2 Waterside Drive
Arlington Business Park
Reading
Berks
RG7 4SW

Cohort plc

28 June 2016

COHORT PLC

FINAL RESULTS

FOR THE YEAR ENDED 30 APRIL 2016

Continued strong performance

Cohort plc today announces its final results for the year ended 30 April 2016. Highlights include:

	2016	2015	%
• Revenue	**£112.6m**	£99.9m	***13***
• Adjusted operating profit*	**£11.9m**	£10.1m	***18***
• Adjusted profit before tax*	**£12.0m**	£10.2m	***18***
• Adjusted earnings per share*	**27.18p**	20.45p	***33***
• Statutory profit before tax	**£5.3m**	£5.9m	***(11)***
• Net funds	**£19.8m**	£19.7m	***1***
• Order book (closing)	**£116m**	£134m	***(13)***
• Basic earnings per share	**19.14p**	14.04p	***36***
• Proposed final dividend per share	**4.1p**	3.4p	***21***
• Total dividend per share	**6.0p**	5.0p	***20***

- Organic revenue and adjusted operating profit growth of 5% and 13% respectively
- Adjusted earnings per share increased 33%
- Full year contributions from MCL and J+S (both acquired in 2014/15)
- Net funds maintained at the level of the strong position of last year
- New bank facility for £25m agreed in the year
- Order intake for the year was £94.8m (2015: £114.3m)

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

Looking forward:

- Order book provides a strong underpinning for revenue in the coming year
- Strong net funds and new bank facility provide resources for investment and acquisitions
- Acquisition of 57% of EID completed and immediately earnings enhancing in 2016/17

Commenting on the results, Nick Prest CBE, Chairman of Cohort plc said: *"Cohort again improved its performance in the year, achieving record revenue, adjusted operating profit and closing net funds. MASS, MCL and SEA all recorded growth in adjusted operating profit.*

"The management emphasis is now on driving further growth, supported by a continuing strong funding position. The recently completed acquisition of a controlling interest in EID provides a good start to the year ahead and the Board considers that Cohort's order book and near-term prospects provide a good base for future progress."

A presentation for analysts is being hosted today 28 June 2016 at 9.15am for 9.30am at Investec's offices.
For further information please contact:

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

NOTES TO EDITORS

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

- SCS (www.scs-ltd.co.uk) - a defence consultancy, combining technical expertise with armed forces experience and domain knowledge. Owned by Cohort since flotation in March 2006.

- 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.

- 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.

- 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.

- 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.

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 again improved its performance in the year, achieving record revenue, adjusted operating profit and closing cash. MASS, MCL and SEA all recorded growth in adjusted operating profit. After some delay, the Group completed the acquisition of EID. I welcome EID to the Group as Cohort's fifth operating business and look forward to its positive contribution in the coming year and thereafter.

Key financials

In the year ended 30 April 2016, Cohort achieved revenue of £112.6m (2015: £99.9m), including £32.0m (2015: £32.5m) from MASS Consultants Limited (MASS), £18.1m (2015: £16.9m) from Systems Consultants Services Limited (SCS), £48.8m (2015: £40.4m) from SEA (Group) Limited (SEA), and a full year contribution from Marlborough Communications Limited (MCL) of £13.7m (2015: £10.1m for 10 months). The SEA revenue included a full year contribution from J+S Limited (J+S) of £12.8m (2015: £7.9m for 7 months). The improved revenue reflects both the full year impact of MCL and J+S, the latter reported within SEA, and also increased revenue on SEA's submarine projects.

The Group's adjusted operating profit was £11.9m (2015: £10.1m). This included contributions from MASS of £6.0m (2015: £5.5m), SCS £1.2m (2015: £1.3m), SEA £5.4m (2015: £4.0m) and a full year contribution from MCL of £1.4m (2015: £1.3m for 10 months). Cohort Group overheads were £2.1m (2015: £2.0m). MASS, which remains the Group's largest contributor to profit, improved its performance as a result of changed mix despite a slight fall in revenue. The improved performance at SEA reflected its increased revenue, and also an improved mix due to the higher activity in support services. MCL also improved its contribution, although its percentage margin was lower with a greater proportion of revenue derived from bought-in product. Despite growing its revenue, SCS had a challenging year with an increase in the proportion of lower margin work following the end of several profitable projects.

The Group operating profit of £5.2m (2015: £5.9m) is stated after recognising amortisation of intangible assets of £6.4m (2015: £3.6m), exceptional items of £0.8m in respect of the acquisition costs associated with EID and net foreign exchange gains of £0.5m (2015: £0.1m charge). Profit before tax was £5.3m (2015: £5.9m) and profit after tax was £5.4m (2015: £5.2m).

Adjusted earnings per share (EPS) were 27.18 pence (2015: 20.45 pence). The adjusted EPS were based upon profit after tax, excluding amortisation of other intangible assets, net foreign exchange gains and exceptional items. Basic EPS were 19.14 pence (2015: 14.04 pence). The significant improvements in EPS included the benefit of some one-off tax items. With these removed, adjusted EPS would have been 24.98 pence, 22% above the comparative for 2014/15.

Order intake for the year at £94.8m, was, as expected, lower than the strong performance seen in 2015 at £114.3m and accounts for the lower closing order book. The net funds at the year end were £19.8m (2015: £19.7m).

Dividends

The Board is recommending a final dividend of 4.1 pence per ordinary share (2015: 3.4 pence), making a total dividend of 6.0 pence per ordinary share (2015: 5.0 pence) for the year, a 20% increase. This will be payable on 21 September 2016 to shareholders on the register at 26 August 2016, subject to approval at the Annual General Meeting on 13 September 2016.

MASS

MASS's adjusted operating profit of just under £6.0m (2015: £5.5m) was ahead of last year, driven by an improved mix. Its net margin increased from 16.9% to 18.7%, with lower levels of activity in education accounting for the slight drop in revenue. Looking forward we expect MASS's operating margin to fall back to a slightly lower level as it grows its cyber offering. Although the cyber opportunities available to MASS are substantial and growing, a larger part of MASS's activity in this area has bought-in content.

MASS's order book reduced during the year as it delivered on its longer term orders, a number of which are due to be replenished in the coming year. Its closing order book of £41.7m (2015: £53.4m) provides a good underpinning for 2016.

MCL

MCL improved its adjusted operating profit from £1.3m for the 10 months ended 30 April 2015 to £1.4m for the year ended 30 April 2016 on higher revenue of £13.7m (2015: £10.1m). The improved performance was a result of the higher revenue although, as expected, the net margin was lower with a higher proportion of bought-in product and less support work in the revenue mix.

MCL benefitted from a strong final quarter of orders, sales and profit from its main customer, the UK MoD, despite evidence that it was under some budgetary pressure. This demonstrated the importance of MCL's niche offerings and typified its historical business model of short cycle times, especially in support and repeat work.

Its strong order book of £7.0m (2015: £2.8m) and pipeline of prospects give us confidence that it will make progress in the coming year.

SCS

In what continues to be a challenging domestic defence market for technical consultancy, SCS did grow its revenue, much of this a result of its unique position in delivering high level training to the Joint Warfare Centre. Training activity in this area again increased following the end of the UK's operations in Afghanistan in late 2014.

The withdrawal from Afghanistan also resulted in the cessation of an in-country support contract and the resultant mix change has reduced SCS's net margin from 7.8% in 2015 to 6.6% this year.

Although SCS enters the coming year with a good order book of £11.7m (2015: £9.8m) its short term prospects are not as strong as we are seeing elsewhere in the Group and we expect SCS's performance to remain flat.

SEA

SEA had another strong year with its adjusted operating profit growing to £5.4m (2015: £4.0m) which included a full year contribution from J+S (2015: 7 months).

SEA and J+S are now fully integrated and the efficiencies realised by combining the businesses have increased the net margin from 9.9% to 11.1%. The recognition of a full year of trading of J+S has contributed to the stronger performance but the underlying SEA business also increased its revenue by over 11%, driven mostly by activity on the Common External Communications System (CECS) for the UK's submarine fleet, particularly on the Vanguard Class. This project will move into its delivery phase in the coming year and as a result will have lower engineering activity.

SEA secured over £36m (2015: £50m) of orders in the year. The 2015 comparator was very strong, and included a number of large CECS orders which are being delivered now and into the future. The SEA order book of £55.6m (2015: £68.0m) underpins over half of SEA's expected revenue for 2016/17 and along with good prospects gives us confidence that SEA will continue to grow.

Cash

The net funds of the Group increased by £0.1m. The £11.9m of adjusted operating profit, after an expected net working capital outflow, delivered £8.5m of operating cash inflow. Although some way behind last year's very strong performance (£20.5m inflow), this was considerably better than we had expected and reflected a very strong closing quarter, some of which will reverse in the early part of 2016/17.

The operating cash inflow was utilised in paying tax, dividends and capital investment, a total outflow of £4.9m as well as a deposit for acquiring EID, net purchases of own shares and foreign exchange movements (£3.5m net outflow) resulting in the positive, albeit small, net funds movement of the Group.

The Group paid an initial €0.9m (£0.7m) for EID with a further €9.9m (£8.2m) to be paid to take a 57% share and control of the business. It is expected that the acquisition of the additional 23% the Group has agreed to purchase from the Portuguese Government will complete by 31 October 2016 leaving the Portuguese Government with a 20% stake in EID. This will cost €4.4m (£3.6m) taking the Group to an 80% holding in EID.

The Group also expects to acquire the minority interest (49.9%) of MCL during the coming year. The consideration for this is currently estimated at £5.5m.

The Group continued to purchase shares through its Employee Benefit Trust, primarily to satisfy employee share options awards with a net investment in the year of £3.2m and this process is expected to continue in 2016/17.

In November 2015 the Group completed a new tri-bank facility with Barclays, Lloyds and RBS. The facility is a revolving credit facility for three years with an option to extend for up to a further two years. The amount is £25m with an option to extend by a further £10m to £35m.

Board, management and staff

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

There have been no changes in the Board and Senior Management of the Group in the past year. Jeff Perrin, appointed in 2015, has been a valuable addition to the Board as Non-executive Director and Chairman of the Audit Committee.

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.

I take this opportunity to welcome the management and staff of EID into the Cohort Group. We look forward to working closely with them on the future development of EID and its relations with Cohort and its subsidiaries.

Outlook

The closing order book of £116.0m along with a number of expected long term order renewals provide a solid underpinning to the coming year. Although the UK defence market remains tight, the Cohort businesses have strong and relevant capabilities, established positions on some key long-term UK MOD programmes, and a good pipeline of new opportunities. Export prospects continue to strengthen, especially at SEA. Outside defence, MASS continues to make progress with its cyber capability. We expect the order intake for the coming year to be stronger with a number of key long term renewals due. As already mentioned, the addition of EID to the Group will be earnings enhancing and provides the Group with a new domestic customer in Portugal and particularly important access to new export markets, both for EID's products and services and the rest of the Group.

It is too early to quantify the impact of the recent referendum result in favour of the United Kingdom leaving the European Union. In 2015/16 only £1.0m (2015: £0.8m) of Cohort's revenue came from EU nations and institutions. The majority of Cohort's business in Europe is with NATO, £4.2m in the year ended 30 April 2016 (2015: £3.4m), and the UK's exit from the EU is not expected to affect this market. The acquisition of EID provides Cohort with a long-term operating platform within the EU. Any short-term impact is likely to be driven by changes to UK government priorities and possibly spending in the aftermath of the referendum. We will inform the market if we become aware of any material effects arising from these changes.

The management emphasis is now on driving further growth, supported by a continuing strong funding position. The recently completed acquisition of a controlling interest in EID provides a good start to the year ahead and the Board considers that Cohort's order book and near-term prospects provide a good base for future progress.

Nick Prest CBE
Chairman

BUSINESS REVIEW

Operating review

2015/16 has been another year of progress for Cohort delivering a record level of revenue, adjusted operating profit and net funds. The closing order book of £116.0m, along with a good pipeline of prospects, provide substantial underpinning for the coming financial year.

The Group's adjusted operating profit of £11.9m (2015: £10.1m) on revenue of £112.6m (2015: £99.9m) was a net return of 10.6% (2015: 10.1%).

Adjusted operating profit by subsidiary:

	Adjusted operating profit			Operating margin	
	2016	2015	Change	2016	2015
	£m	£m	%	%	%
MASS	6.0	5.5	9	18.7	16.9
MCL	1.4	1.3	8	10.2	13.1
SCS	1.2	1.3	(8)	6.6	7.8
SEA	5.4	4.0	35	11.1	9.9
Central costs	(2.1)	(2.0)	(5)	-	-
	11.9	10.1	18	10.6	10.1

The 2015/16 result includes a full year contribution from J+S (reported as part of SEA) and MCL compared with 7 and 10 months respectively in 2014/15. Adjusting for these annualised impacts, the underlying organic revenue and adjusted operating profit growth were 5% and 13% respectively.

MASS was again the strongest contributor to the Group, growing its adjusted operating profit by 9% on slightly lower revenue. MASS's net margin of 18.7% is higher than we would expect due to favourable mix, particularly lower levels of education deliveries where there is relatively high level of bought-in content. Looking forward we would expect MASS's margin to return to a slightly lower level, reflecting growth in its cyber defence and other UK work where a larger part of MASS's activity in these areas has bought-in content.

Following its acquisition last year, MCL improved its adjusted operating profit to £1.4m (2015: £1.3m for 10 months) on increased revenue of £13.7m (2015: £10.1m). The increase was primarily due to deliveries of hearing protection systems for the British Army, an order secured in August 2015. The net margin was down from 13.1% to 10.2% reflecting the increased proportion of revenue derived from products compared to higher margin support work.

In what has been a challenging year, SCS produced an adjusted operating profit of £1.2m (2015: £1.3m) on slightly higher revenue of £18.1m (2015: £16.9m). This weaker performance was a result of a change in mix, in particular arising from the cessation of support activity in Afghanistan in late 2014. SCS undertook some cost mitigation to offset this downturn. Looking forward, the market conditions for SCS remain tight and our expectation is that SCS will remain flat in terms of performance.

SEA's business produced an increase of 35% adjusted operating profit on 21% higher revenue. This was a result of a strong performance in its defence business, with increased submarine engineering activity and higher support work for its navy customer.

Taking into account the full year effect of J+S compared with the seven months in 2014/15, SEA's underlying revenue and adjusted operating profit grew by 6% and 32% respectively with J+S contributing strongly to the adjusted operating profit as a result of operational gearing and mix.

The small increase in central costs was as expected and reflects the growth of the Group over the past year. Looking forward we expect to see a further increase as the Group absorbs its new overseas subsidiary EID.

Operating strategy

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

- MASS is a leading international provider in the fields of electronic warfare (EW) and secure communications, including cyber security. Its products include the THURBON™ EW database and it provides EW operational support services to a number of customers in the UK and overseas. MASS has some unique capabilities that have enabled it to establish strong niche positions in these important areas of defence and security, as well as gaining an increasing reputation as a leading provider of secure networks to educational and other non-defence markets. MASS was founded in 1983 and is led by Managing Director Ashley Lane.

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

- SCS is a provider of independent expert advisory services to defence and related markets. It serves both government and private sector customers in the UK and internationally. Many of its people have experience in the armed forces covering a wide range of technical specialisations, enabling the business to provide rapid expert support in areas including information systems, training, airworthiness, delivery and management of complex systems and support to operations in high threat areas. SCS was founded in 1992 and is led by its Managing Director Christian Cullinane.

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

- The recently acquired business of EID in Portugal is discussed below under acquisitions.

Cohort's management approach is to allow its subsidiary businesses a significant degree of operational autonomy in order to develop their potential fully, while providing light-touch but rigorous financial and strategic controls at Group level. Our experience is that our customers prefer to work with businesses where decision-making is streamlined and focused on solving their immediate problems. This model provides us with a degree of competitive advantage over some larger rivals where the decision-making process can be more extended. It is also cost-effective as it avoids the need for additional layers of management involved in coordination activities and for a large headquarters team. And it is attractive to high calibre employees who find it more rewarding to be involved in decisions affecting the business, even at a relatively junior level, rather than being constrained to a narrow or purely technical role. This positions us well to supply systems and services to our customers where these attributes are highly valued.

Within our markets we have sought to use our agility and innovation to identify niches where future prospects are attractive and where we have some sustainable competitive advantage. These can be for products, services or high value one-off projects to design bespoke equipment or software. Examples include MASS's electronic warfare operational support offerings, SCS's training support work for the Joint Forces Command, SEA's External Communication System (ECS) for submarines and MCL's range of hearing protection systems. We have also been active in finding new customers for the capabilities we have developed, both in export markets, and for non-defence purposes. During the recent year we have continued to widen the customer base for our network security offering and extended the application of our Roadflow product to address moving offences, in particular yellow boxes and illegal right turns.

Being part of the Cohort Group brings significant advantages to our businesses compared with operating independently. The Group's strong balance sheet gives customers the confidence to award large or long-term contracts that we are technically well-able to execute but which might otherwise be perceived as risky. Examples include MASS's £50m in-service support contract awarded in 2010, and around £70m of contracts awarded to SEA so far for ECS across the UK's submarine platforms. 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 four UK operating businesses, while remaining operationally independent, have close working relationships and are able to benefit from each other's technical capabilities, customer relationships and market knowledge. We will work in the coming year on ensuring that EID fully participates in this collaborative approach.

These strategies have allowed us to grow our profit organically at a time when UK defence expenditure, our largest source of revenue, has been tightly constrained. They have also generated long term customer relationships and good opportunities that give us confidence that we can continue to prosper despite the difficult and unpredictable market conditions.

Acquisitions

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

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

We expect to acquire the remainder of MCL (just under 50%) for an estimated further consideration of £5.5m on or before 30 April 2017.

The Group has added a fifth member of Cohort by acquiring 57% of EID. The total consideration paid for this was just under €11m (£8.9m). Subject to final approval of the Portuguese Government, the Group expects to acquire a further 23% of EID from the Government on the same terms and price as the initial 57% with the Portuguese Government retaining a 20% stake in EID. This second transaction is likely to complete on or before 31 October 2016 and will be accompanied by a shareholder agreement, which will set out various undertakings by both parties.

On the acquisition of the 57%, Cohort has also taken effective control and will consolidate 100% of EID from that point, recognising the minority interest in EID as appropriate.

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

EID operates through two market-facing divisions:

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

These divisions are supported by an internal production and logistics unit. EID operates from an engineering facility near Lisbon, and has a regional office in Malaysia. It has a total of 138 employees.

Divisional Review

MASS

	2016	2015
	£m	£m
Revenue	**32.0**	32.5
Adjusted operating profit	**6.0**	5.5
Operating cash flow	**4.9**	8.2

MASS had another solid year under Ashley Lane's leadership, increasing its adjusted operating profit by 9% although on slightly lower revenue.

MASS received a Queen's Award for Enterprise in April of this year, a deserved recognition of both the quality of its technical work and its strong record of business success.

A significant contributor to the increase in MASS's profitability was a change in mix with lower education activity offset by work in Electronic Warfare and Strategic Systems. MASS continued to increase its cyber offering, securing some initial work under a strategic framework contract with various UK Government customers.

As already mentioned, the mix of work has resulted in MASS's net margin being higher than last year. At 18.7% (2015: 16.9%) this is above the level we expect to see in future because of the growing level of activity in areas where MASS's bought-in content is usually higher. MASS's portfolio will continue to include long term managed service offerings, higher margin but unpredictable export business and more predictable but relatively lower margin secure network and cyber activity in education, commercial, security and defence markets.

MASS's support contract for the NATO Joint EW Core Staff, originally secured during 2013/14, was extended for a further year during 2015/16. As well as being a valuable growing work stream in its own right, this provides MASS with further opportunities to access NATO customers with its EWOS and THURBON™ offerings.

After a strong operating cash flow last year, MASS's operating cash flow this year was slightly weaker with a build-up of working capital at the end of the financial year linked to higher activity. MASS, as part of its cyber strategy, is currently investing in facility upgrades to enable it to offer a more comprehensive cyber service. This work will complete in the summer of 2016 and will enable MASS to continue to grow its business in this area.

MASS operated through the year with four divisions and will continue to do so for the coming 2016/17 financial year. The EWOS division focuses on all of its export EW capability and THURBON™, including SHEPHERD (the provision of a system embodying THURBON™ to the UK MOD) as well as its EW managed service offerings in the UK. The Cyber Security division includes MASS's offerings of solutions and training to government security customers. The Secure Networks division includes MASS's secure network design, delivery and support, including Information assurance services to commercial, defence and educational customers. The Strategic Systems division covers certain managed service and niche technical offerings to the UK MOD.

MASS enters the current year with a strong order book and pipeline of opportunities, including exports, though the latter are always unpredictable in terms of timing. The coming year is also expected to see the renewal of a number of MASS's longer term projects.

MCL

	2016 **£m**	2015 £m
Revenue	**13.7**	**10.1**
Adjusted operating profit	**1.4**	**1.3**
Operating cash flow	**0.5**	**(2.1)**

MCL's full year contribution was above last year's ten month contribution. This was driven in particular by delivery of the first sets of Tactical Hearing Protection System for the British Army, an order secured in the first half of 2015/16

The increased revenue derived from these deliveries, where the value added by MCL is low compared to its support activities, has resulted in MCL's net margin falling to 10.2% from 13.1% last year.

MCL has continued to enjoy success in supporting the UK Royal Navy both above and below water with specialist electronic systems.

MCL is currently a business with a short order to delivery timescale, resulting in a relatively low order backlog at any time. In joining Cohort, one of its objectives was to increase its visibility and predictability of revenue. MCL has made some progress towards this goal, finishing the year with an order book of £7.0m (2015: £2.8m). Historical experience and a strong pipeline of opportunities suggest it will once again both win and deliver much of its revenue in the course of the financial year. MCL's pipeline, particularly in expanding its hearing protection provision to the UK military and potentially beyond, gives us confidence that it will progress in the coming year.

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

Darren Allery, MCL's Managing Director, has led his team through the integration with Cohort and we are looking forward to continuing to work with the existing MCL team after our expected acquisition of the remaining management shareholders' shares in the course of 2016/17.

SCS

	2016 **£m**	2015 £m
Revenue	**18.1**	**16.9**
Adjusted operating profit	**1.2**	**1.3**
Operating cash flow	**(0.1)**	**2.5**

SCS, under the leadership of Christian Cullinane, had a challenging year and despite a 7% increase in revenue, SCS's trading profit fell by 8%.

The drop, despite some cost mitigation, was a result of a change in mix, particularly following cessation of support activities in Afghanistan in late 2014.

More positively, SCS secured a further two years, with a potential to go out to March 2020, of its high level training offering to the UK's Joint Warfare Centre (JWC), a service SCS has supplied for over 15 years. This capability forms the core of SCS's business and has enabled it to win further customers in the UK and overseas.

In other areas of its business, SCS has had a mixed performance. It was unsuccessful in renewing its framework contract with NATO in late 2015 although has continued to win revenue from NATO, albeit at a slower and lower rate.

In Air Systems, SCS continued to deliver its Independent Technical Evaluation services for a number of air platforms.

SCS's net return at just under 7% is lower than last year as a result of the change in mix. SCS's operating cash performance was, as expected, down on last year as deferred supplier payments fell into this year. SCS, like all of our businesses, also saw increased activity at the year end driving trade receivables higher.

SCS enters 2016/17 with an order book of £11.8m (2015: £9.8m). It faces a challenging market and with an anticipated fall off in Air Domain activity in the coming year, we do not expect SCS to grow in the year ahead.

SEA

	2016 **£m**	2015 £m
Revenue	**48.8**	**40.4**
Adjusted operating profit	**5.4**	**4.0**
Operating cash flow	**2.7**	**8.4**

SEA, led by Managing Director Steve Hill, has had another busy and successful year with profit increasing by 35% on nearly 21% higher revenue.

These significant increases include a contribution from the effect of owning J+S for a full year. When this is adjusted for, the underlying increases in revenue and adjusted operating profit remain a healthy 6% and 32% respectively.

The marked improvement in net margin, increasing from 9.9% last year to 11.1% in 2015/16, was driven by an increase in support and production activity at Barnstaple, and the benefit of operational gearing arising from the higher activity levels.

Setting aside the full year impact of J+S, the increase in the underlying revenue was due primarily to more deliveries of the External Communications System following the large orders received in 2014/15. SEA's current ECS activity on the UK submarine fleet has reached its peak in terms of engineering and future periods will see the delivery of completed ship systems at a steady but lower run rate. However, with critical design milestones achieved in 2015/16, we expect to see an increasing contribution of both revenue and profit from SEA's naval systems export work.

SEA's research business had a steady year including successfully completing the Delivering Dismounted Effect programme for its customer, DSTL. Looking forward, we do not expect any growth in the short term but the pipeline for 2017/18 and beyond looks good.

SEA's transport activity was slightly down on 2014/15 but within this Roadflow sales grew vigorously. Prospects in the UK market for Roadflow, particularly the Red Light and Motion variants, along with further export opportunities give us confidence that the Transport activity will grow in the coming years. The sale of Red Light Systems for level crossings has been slower that we hoped, in the main due to customer delays, and we expect this to pick up going forward.

SEA's Subsea Engineering Division, which primarily services the North Sea Oil & Gas market, had a very challenging year due to the tightness of its market. The apparent growth in revenue was mostly due to the recognition of a full year's trading compared to only seven months in 2014/15. However, the business, which is mainly involved in operational support, remained profitable and any sustained improvement in the oil price should enable it to start growing again.

SEA had a better than expected operating cash flow in the year with some large receipts on the submarine program received at the year end. An unwind of supplier payments and a resultant cash outflow occurred as expected in the first half of the year but the second half has been better, a major factor in the Group's strong cash performance.

SEA's closing order book of £55.6m (2015: £68.0m) provides a solid underpinning to 2016/17 revenue, especially in its submarine and other naval system work. Elsewhere, its order cover, especially in Software Solutions and Products and Subsea Engineering Division, is typically low with a short order to delivery timeframe. SEA's Research & Technical Support Division enters 2016/17 with lower order cover compared to recent years. It has recently completed its Delivering Dismounted Effect programme and is waiting for the replacement project, the Dismounted Engine Room (DER), which will commence later in our financial year.

During this year the division will continue to deliver ad hoc tasks to its MOD customer, partly delivering some of the DER requirements early. SEA has a number of longer term contracts due for renewal in 2016/17.

As expected, the integration of J+S and SEA which was completed last year, has delivered around £0.5m of annual savings and the combined business has been conducted in 2015/16 through its four market facing divisions spread across its four operating facilities comprising:

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

- Research and Technical Support Division, including its capabilities in the land and research markets of defence.

- Software Solutions and Products Division, including SEA's transport work in the UK and overseas as well as other civil and non-maritime products, its training and simulation capabilities and other information systems.

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

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

Revenue by market and business

	MASS		MCL		SCS		SEA		GROUP			
	2016	2015	2016	2015	2016	2015	2016	2015	2016		2015	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	£m	%
Defence & Security	30.1	28.4	13.6	10.0	17.9	16.7	41.4	34.4	103.0	91	89.5	89
Transport	-	-	-	-	-	-	3.5	3.9	3.5	3	3.9	4
Offshore energy	-	-	-	-	-	-	3.0	2.0	3.0	3	2.0	2
Other commercial	1.9	4.1	0.1	0.1	0.2	0.2	0.9	0.1	3.1	3	4.5	5
	32.0	32.5	13.7	10.1	18.1	16.9	48.8	40.4	112.6	100	99.9	100

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

	MASS		MCL		SCS		SEA		GROUP			
	2016	2015	2016	2015	2016	2015	2016	2015	2016		2015	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	£m	%
Direct to UK MOD	13.1	11.5	11.1	8.4	10.7	8.7	11.6	9.7	46.5	41	38.3	38
Indirect to UK MOD where the Group acts as a sub-contractor or partner	6.7	6.1	0.4	0.3	2.7	3.9	26.9	21.7	36.7	33	32.0	32
Total to UK MOD	19.8	17.6	11.5	8.7	13.4	12.6	38.5	31.4	83.2	74	70.3	70
Export & other	10.3	10.8	2.1	1.3	4.5	4.1	2.9	3.0	19.8	17	19.2	19
	30.1	28.4	13.6	10.0	17.9	16.7	41.4	34.4	103.0	91	89.5	89

Revenue breakdown by capability

		2016 £m	%	2015 £m	%
Defence products	Defence products: the design, supply and support of such equipment and its associated embedded software, as well as the integration of commercial "off the shelf" equipment for specialist applications primarily by SEA and MCL.	47.0	42	34.8	35
Training	Training: this includes formal, on-the-job and scenario-based training services. An example is SCS's provision of exercise-based training for the UK's Joint Forces Command.	10.7	9	10.6	11
Specialist expertise	Specialist expertise: the provision of expert individuals as part of a customer's team. Three of our businesses are active in this area, most notably SCS and MASS with a small level of activity at SEA.	12.0	11	10.4	10
Application software	Application software: the design and supply of specialist software systems such as MASS's work on Project SHEPHERD and SEA's work for its transport and defence customers.	8.7	8	10.1	10
Operational support	Operational support: the provision of direct support to active operations which takes place at MASS through its Electronic Warfare Operational Support activities, at SCS in defence and at SEA in defence and offshore energy.	11.3	10	9.7	10
Secure networks	Secure networks: the provision of advice and system implementation to protect against cyber attack and other threats. Both MASS and SCS provide these services for a range of clients.	7.9	7	9.1	9
Studies and analysis	Studies and analysis: other self-contained studies, consultancy and analytical work such as SCS's work on the Protector UAV	8.9	8	8.4	8
Applied research	Applied research: the management and execution of scientific investigation work aimed at specific objectives, such as SEA's leadership of the DDE research programme for MOD.	6.1	5	6.8	7
		112.6	100	99.9	100

Notable changes between 2015 and 2016 were:

- A significant growth in defence products, in absolute and percentage terms. A major factor in this was increased level of work on ECS. Other contributing factors included MCL's hearing protection systems and SEA's naval product and support business.

- A fall in secure networks as MASS's activity in education was lower, following its failure to secure a place on the new delivery framework in 2015.

- A fall in applied research as the DDE project reached completion.

Our people

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

We are not a business that focuses on high-volume products requiring capital-intensive machinery and tooling. Almost all of the work that we win and execute across the Group is a result of the technical excellence, managerial skills and sheer hard work of our people. They are our most important source of competitive advantage, innovation and agility, and they are vital to our future success. Developing our people and keeping them engaged are therefore high priorities for the Group.

One means by which we do this is Cohort's Business Excellence Awards, which are intended to recognise outstanding contributions to business success. In the 2016 financial year the Gold Award went to the team at MCL who successfully executed a project to design and manufacture a system that was technically new and highly challenging, both in terms of performance and the operating environment. This was achieved within an extremely tight timescale to meet a planned Royal Navy operation; and the system MCL provided was the key item – without it, the operation could not go ahead. Other award winners included a team introducing a new Tactical Hearing Protection System into the British Army and others working in critical areas of the UK's defence where recognition was received from the customer at the highest level. The awards also gave an opportunity to celebrate some relatively unsung but important achievements by the Group's support staff.

The Group's inaugural Leadership Development Scheme was completed during the financial year. The scheme is intended to hone the skills of the next generation of our senior leaders and is supported by the top management of both the operating businesses and the headquarters team. As well as developing individual skills and encouraging people to achieve their full potential we see this as being a way to encourage the growth of informal networks across the Group, improving our ability to share information and work together more effectively.

It has been considered a valuable exercise and a second Leadership Development Scheme will commence in 2016/17. In addition, a scheme to develop the soft skills of some of our able technical people will be launched within the coming year.

Cohort's largest customers are the UK armed forces, and the work we do helps them to carry out their vital task more effectively. This is a significant motivating factor for our people, many of whom are current reservists or former members of the armed forces themselves. Cohort is proud to have been an early signatory of the UK Armed Forces Corporate Covenant and in 2016 financial year MASS received a Silver Award under the Defence Employer Recognition Scheme, which is in addition to previous Gold and Silver awards to SCS and Cohort respectively. As already mentioned, it is very pleasing to congratulate MASS on receiving a Queen's Award for Enterprise, a deserved recognition of its excellent capabilities and business achievements.

Our people are frequently involved in fund-raising for armed forces charities, activities which we are pleased to support, in a modest way, corporately. Either directly or through matching employee efforts the Group donated just over £36,000 in 2015/16 (2014/15: £27,000), the vast majority to military charities including SSAFA and ABF.

All of the Group's capabilities and customer relationships ultimately derive from our people, and such success as we have enjoyed is ultimately 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	
	2016	2015	2016	2015
	£m	£m	£m	£m
MASS	20.3	39.6	41.7	53.4
MCL	18.0	7.5	7.0	2.8
SCS	20.1	16.7	11.7	9.8
SEA	36.4	50.5	55.6	68.0
	94.8	114.3	116.0	134.0

The decrease in the Group's order intake was a reflection of the very high intake in 2014/15 rather than any weakness in the current year. This drop was particularly noticeable at MASS and SEA. MASS secured a number of renewals of key overseas support work last year, some of which are due to be renewed again during 2016/17. At SEA, 2014/15 saw a very large order to extend ECS to the whole UK submarine fleet, known as Common ECS.

MASS's order intake in 2015/16 included a number of UK MoD renewals and extensions, many for programs on which MASS has been the provider for many years. Some further export EWOS opportunities were secured and the pipeline for these remain strong but as always the timing unpredictable. Of MASS's order book at 30 April 2016, over £22m is deliverable in 2015/16, a slightly lower level of underpinning than last year, although a number of renewals, some in the export market, are expected in the coming year.

MCL's order intake of £18.0m was dominated by a hearing protection system order for over £11m secured last August and deliveries of which began in January of this year. MCL's closing order book of £7.0m is virtually all deliverable in 2016/17. MCL's visibility of its pipeline is short (typically three to six months) and MCL's business model, with low headcount (and hence cost), enable it to respond rapidly to opportunities and customer needs. MCL's pipeline for 2016/17 is strong. Although the timing of individual prospects is uncertain, there are some large opportunities which, if secured, would provide MCL with a more stable future revenue stream. Since joining Cohort, MCL has begun to improve the predictability of its revenue and we will look to make further progress this year.

SCS's order intake was significantly up on last year and included an extension to its JWC high level training provision for a further two years, out to March 2018 and with an option to extend to March 2020. SCS's closing order book of £11.7m includes £7.0m deliverable in 2016/17 with the balance in 2017/18. The SCS order book provides slightly lower underpinning to the coming year, although, as elsewhere in the Group, a number of contracts are due for renewal. The visibility of SCS's pipeline remains short (typically around six months) and so SCS retains a flexible resource model to enable it to respond quickly to changes in market conditions. SCS's pipeline of opportunities is extensive but current conditions, especially for the provision of technical consultancy to the UK MOD remain challenging.

SEA's order intake of over £36m was down on the prior year with nearly half of the reduction due to the lower level of ECS orders, £17m this year versus over £25m last year.

Other notable changes were order wins last year for delivery during this year and next year, specifically projects for ancillary products and services to the submarine programme in the UK.

Outside defence, SEA's level of Roadflow orders was ahead of last year and looking forward we expect further export opportunities and also domestic growth from new variants.

The Oil & Gas market has been very challenging and order intake was down on the prior year, despite a single order for over £1m, the largest order ever received by SEA's Subsea Engineering Division. We would expect conditions going forward to remain tight although the oil price has recovered some of its lost ground in the last few months.

SEA's closing order book of £55.6m will deliver nearly £30m of revenue in 2016/17, lower than last year, mainly due to the conclusion of the DDE framework for the UK MOD which we expect to be replaced later in the coming financial year.

In the near term, the majority of Cohort's business will continue to derive from the UK MOD, either directly or indirectly. The Government's Strategic Defence Review published last November continued the focus on a number of the Group's key capabilities, in particular submarines, Special Forces, cyber and secure communications. It also brought a welcomed increase in defence procurement spending although not until 2017/18 at the earliest and the coming year, 2016/17, remains a challenging domestic defence market.

We also remain active in exports, where we have had a steady year in 2015/16. Our focus has been on markets with growing demands for defence equipment and resources to match. Our non-defence activities reduced in 2015/16 as a result of lower education activity. Transport was relatively flat and oil & gas grew because of the full year effect of the J+S business acquired in October 2014. The Group's defence and security activity is now 91% (2015: 89%). The overall market background, together with the pipeline of opportunities and our order book for the coming year give us confidence that we will continue to make progress in 2016/17.

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 recently agreed banking facility provides it with the resources to conduct its acquisition strategy.

In November 2015 the Group completed a new tri-bank facility with Barclays, Lloyds and RBS.

RBS remain the Group's primary bank, especially for clearing purposes and day to day transactions.

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

The facility itself provides the Group with a flexible arrangement to draw down on for acquisitions and trading activities and as at 30 April 2016 the facility was drawn as follows:

	Facility £m	Drawn £m
M&A loan	10-15	3.3
Overdraft	3	-
FX, bonding and other trade instruments	7-12	0.9
	25	4.2

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

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

The cost of the facility, including legal fees was £0.5m and this was disclosed as part of the exceptional cost related to the EID transaction, a major driver of the need for it.

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. RBS's ownership structure with a majority shareholding by the UK Government gives the Board confidence of the creditworthiness of the bank. 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 cash (that is not on short term deposit) is managed through a set-off arrangement, enabling the most efficient use of the Group's cash from day to day, under the supervision of the Group's finance function.

MCL's cash balances are held with Barclays and are currently outside the above facility and offset arrangements.

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

During the year, the Group set up facilities in Portugal in order to facilitate the acquisition of EID. This was with Novo Bank which has a credit rating of Caa1. This was considered acceptable due to the short term that the funds would be held in Portugal. In the event, these funds have been held longer than was expected due to the delay in completing the acquisition.

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 0.20% to 0.75% (2015: 0.20% to 1.35%).

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

The Group maintains a progressive dividend policy with dividends having increased by approximately 20% per annum over the last six years and dividend cover in the current year at 4.5 times (2015: 4.4 times) based upon the adjusted earnings per share.

The Group's cash generation in 2015/16 was better than expected but not as strong as the previous year. In summary, the Group's cash performance was as follows:

	2016	2015
	£m	£m
Adjusted operating profit	**11.9**	10.1
Depreciation and other non-cash operating movements	**1.5**	0.8
Working capital movement	**(4.4)**	9.8
	9.0	20.7
Acquisition of EID (deposit only)	**(0.7)**	-
Acquisition of 50.001% of MCL	**-**	(5.7)
Acquisition of 100% of J+S	**-**	(11.7)
Disposal of SEA's Space business	**-**	4.0
Tax, dividends, capital expenditure, interest, loans and investments	**(8.2)**	(3.9)
Increase in net funds	**0.1**	3.4

As signalled last year, we expected working capital outflows in 2015/16 as some of the strong, timing driven inflow in 2014/15 unwound in the early part of the year. However, the Group's working capital performance has been stronger than we expected particularly at SEA where some large receipts were received in the final months of the year in respect of the CECS programme. Looking forward into 2016/17 we expect a significant decrease in net funds, primarily as a result of the investment of around £13m in acquiring EID and the remaining shares in MCL.

The significantly higher cash outflow in tax, dividends etc. was mainly due to the investment in Cohort's own shares by the EBT, a net £3.2m outflow (2015: inflow of £0.7m). The use of EBT shares to satisfy employee share options during 2015/16 will probably require further shares to be purchased by the EBT in the coming year.

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 31 days (2015: 24 days). This calculation is based upon dividing the revenue by month, working backwards from April, into the trade debtors balance (excluding unbilled income and work in progress) at the year end. This is a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year. The increase in debtor days is a reflection of the high level of trading in the final quarter across the Group, especially at MASS, MCL and SEA.

Tax

The Group's tax credit for the year ended 30 April 2016 of £54,000 (2015: charge of £707,000) was at an effective credit rate of 1.0% (2015: charge rate of 11.9%) of profit before tax. This includes a current year corporation tax charge of £1,935,000 (2015: £1,485,000), a prior year corporation tax credit of £368,000 (2015: credit of £204,000) and a deferred tax credit of £1,621,000 (2015: £574,000).

Including the current year deferred tax, the effective current tax rate for the year ended 30 April 2016 is 5.9% (2015: 16.3%). The current tax rate (including deferred tax) on profit before tax is lower than the standard rate (calculated at 20.0%; 2015: 20.83%), primarily due to recognition of Research & Development (R&D) credits, a reduction in the future UK corporation tax rate which has increased the deferred tax credit (£0.3m), and recognition of a statutory deduction on the exercise of share options by employees (£0.3m). The Group has switched its Research and Development (R&D) tax credit scheme from the old superdeduction method to the now required R&D Expenditure Credit (RDEC), the impact of this change being a lower tax charge of £0.2m. The Group will continue to recognise its R&D tax credit in the tax line, in accordance with IAS 12.

The Group's overall tax rate was below the standard corporation tax rate of 20.0% (2015: 20.83%). 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 recognition of tax allowable expenditure incurred in 2014/15 on the acquisition and integration of J+S into SEA which was previously not recognised. Looking forward, the Group's effective current tax rate for both 2016/17 and 2017/18 is estimated at 16% and 15% respectively, taking account of the reduction in headline tax rates and assuming the R&D tax credit regime remains unchanged from its current level and scope. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2013/14, 2014/15 and 2015/16.

Exceptional items

The exceptional costs in the year were all in respect of the acquisition of EID. These costs include £0.5m in respect of the Group's new bank facilities. The costs include an estimate of costs to complete the acquisition up to the intended level of 80% although further costs in respect of this acquisition may need to be recognised in 2016/17.

Adjusted earnings per share

The adjusted earnings per share of 27.18 pence (2015: 20.45 pence) is reported in addition to the basic earnings per share and excludes the effect of amortisation of intangible assets, exchange movement on marking forward exchange contracts to market, revaluing the cash set aside to acquire EID and exceptional items, all net of tax.

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

	Adjustment to adjusted operating profit	Applicable Tax adjustment	Adjustment to adjusted earnings per share (net of tax)	
	£000	£000	£000	
Exceptional items	821	-	821	
Exchange gain on revaluing the cash held for the acquisition of EID	(537)	108	(429)	
Exchange adjustment in marking forward contracts to market	(7)	1	(6)	
Amortisation of other intangible assets:				
J+S	1,187	(302)	885	
MCL	2,596	(602)	1,994	*note 1*
	4,060	(795)	3,265	

Note 1: This adjustment is at 50% of the adjustment to adjusted operating profit, reflecting the share appropriate to the equity holdings of the parent.

As reported in the Chairman's statement, the adjusted earnings per share includes some one-off tax credits of £0.9m which when taken into account reduces the adjusted earnings per share by 2.20 pence to 24.98 pence, 22% higher than last year.

Financial estimates and judgements

In preparing the Annual Report and Accounts of Cohort plc for 2016, a number of financial estimates and judgements have been made including:

Revenue recognition on fixed-price contracts

The judgement applied in recognising revenue on a fixed-price contract is made by reference to the cost incurred, including contingency for risk and the demonstrable progress made on delivering key stages (often referred to as milestones) of the contract. The Group uses best estimates in applying this judgement and where uncertainty of progress on a stage exists, revenue is not recognised for that stage.

Cost contingency on fixed-price contracts

In addition to the judgement applied to revenue recognition, the cost of delivering a contract to a particular stage represents the actual costs incurred and committed plus an estimate of cost contingency for risk still present in the contract at that stage. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduces.

Goodwill and other intangible assets

The Group has recognised goodwill and other intangible assets in respect of the acquisition of MASS (including Abacus EW), MCL and SEA (including J+S). The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and in each case are amortised over the expected life of the earnings associated with the other intangible asset acquired. The goodwill, which is not subject to amortisation but to annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived. This includes, but is not limited to, reputation, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of MASS (including Abacus EW), MCL and SEA (including J+S) has been tested for impairment as at 30 April 2016. In all three cases there was no impairment.

The Group performs significant research and development work for third parties for which tax credits are claimed. As this is performed for third parties no intangible asset is recognised. Where the Group performs its own research and development an intangible asset is only recognised where it meets the criteria of IAS38 'Intangible Assets'.

Provisions

The Group makes estimates of provisions for existing commitments arising from past events. In estimating these provisions, the Group makes judgements as to the quantity and likelihood of the liability arising. Certain provisions require more judgement than others. In particular warranty provisions and contract loss provisions have to take account of future outcomes arising from past deliveries of products and services. In estimating these provisions, the Group makes use of management experience, precedents and specific contract and customer issues.

Accounting policies

There were no significant changes in accounting policies applying to the Group for the year ended 30 April 2016.

Additional financial reporting disclosure

As in the past, the Group makes reference to additional financial reporting over and above that required by IFRS, specifically:

Adjusted operating profit

The adjusted operating profit is presented to reflect the trading profit of the Group and excludes amortisation of other intangible assets, exchange differences on marking forward exchange contracts to market and on revaluing cash set aside for acquiring EID and exceptional items. This enables the Group to present its trading performance in a consistent manner year on year. The adjusted operating profit is stated after charging the cost of share-based payments of £197,000 (2015: £198,000) which is allocated to each business in proportion to its employee participation in the Group's share option schemes. The segmental analysis (see note 2) is disclosed for each business after deducting the cost of share-based payments.

The exchange adjustment on marking forward exchange contracts to market at the year end is a requirement of IFRS and has no economic impact upon the Group's performance or assets and liabilities.

Andy Thomis	Simon Walther
Chief Executive Officer	Finance Director

CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2016

	Notes	**Year ended 30 April 2016 £000**	Year ended 30 April 2015 £000
Revenue	2	**112,577**	99,938
Cost of sales		**(79,061)**	(69,988)
Gross profit		**33,516**	29,950
Administrative expenses		**(28,270)**	(24,085)
Operating profit	2	**5,246**	5,865
Comprising:			
Adjusted operating profit	2	**11,902**	10,085
Amortisation of other intangible assets (included in administrative expenses)		**(6,379)**	(3,602)
Credit/(charge) on marking forward exchange contracts to market value at the year end (included in cost of sales)		**7**	(38)
Exchange gain on revaluing cash held for acquisition consideration of EID (included in administrative expenses)		**537**	-
Exceptional items:			
Costs of acquisition of EID (included in administration expenses)		**(821)**	-
Costs of acquisition of MCL (included in administrative expenses)		**-**	(197)
Costs of acquisition of J+S (included in administrative expenses)		**-**	(427)
Profit on disposal of SEA's Space business (included in administrative expenses)		**-**	44
Operating profit	2	**5,246**	5,865
Finance income		**68**	87
Finance costs		**(4)**	(5)
Profit before tax		**5,310**	5,947
Income tax credit/(charge)	3	**54**	(707)
Profit for the year		**5,364**	5,240
Attributable to:			
Equity holders of the parent		**7,775**	5,628
Non-controlling interests		**(2,411)**	(388)
		5,364	5,240

All profit for the year is derived from continuing operations. The comprehensive income for each year attributable to equity shareholders of the parent and non-controlling interests is the same as the profit for the year distributable to the equity shareholders of the parent and non-controlling interests.

	Note	Year ended 30 April 2016 Pence	Year ended 30 April 2015 Pence
Earnings per share	4		
Basic		**19.14**	14.04
Diluted		**18.78**	13.74
Adjusted earnings per share	4		
Basic		**27.18**	20.45
Diluted		**26.67**	20.00
Dividends per share paid and proposed in respect of the year	5		
Interim		**1.90**	1.60
Final		**4.10**	3.40
		6.00	5.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2016

	Notes	At 30 April 2016 £000	At 30 April 2015 £000
ASSETS			
Non-current assets			
Goodwill		**36,961**	36,961
Other intangible assets		**12,492**	18,871
Property, plant and equipment		**10,227**	10,338
Deferred tax asset		**818**	104
		60,498	66,274
Current assets			
Inventories		**2,036**	1,078
Trade and other receivables		**28,000**	19,415
Cash and cash equivalents		**23,109**	19,701
		53,145	40,194
Total assets		**113,643**	106,468
LIABILITIES			
Current liabilities			
Trade and other payables		**(30,223)**	(25,380)
Current tax liabilities		**(570)**	(786)
Derivative financial instruments		**(31)**	(38)
Bank loans and overdrafts		**(3,297)**	(4)
Other creditors	7	**(5,500)**	-
Provisions		**(499)**	(558)
		(40,120)	(26,766)
Non-current liabilities			
Bank loans and overdrafts		**(7)**	(10)
Deferred tax liability		**(2,727)**	(4,345)
Other creditors	7	**-**	(12,500)
		(2,734)	(16,855)
Total liabilities		**(42,854)**	(43,621)
Net Assets		**70,789**	62,847
Equity			
Share capital		**4,096**	4,096
Share premium account		**29,657**	29,657
Own shares		**(2,735)**	(835)
Share option reserve		**1,067**	403
Other reserve: option for acquiring non-controlling interest in MCL	7	**(5,500)**	(12,500)
Retained earnings		**38,394**	33,805
Total equity attributable to the equity shareholders of the parent		**64,979**	54,626
Non-controlling interests		**5,810**	8,221
Total equity		**70,789**	62,847

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2016

	Attributable to the equity shareholders of the parent								
Group	Share capital £000	Share premium account £000	Own shares £000	Share option reserve £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 1 May 2014	4,096	29,656	(2,274)	526	-	30,194	62,198	-	62,198
Profit for the year	-	-	-	-	-	5,628	5,628	(388)	5,240
Transactions with owners of Group and non-controlling interests, recognised directly in equity:									
Equity dividends	-	-	-	-	-	(1,765)	(1,765)	-	(1,765)
New shares issued	-	1	-	-	-	-	1	-	1
Vesting of restricted shares	-	-	-	-	-	44	44	-	44
Own shares sold	-	-	822	-	-	-	822	-	822
Loss on own shares sold	-	-	617	-	-	(617)	-	-	-
Share-based payments	-	-	-	198	-	-	198	-	198
Transfer of share option reserve on vesting of options	-	-	-	(321)	-	321	-	-	-
Option for acquiring non-controlling interest in MCL	-	-	-	-	(12,500)	-	(12,500)	-	(12,500)
Introduction of non-controlling interest on acquisition of MCL	-	-	-	-	-	-	-	8,609	8,609
At 30 April 2015	4,096	29,657	(835)	403	(12,500)	33,805	54,626	8,221	62,847
Profit for the year	-	-	-	-	-	7,775	7,775	(2,411)	5,364
Transactions with owners of Group and non-controlling interests, recognised directly in equity:									
Equity dividends	-	-	-	-	-	(2,158)	(2,158)	-	(2,158)
Vesting of restricted shares	-	-	-	-	-	76	76	-	76
Own shares acquired	-	-	(4,162)	-	-	-	(4,162)	-	(4,162)
Own shares sold	-	-	914	-	-	-	914	-	914
Loss on own shares sold	-	-	1,348	-	-	(1,348)	-	-	-
Share-based payments	-	-	-	197	-	-	197	-	197
Deferred tax adjustment in respect of share based payments	-	-	-	711	-	-	711	-	711
Transfer of share option reserve on vesting of options	-	-	-	(244)	-	244	-	-	-
Change in value of option for acquiring non-controlling interest in MCL	-	-	-	-	7,000	-	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**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 April 2016

	Notes	**Year ended 30 April 2016 £000**	Year ended 30 April 2015 £000
Net cash generated from operating activities	6	**6,718**	18,798
Investing activities			
Interest received		**68**	87
Purchases of property, plant and equipment		**(980)**	(1,063)
Deposit paid for acquisition of EID	8	**(744)**	-
Acquisition of MCL, net of cash acquired		**-**	(5,698)
Acquisition of J+S, including overdraft acquired		**-**	(11,688)
Disposal of SEA's Space business		**-**	4,000
Net cash (used in)/from investing activities		**(1,656)**	(14,362)
Financing activities			
Issue of new shares		**-**	1
Dividends paid		**(2,158)**	(1,765)
Repayment of borrowings		**(3)**	(131)
Drawdown of borrowings		**3,302**	-
Purchase of own shares		**(4,162)**	-
Sale of own shares		**914**	822
Net cash out flow from financing activities		**(2,107)**	(1,073)
Net increase in cash and cash equivalents		**2,955**	3,363

	At 1 May 2015 £000	Effect of foreign exchange rate changes £000	Cash Flow £000	**At 30 April 2016 £000**
Funds reconciliation				
Cash and bank	19,701	453	2,955	**23,109**
Short term deposits	-	-	-	**-**
Cash and cash equivalents	19,701	453	2,955	**23,109**
Loan	-	9	(3,302)	**(3,293)**
Finance lease	(14)	-	3	**(11)**
Debt	(14)	9	(3,299)	**(3,304)**
Net funds	19,687	462	(344)	**19,805**

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 2016. The information in this preliminary statement has been extracted from the financial statements for the year ended 30 April 2016 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with IFRS.

50.001% of MCL was acquired 9 July 2014. As the Group has effective control, 100% of MCL's result and balances have been consolidated from that date with the non-controlling interest identified.

100% of J+S was acquired by SEA on 1 October 2014 and has been included as part of SEA's reported results and balances from that date.

57% of EID was acquired 27 Jun 2016 and as the Group has effective control, 100% of EID's result and balances will be consolidated from that date with the non-controlling interest identified. As this completed after 30 April 2016, EID has not been consolidated in the Group's result for year ended 30 April 2016 or the balances at 30 April 2016.

The Group's Annual Report for the year ended 30 April 2016 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 2016 and 2014 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 2015 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 28 June 2016.

Copies of the Annual Report and accounts for the year ended 30 April 2016 will be posted to shareholders on 29 July 2016 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 2016 £000	Year ended 30 April 2015 £000
Revenue		
MASS	**31,998**	32,528
MCL	**13,709**	10,143
SCS	**18,097**	16,892
SEA	**48,773**	40,375
	112,577	99,938
Adjusted Operating Profit		
MASS	**5,956**	5,492
MCL	**1,404**	1,327
SCS	**1,250**	1,319
SEA	**5,442**	3,964
Central costs	**(2,150)**	(2,017)
	11,902	10,085
Amortisation of other intangible assets	**(6,379)**	(3,602)
Credit/(charge) on marking forward exchange contracts to market value at the year end	**7**	(38)
Exchange gains on revaluing cash held for acquisition consideration for EID	**537**	-
Exceptional items:		
Costs of acquisition of EID	**(821)**	-
Costs of acquisition of MCL	**-**	(197)
Costs of acquisition of J+S	**-**	(427)
Profit on disposal of SEA's Space business	**-**	44
Operating Profit	**5,246**	5,865

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

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

The operating profit as reported under IFRS is reconciled to the adjusted operating profit as reported above by the exclusion of amortisation of other intangible assets, change on marking forward exchange contracts to market value at the year end, the exchange gain on revaluing cash held (in Euros) for the acquisition consideration for EID and exceptional items.

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

The adjusted operating profit is stated after charging £197,000 in respect of share-based payments (2015: £198,000).

3. TAX (CREDIT)/CHARGE

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Corporation tax:		
Current year	**1,935**	1,485
Prior year	**(368)**	(204)
	1,567	1,281
Deferred taxation:		
Prior year	**-**	(56)
Current year	**(1,621)**	(518)
	(1,621)	(574)
	(54)	707

The current year corporation tax credit (2015: charge) includes a charge of £nil (2015: credit of £20,000) in respect of continuing exceptional items and the current year deferred tax credit includes a credit of £1,505,000 (2015: credit of £721,000) in respect of the amortisation of other intangible assets and a charge of £109,000 (2015: £8,000) in respect of marking forward exchange contracts to market value at the year end and revaluing the cash held (in Euros) for the purchase of EID.

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 2016 £000	Year ended 30 April 2015 £000
Earnings		
Basic and diluted earnings	**7,775**	5,628
Amortisation of other intangible assets (net of tax of £1,505,000; 2015: £721,000)	**2,879**	1,992
Credit in respect of revaluing cash held for the acquisition of EID (net of tax charge of £108,00)	**(429)**	-
(Credit)/charge in respect of marking forward exchange contracts to market value at the year end (net of tax charge of £1,000; 2015: net of tax charge of £8,000)	**(6)**	23
Costs of acquisition of EID (nil tax)	**821**	-
Costs of acquisition of MCL (nil tax)	**-**	197
Costs of acquisition of J+S (nil tax)	**-**	427
(Profit) of disposal of SEA's Space business (including tax credit of £28,000)	**-**	(72)
Adjusted basic and diluted earnings	**11,040**	8,195

The adjustments for the amortisation of intangible assets in respect of MCL and the (credit)/charge on marking forward exchange contracts to market for the year ended 30 April 2016 and the year ended 30 April 2015 reflect the interests of the equity holders of the parent only and exclude the proportion allocated to the non-controlling interest.

	Number	Number
Weighted average number of shares		
For the purposes of basic earnings per share	**40,622,496**	40,071,658
Share options	**767,501**	894,739
For the purposes of diluted earnings per share	**41,389,997**	40,966,397

	Year ended 30 April 2016 Pence	Year ended 30 April 2015 Pence
Earnings per share		
Basic	**19.14**	**14.04**
Diluted	**18.78**	**13.74**
Adjusted earnings per share		
Basic	**27.18**	**20.45**
Diluted	**26.67**	**20.00**

5. DIVIDENDS

The proposed final dividend for the year ended 30 April 2016 is 4.1 pence (2015: 3.4 pence) per ordinary share. This dividend will be payable 21 September 2016 to shareholders on the register at 26 August 2016.

The total paid and proposed dividend for the year ended 30 April 2016 is 6.0 pence per ordinary share; a cost of £2,419,000 (2015: 5.0 pence per ordinary share; cost of £2,031,000).

The charge for the year ended 30 April 2016 of £2,158,000 is the final dividend for the year ended 30 April 2015 paid (£1,387,000) and the interim dividend for the year ended 30 April 2016 paid (£771,000).

6. NET CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Profit for the year	**5,364**	5,240
Adjustments for:		
Tax (credit)/charge	**(54)**	707
Depreciation of property, plant and equipment	**1,090**	957
Amortisation of goodwill and other intangible assets	**6,379**	3,602
Net finance income	**(64)**	(82)
Share-based payment	**197**	198
Derivative financial instruments	**(7)**	38
Decrease in provisions	**(59)**	(356)
Operating cash inflows before movements in working capital	**12,846**	10,304
(Increase)/decrease in inventories	**(958)**	450
(Increase)/decrease in receivables	**(8,585)**	1,861
Increase in payables	**5,203**	7,890
	(4,340)	10,201
Cash generated by operations	**8,506**	20,505
Tax paid	**(1,784)**	(1,702)
Interest paid	**(4)**	(5)
Net cash generated from operating activities	**6,718**	18,798

7. ACQUISITION OF MARLBOROUGH COMMUNICATIONS LIMITED (MCL)

Cohort plc acquired 50.001% of Marlborough Communications (Holdings) Limited which in turn holds 100% of Marlborough Communications Ltd (MCL) on 9 July 2014.

The Sale and Purchase Agreement in respect of the acquisition of MCL includes an option for the purchase of the remaining shares (49.999%) in MCL, the non-controlling interest.

This option is exercisable by 31 December 2016 and is capped at £12.5m. If the performance of MCL in the 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 was £12.5m at the time of the acquisition and as reported on 30 April 2015. The option has been revalued as at 30 April 2016 and is now estimated at £5.5m and is expected to be paid on or before 30 April 2017. The option is shown within current liabilities (2015: Non-current liabilities) and as the non-controlling interest has a right to dividends, in the other reserves as 'option for acquiring non-controlling interest in MCL' with any change in the option value recognised in equity.

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

On 5 August 2015 the Group announced it had signed a sale and purchase agreement to acquire 99.98% of EID for a total cash consideration of €19m (approximately £15m at the Euro £ exchange rate at 30 April 2016). At the time of this announcement the Group paid an initial and fully refundable deposit of €950,000 (£744,000) which is included within trade and other receivables at 30 April 2016. The acquisition is now expected to complete in two stages with the Group acquiring 57% on 27 June 2016 and a further 23% on or before 31 October 2016. This will leave the Group with 80% of EID and the Portuguese Government with the balance of 20%.

The Group will operate with effective control from the date of acquiring the initial 57% due to changes to the Board of EID. On acquiring the further 23% from the Portuguese Government a Shareholder Agreement will be put in place between Cohort and the Portuguese Government giving some strategic protection to the Government whilst enabling Cohort to run the EID business day to day.