring EID (included in administrative expenses)	7	**(79)**	(181)	(821)
Reorganisation of SCS (included in administrative expenses)		**(2,200)**	—	—
Operating (loss)/profit		**(3,241)**	49	5,246
Finance income		**37**	36	68
Finance costs		**(44)**	—	(4)
(Loss)/profit before tax		**(3,248)**	85	5,310
Income tax credit/(expense)	3	**586**	(15)	54
(Loss)/profit for the period		**(2,662)**	70	5,364
Attributable to:				
Equity holders of the parent		**(1,860)**	1,126	7,775
Non-controlling interests		**(802)**	(1,056)	(2,411)
		(2,662)	70	5,364

(Loss)/earnings per share		**Pence**	Pence	Pence
Basic	4	**(4.50)**	2.77	19.14
Diluted	4	**(4.50)**	2.71	18.78

All profit for the period is derived from continuing operations.

Consolidated statement of comprehensive income

For the six months ended 31 October 2016

	Notes	**Six months ended 31 October 2016 Unaudited £'000**	Six months ended 31 October 2015 Unaudited £'000	Year ended 30 April 2016 Audited £'000
(Loss)/profit for the period		**(2,662)**	70	5,364
Foreign currency translation differences on net assets of EID		**459**	—	—
Other comprehensive income for the period, net of tax		**459**	—	—
Total comprehensive (expense)/income for the period		**(2,203)**	70	5,364
Attributable to:				
Equity shareholders of the parent		**(1,846)**	1,126	7,775
Non-controlling interests		**(357)**	(1,056)	(2,411)
		(2,203)	70	5,364

Consolidated statement of changes in equity

For the six months ended 31 October 2016

	Attributable to the equity shareholders of the parent								
	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 May 2015	4,096	29,657	(835)	403	(12,500)	33,805	54,626	8,221	62,847
Profit for the period	—	—	—	—	—	1,126	1,126	(1,056)	70
Transactions with owners of Group and non-controlling interests recognised directly in equity:									
Equity dividend	—	—	—	—	—	(1,387)	(1,387)	—	(1,387)
Vesting of Restricted Shares	—	—	—	—	—	76	76	—	76
Own shares purchased	—	—	(631)	—	—	—	(631)	—	(631)
Own shares sold	—	—	554	—	—	—	554	—	554
Net loss on selling own shares	—	—	509	—	—	(509)	—	—	—
Share-based payments	—	—	—	100	—	—	100	—	100
Change in option for acquiring non-controlling interest in MCL	—	—	—	—	6,500	—	6,500	—	6,500
At 31 October 2015	4,096	29,657	(403)	503	(6,000)	33,111	60,964	7,165	68,129
At 1 May 2015	4,096	29,657	(835)	403	(12,500)	33,805	54,626	8,221	62,847
Profit for the year	—	—	—	—	—	7,775	7,775	(2,411)	5,364
Transactions with owners of Group and non-controlling interests, recognised directly in equity:									
Equity dividends	—	—	—	—	—	(2,158)	(2,158)	—	(2,158)
Vesting of Restricted Shares	—	—	—	—	—	76	76	—	76
Own shares purchased	—	—	(4,162)	—	—	—	(4,162)	—	(4,162)
Own shares sold	—	—	914	—	—	—	914	—	914
Net loss on selling own shares	—	—	1,348	—	—	(1,348)	—	—	—
Share-based payments	—	—	—	197	—	—	197	—	197
Deferred tax adjustment in respect of share-based payments	—	—	—	711	—	—	711	—	711
Transfer of share option reserve on vesting of options	—	—	—	(244)	—	244	—	—	—
Change in option for acquiring non-controlling interest in MCL	—	—	—	—	7,000	—	7,000	—	7,000
At 30 April 2016	4,096	29,657	(2,735)	1,067	(5,500)	38,394	64,979	5,810	70,789
At 1 May 2016	4,096	29,657	(2,735)	1,067	(5,500)	38,394	64,979	5,810	70,789
Loss for the period	—	—	—	—	—	(1,860)	(1,860)	(802)	(2,662)
Other comprehensive income	—	—	—	—	—	14	14	445	459
Total comprehensive expense for the period	—	—	—	—	—	(1,846)	(1,846)	(357)	(2,203)
Transactions with owners of Group and non-controlling interests recognised directly in equity:									
Equity dividend	—	—	—	—	—	(1,651)	(1,651)	—	(1,651)
Vesting of Restricted Shares	—	—	—	—	—	110	110	—	110
Own shares purchased	—	—	(109)	—	—	—	(109)	—	(109)
Own shares sold	—	—	335	—	—	—	335	—	335
Net loss on selling own shares	—	—	667	—	—	(667)	—	—	—
Share-based payments	—	—	—	100	—	—	100	—	100
Introduction of non-controlling interest on acquisition of EID	—	—	—	—	—	—	—	5,176	5,176
At 31 October 2016	**4,096**	**29,657**	**(1,842)**	**1,167**	**(5,500)**	**34,340**	**61,918**	**10,629**	**72,547**

Consolidated statement of financial position

As at 31 October 2016

	Notes	**31 October 2016 Unaudited £'000**	31 October 2015 Unaudited £'000	30 April 2016 Audited £'000
Assets				
Non-current assets				
Goodwill		**39,075**	36,841	36,961
Other intangible assets		**17,727**	15,738	12,492
Property, plant and equipment		**10,377**	10,382	10,227
Deferred tax asset		**1,054**	104	818
		68,233	63,065	60,498
Current assets				
Inventories		**6,105**	682	2,036
Trade and other receivables		**31,793**	27,157	28,000
Derivative financial instruments		**133**	—	—
Cash and cash equivalents		**13,699**	11,398	23,109
		51,730	39,237	53,145
Total assets		**119,963**	102,302	113,643
Liabilities				
Current liabilities				
Trade and other payables		**(31,259)**	(23,155)	(30,223)
Current tax liabilities		**(407)**	(732)	(570)
Derivative financial instruments		**—**	(38)	(31)
Bank borrowings		**(3,782)**	(2)	(3,297)
Provisions		**(1,778)**	(517)	(499)
Other creditors	8	**(5,500)**	—	(5,500)
		(42,726)	(24,444)	(40,120)
Non-current liabilities				
Deferred tax liability		**(4,111)**	(3,719)	(2,727)
Bank borrowings		**(6)**	(10)	(7)
Provisions		**(573)**	—	—
Other creditors	8	—	(6,000)	—
		(4,690)	(9,729)	(2,734)
Total liabilities		**(47,416)**	(34,173)	(42,854)
Net assets		**72,547**	68,129	70,789
Equity				
Share capital		**4,096**	4,096	4,096
Share premium account		**29,657**	29,657	29,657
Own shares		**(1,842)**	(403)	(2,735)
Share option reserve		**1,167**	503	1,067
Other reserve: option for acquiring non-controlling interest in MCL	8	**(5,500)**	(6,000)	(5,500)
Retained earnings		**34,340**	33,111	38,394
Total equity attributable to the equity shareholders of the parent		**61,918**	60,964	64,979
Non-controlling interests		**10,629**	7,165	5,810
Total equity		**72,547**	68,129	70,789

Consolidated cash flow statement

For the six months ended 31 October 2016

	Notes	**Six months ended 31 October 2016 Unaudited £'000**	Six months ended 31 October 2015 Unaudited £'000	Year ended 30 April 2016 Audited £'000
Net cash (used in)/generated from operating activities	6	**(4,314)**	(5,621)	6,718
Cash flow from investing activities				
Interest received		**33**	38	68
Purchases of property, plant and equipment		**(456)**	(584)	(980)
Acquisition of EID, net of cash acquired	7	**(4,045)**	(670)	(744)
Net cash used in investing activities		**(4,468)**	(1,216)	(1,656)
Cash flow from financing activities				
Equity dividends paid		**(1,651)**	(1,387)	(2,158)
Repayment of borrowings		**(1)**	(2)	(3)
Loan drawdown for acquisition of EID		**—**	—	3,302
Purchase of own shares		**(109)**	(631)	(4,162)
Sale of own shares		**335**	554	914
Net cash used in financing activities		**(1,426)**	(1,466)	(2,107)
Net (decrease)/increase in cash and cash equivalents		**(10,208)**	(8,303)	2,955
Represented by:				
Cash and cash equivalents brought forward		**23,109**	19,701	19,701
Cash flow		**(10,208)**	(8,303)	2,955
Exchange		**798**	—	453
Cash and cash equivalents carried forward		**13,699**	11,398	23,109

Notes to the interim report

For the six months ended 31 October 2016

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 2017. As permitted, this Interim Report has been prepared in accordance with the 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, for the period just ended, operated through its five subsidiaries, EID, MASS, MCL, SCS and SEA. These subsidiaries are the basis on which the Company, Cohort plc, reports its primary segment information. From 1 November 2016, the Group will no longer report SCS’s trading separately.

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 2016. 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 Sections 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 2016 are in accordance with IFRS as adopted by the European Union. The accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

The Interim Report was approved by the Board and authorised for issue on 12 December 2016.

2. Segmental analysis of revenue and adjusted operating profit

	Six months ended 31 October 2016 Unaudited £'000	Six months ended 31 October 2015 Unaudited £'000	Year ended 30 April 2016 Audited £'000
Revenue			
EID	**4,630**	—	—
MASS	**14,488**	15,126	32,090
MCL	**7,911**	3,233	13,709
SCS	**5,034**	9,048	18,148
SEA	**18,009**	22,275	48,773
Inter-segment revenue	**(33)**	(15)	(143)
	50,039	49,667	112,577
Operating profit comprises:			
Trading profit/(loss) of:			
EID	**1,406**	—	—
MASS	**2,400**	2,372	5,956
MCL	**753**	19	1,404
SCS	**(455)**	303	1,250
SEA	**1,020**	1,765	5,442
Central costs	**(1,252)**	(983)	(2,150)
Adjusted operating profit	**3,872**	3,476	11,902
Credit on marking forward exchange contracts to market value at period end	**178**	—	7
Foreign exchange gain on marking cash held (in Euros) for the purchase of EID to market value at period end	**—**	—	537
Amortisation of intangible assets	**(5,012)**	(3,246)	(6,379)
Exceptional items	**(2,279)**	(181)	(821)
Operating (loss)/profit	**(3,241)**	49	5,246

All revenue and adjusted operating profit is in respect of continuing operations. SCS revenue and adjusted operating profit will be reported as part of MASS and SEA as from 1 November 2016.

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, other exchange gains and losses, 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 Group's adjusted operating profit includes the cost of share options of £100,000 for the six months ended 31 October 2016 (six months ended 31 October 2015: £100,000; year ended 30 April 2016: £197,000) and is applied to each reporting segment in proportion to the number of employees in the Group's various share option schemes.

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 2016 Unaudited		Six months ended 31 October 2015 Unaudited		Year ended 30 April 2016 Audited	
	£m	**%**	£m	%	£m	%
By sector						
UK defence and security	**32.2**	**64**	33.8	68	83.2	74
Portugal defence and security	**1.7**	**3**	—	—	—	—
Export defence customers	**10.6**	**22**	10.2	21	19.8	17
Defence and security revenue	**44.5**	**89**	44.0	89	103.0	91
Transport	**2.3**		1.7		3.5	
Offshore energy	**1.2**		2.2		3.0	
Other commercial	**2.0**		1.8		3.1	
Non-defence revenue	**5.5**	**11**	5.7	11	9.6	9
Total revenue	**50.0**	**100**	49.7	100	112.6	100
By capability						
Defence products	**26.3**	**53**	17.6	35	47.0	42
Operational support	**4.5**	**9**	5.7	12	11.3	10
Training	**4.3**	**9**	5.5	11	12.0	11
Secure networks	**4.2**	**8**	3.8	8	10.7	9
Provision of specialist expertise	**3.8**	**8**	6.7	13	8.9	8
Application software	**3.7**	**7**	2.9	6	7.9	7
Studies and analysis	**2.6**	**5**	4.5	9	6.1	5
Applied research	**0.6**	**1**	3.0	6	8.7	8
Total revenue	**50.0**	**100**	49.7	100	112.6	100

3. Income tax (credit)/expense

The income tax (credit)/expense comprises:

	Six months ended 31 October 2016 Unaudited £'000	Six months ended 31 October 2015 Unaudited £'000	Year ended 30 April 2016 Audited £'000
Current tax: in respect of this period	**407**	681	1,935
Current tax: in respect of prior periods	**—**	(40)	(368)
	407	641	1,567
Deferred taxation: in respect of this period	**(993)**	(626)	(1,621)
	(586)	15	(54)

The income tax expense for the six months ended 31 October 2016 is based upon the anticipated charge for the full year ending 30 April 2017.

4. Earnings per share

The earnings per share are calculated as follows:

	Six months ended 31 October 2016 Unaudited £'000	Six months ended 31 October 2015 Unaudited £'000	Year ended 30 April 2016 Audited £'000
Earnings			
Basic and diluted (loss)/earnings	**(1,810)**	1,126	7,775
Credit on marking forward exchange contracts to market at period end (net of income tax)	**(130)**	—	(6)
Exceptional items (net of income tax):			
Reorganisation of SCS (net of income tax)	**1,840**	—	—
Cost on acquisition of EID	**79**	181	821
Foreign exchange gain on marking cash held (in Euros) for the acquisition of EID to market value at period end (net of income tax)	**(12)**	—	(429)
Group's share of amortisation of intangible assets (net of income tax)	**2,443**	1,581	2,879
Adjusted basic and diluted earnings	**2,410**	2,888	11,040

	Number	Number	Number
Weighted average number of shares			
For the purposes of basic earnings per share	**40,260,946**	40,659,768	40,622,496
Share options	**601,956**	878,989	767,501
For the purposes of diluted earnings per share	**40,862,902**	41,538,757	41,389,997

The weighted average number of ordinary shares for the six months ended 31 October 2016 excludes 504,844 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 2015: 118,311; year ended 30 April 2016: 755,743).

	Six months ended 31 October 2016 Unaudited pence	Six months ended 31 October 2015 Unaudited pence	Year ended 30 April 2016 Audited pence
(Loss)/earnings per share			
Basic	**(4.50)**	2.77	19.14
Diluted	**(4.50)**	2.71	18.78
Adjusted earnings per share			
Basic	**5.99**	7.11	27.18
Diluted	**5.90**	6.95	26.67

5. Dividends

	Six months ended 31 October 2016 Unaudited pence	Six months ended 31 October 2015 Unaudited pence	Year ended 30 April 2016 Audited pence
Dividends per share proposed in respect of the period			
Interim	**2.20**	1.90	1.90
Final	**—**	—	4.10

The interim dividend for the six months ended 31 October 2016 is 2.20 pence (six months ended 31 October 2015: 1.90 pence) per ordinary share. This dividend will be payable on 1 March 2017 to shareholders on the register at 3 February 2017.

The final dividend charged to the income statement for the year ended 30 April 2016 was 5.30 pence per ordinary share comprising 1.90 pence of interim dividend for the six months ended 31 October 2015 and 3.40 pence of final dividend for the year ended 30 April 2015.

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

	Six months ended 31 October 2016 Unaudited £'000	Six months ended 31 October 2015 Unaudited £'000	Year ended 30 April 2016 Audited £'000
(Loss)/profit for the period	**(2,662)**	70	5,364
Adjustments for:			
Tax (credit)/expense	**(586)**	15	(54)
Depreciation of property, plant and equipment	**627**	539	1,090
Amortisation of intangible assets	**5,012**	3,246	6,379
Net finance costs/(income)	**7**	(36)	(64)
Share-based payment	**100**	100	197
Derivative financial instruments and foreign exchange movements	**(178)**	—	(7)
Decrease in provisions	**(292)**	(41)	(59)
Operating cash flow before movements in working capital	**2,028**	3,893	12,846
(Increase)/decrease in inventories	**(2,356)**	396	(958)
Decrease/(increase) in receivables	**2,910**	(7,629)	(8,585)
(Decrease)/increase in payables	**(5,652)**	(1,534)	5,203
	(5,098)	(8,767)	(4,340)
Cash (used in)/generated from operations	**(3,070)**	(4,874)	8,506
Tax paid	**(1,200)**	(745)	(1,784)
Interest paid	**(44)**	(2)	(4)
Net cash (used in)/generated from operating activities	**(4,314)**	(5,621)	6,718

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

As announced on 28 June 2016, Cohort plc acquired 56.89% of EID for a total consideration of £8.9m (€10.3m). The Group has recognised 100% of EID's result and net assets from that date as it has effective control.

The acquisition accounting is as follows:

	Book valued £'000	Fair valued £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	295	295
Other intangible assets	—	10,247
Inventory	1,874	1,874
Trade and other receivables	6,120	6,520
Trade and other payables	(7,822)	(8,489)
Deferred tax	92	(2,149)
Net cash	3,708	3,708
	4,267	12,006
56.89% acquired		6,830
Goodwill		2,114
Total consideration		8,944
Satisfied by:		
Cash		8,497
Deferred consideration (paid 23 November 2016)		447
Total consideration transferred		8,944
Net cash outflow arising on acquisition:		
Cash consideration paid in the period ended 31 October 2016		7,753
Cash consideration paid in the year ended 30 April 2016		744
Less: cash and cash equivalents acquired		(3,708)
		4,789

Actual cash outflow for the six months ended 31 October 2016 was £4,045,000.

The exchange rate used on the acquisition of EID in respect of net assets, goodwill and consideration was £1:€1.2073.

Other intangible assets of £10.2m and their estimated useful lives are analysed as follows:

	Other intangible assets	Estimated life
	£'000	Years
Contracts acquired	10,247	9

A deferred tax liability of £2.3m in respect of the other intangible assets balance above was established and is disclosed as part of the fair value deferred tax liability.

The goodwill of £2.1m 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 deductible for income tax purposes.

The acquisition costs of £0.9m in respect of EID were charged as an exceptional item of £0.8m in the income statement for the year ended 30 April 2016 and £0.1m for the six months ended 31 October 2016.

EID contributed £4.6m of revenue and £1.4m of adjusted operating profit for the period from 28 June 2016 to 31 October 2016.

Cohort plc has agreed with the Portuguese Government, the holder of 43.09% of EID to acquire a further 23.09% on the same terms as the original sale and purchase agreement, leaving the Group with 79.98% of EID. On completion of the second part of the acquisition of EID, we will enter into a shareholders' agreement giving the Portuguese Government certain rights, typical of a minority shareholder.

8. Acquisition of Marlborough Communications Ltd (MCL)

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

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

In accordance with IFRS 3, the Group has ascribed a value to the option to acquire the non-controlling interest of MCL. This value has been estimated at £5.5m and the option is shown as a current liability and as the non-controlling interest has a right to dividends, in the other reserves as "option for acquiring the non-controlling interest in MCL".

The Group has agreed with the holders of the non-controlling interest of MCL to acquire their interest (49.999%), taking the Group holding in MCL to 100%.

This agreement is in line with the original sale and purchase agreement and the estimated cost of acquiring this non-controlling interest is £5.5m, unchanged from 30 April 2016 (31 October 2015: £6.0m due greater than one year). In addition, and as set out in the original sale and purchase agreement, the non-controlling interest will receive its share of the cash held in MCL as at 30 April 2017 which is in excess of MCL's operational requirements.

Independent review report to Cohort plc
for the six months ended 31 October 2016

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 2016 which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the 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 2016 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Andrew Campbell-Orde for and on behalf of KPMG LLP Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD
12 December 2016

Shareholder information, financial calendar and advisers

Advisers

Nominated adviser and broker

Investec

2 Gresham Street
London EC2V 7QP

Auditor

KPMG LLP

Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD

Tax advisers

Deloitte LLP

Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers

Shoosmiths LLP

Apex Plaza
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Reading RG1 1SH

Registrars

Capita Asset Services

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34 Beckenham Road
Beckenham
Kent BR3 4TU

Public and investor relations

MHP Communications

6 Agar Street
London WC2N 4HN

Bankers

Barclays

Level 27, 1 Churchill Place
London E14 5HP

Lloyds Bank

The Atrium
Davidson House
Forbury Square
Reading RG1 3EU

RBS

Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Shareholders' enquiries

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

Share register

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

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

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

Telephone: 0871 664 0300 (calls are charged at standard geographic rate and will vary by provider). (From outside the UK: +44 371 664 0300, calls will be charged at the applicable international rate.) Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Email: shareholderenquiries@capita.co.uk

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

Daily share price listings

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

Financial calendar

Annual General Meeting
7 September 2017

Final dividend payable
September 2017

Expected announcements of results for the year ending 30 April 2017

Preliminary full-year announcement
June 2017

Half-year announcement
December 2017

Registered office

Cohort plc
2 Waterside Drive
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Theale
Reading RG7 4SW

Registered company number of Cohort plc

05684823

Cohort plc is a company registered
in England and Wales.