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Cohort plc

25 June 2015

COHORT PLC

FINAL RESULTS

FOR THE YEAR ENDED 30 APRIL 2015

Continued strong performance

Cohort plc today announces its final results for the year ended 30 April 2015. Highlights include:

	2015	2014	%
• Revenue	**£99.9m**	**£71.6m**	***40***
• Adjusted operating profit*	**£10.1m**	**£8.2m**	***23***
• Adjusted profit before tax*	**£10.2m**	**£8.3m**	***23***
• Adjusted earnings per share*	**20.45p**	**19.15p**	***7***
• Statutory profit before tax	**£5.9m**	**£6.7m**	***(12)***
• Net funds	**£19.7m**	**£16.3m**	***21***
• Order book (closing)	**£134m**	**£82m**	***63***
• Proposed final dividend per share	**3.4p**	**2.8p**	***21***
• Total dividend per share	**5.0p**	**4.2p**	***19***

- Organic revenue and adjusted operating profit growth of 22% and 17% respectively
- First time contributions from acquisitions of MCL and J+S
- Order intake for the year was £114.3m (2014: £68.5m) plus £38m from MCL and J+S combined
- Net funds increased despite £17m spent during the year on acquiring MCL and J+S

** Excludes exceptional items, amortisation of other intangible assets and exchange differences on marking forward exchange contracts to market.*

Looking forward:

- Good order book substantially underpinning revenue for current year
- Strong net funds provide resources for investment and acquisitions

Commenting on the results, Nick Prest CBE, Chairman of Cohort plc said: *"Cohort once again improved its performance in the year, achieving record revenue, adjusted operating profit and closing cash. The underlying businesses of MASS, SCS and SEA all recorded growth in revenue and adjusted operating profit, and the result also benefited from the two acquisitions made in the year.*

"The management emphasis is now on driving further growth both organically and by acquisition, supported by a continuing strong funding position. 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 25 June 2015 at 9.15am for 9.30am at Investec's offices.
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NOTES TO EDITORS

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

- 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.

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 650 core staff there and at its other operating company sites in Bristol, Cambridgeshire, Devon, Lincolnshire, Somerset, Surrey and Scotland.

CHAIRMAN'S STATEMENT

Cohort once again improved its performance in the year, achieving record revenue, adjusted operating profit and closing cash. The underlying businesses of MASS, SCS and SEA all recorded growth in revenue and adjusted operating profit, and the result also benefited from the two acquisitions made in the year.

Key financials

In the year ended 30 April 2015, Cohort achieved sales revenue of £99.9m (2014: £71.6m), including £32.5m (2014: £27.6m) from MASS Consultants Limited (MASS), £16.9m (2014: £14.9m) from Systems Consultants Services Limited (SCS), £40.4m (2014: £29.1m) from SEA (Group) Limited (SEA), and a maiden contribution from Marlborough Communications Limited (MCL) of £10.1m. The SEA revenue included a contribution from the newly acquired J+S Limited (J+S) of £7.9m. As well as the two acquisitions, the improved revenue of the Group reflected increased export work at MASS, submarine communications system work at SEA and training support activity at SCS.

The Group's adjusted operating profit was £10.1m (2014: £8.2m). This included contributions from MASS of £5.5m (2014: £5.0m), SCS £1.3m (2014: £1.0m), SEA £4.0m (2014: £3.8m) and a good initial contribution from MCL of just over £1.3m. Cohort Group overheads were £2.0m (2014: £1.6m). MASS which remains the Group's largest contributor to profit improved its performance as a result of higher revenue, although its net margin was slightly lower as a result of changed mix. Likewise, the improved performance at SCS reflected its increased revenue. The improvement at SEA, which included a contribution from J+S of £0.1m, was especially pleasing, since the 2014 comparative included a final profit contribution from SEA's divested Space business of £0.6m.

The Group operating profit of £5.9m (2014: £6.6m) was after recognising amortisation of intangible assets of £3.6m and exceptional items of £0.6m, the latter being the costs of the two acquisitions and completing the disposal of SEA's Space business. Profit before tax was £5.9m (2014: £6.7m) and profit after tax was £5.2m (2014: £5.9m).

Adjusted earnings per share were 20.45 pence (2014: 19.15 pence). The adjusted earnings per share were based upon profit after tax, excluding amortisation of other intangible assets, charge on marking forward exchange contracts to market value at the year end and exceptional items, all net of tax. Basic earnings per share were 14.04 pence (2014: 14.75 pence).

Order intake for the year was £114.3m (2014: £68.5m) and a further £5.4m and £32.6m of orders were added to the Group's order book with the acquisitions of MCL and J+S respectively. The net funds at the year end were £19.7m (2014: £16.3m), the Group having spent over £17m during the year on acquiring MCL and J+S.

Dividends

The Board is recommending a final dividend of 3.4 pence per ordinary share (2014: 2.8 pence), making a total dividend of 5.0 pence per ordinary share (2014: 4.2 pence) for the year, a 19% increase. This will be payable on 30 September 2015 to shareholders on the register at 28 August 2015 subject to approval at the Annual General Meeting on 22 September 2015.

MASS

MASS's adjusted operating profit of just under £5.5m (2014: £5.0m) was ahead of last year, driven by its increased revenue. Its net margin was down from 18.1% to 16.9% as a result of the changed mix of work. Looking forward we expect MASS to operate around this margin level as it grows its cyber offering, which typically includes more bought in equipment.

MASS's order book improved during the year as it replenished a number of its longer term orders, especially in the export market. Its closing order book of £53.4m (2014: £46.4m) provides a good underpinning for 2016.

MCL

Marlborough Communications Ltd (MCL) was acquired by the Group on 9 July 2014 and has become the fourth stand-alone member of Cohort. As I explained last December, the Group acquired 50% plus one share of MCL, giving effective control to the Group and as a result 100% of MCL's result is reported by the Group, with the minority interest being deducted for earnings per share calculations.

MCL, as expected, has been immediately earnings enhancing, making an initial contribution of £1.3m of adjusted operating profit on revenue of £10.1m.

In addition to the acquired order book of £5.4m, MCL secured orders in the ten months since acquisition of £7.5m and ended the year with an order book of £2.8m. This order book, as is typical for MCL, covers only a small proportion of the coming financial year's revenue expectations. MCL's business model has historically had short cycle times, especially in support and repeat work, and its pipeline of prospects give us confidence that it will make progress in the coming year.

SCS

In what continues to be a tight domestic defence market for technical consultancy, SCS again grew its UK MOD revenue, much of this a result of its unique position in delivering high level training to the Joint Warfare Centre. Activity in this area has increased and is now closer to pre-Afghanistan levels following the withdrawal of British forces from that theatre.

The £1.3m (2014: £1.0m) adjusted operating profit was a net return of 7.8% (2014: 6.9%) of revenue. This welcome improvement reflects the operational gearing from the higher revenue and is an indication of SCS's progress.

SCS's closing order book was £9.8m (2014: £10.0m), a good starting position for the coming year.

SEA

SEA had another strong year with its adjusted operating profit growing to £4.0m (2014: £3.8m) despite last year's comparative including a positive contribution from the divested Space business of £0.6m. The SEA result included restructuring costs of £0.2m from integrating J+S. This was completed before the end of the year and will provide a cost saving going forward of around £0.5m per annum.

The improved result at SEA reflected higher revenue in its defence business with deliveries continuing on the delivery of the External Communications System (ECS) for the Astute class of submarines. Work has now started on the remainder of the UK's submarine fleet under the Common ECS programme.

The initial contribution from J+S of £0.1m was below expectations, reflecting delays to a number of projects with the UK MOD, all of which have now been secured. The prospects for J+S remain in line with our expectations at the time of the acquisition.

SEA secured over £50m (2014: £33m) of orders in the year as well as acquiring nearly £33m of order book with the acquisition of J+S, and closed with an order book of £68.0m (2014: £25.3m), providing a good underpinning to the coming year and beyond.

Cash

The Group delivered a very strong operating cash performance for the year of £18.8m (2014: £2.6m) offsetting the significant investment outflows in acquiring MCL and J+S. After some delay, the sale of SEA's Space business was concluded satisfactorily, the Group receiving the £1.5m it expected in respect of working capital acquired by Thales Alenia Space on top of the £2.5m completion monies received earlier in the year. The strong year end cash position was ahead of our expectations and partly benefited from the timing of contract receipts and supplier payments around the year end. This position will reverse in the coming months.

Board, management and staff

As separately announced a number of changes will shortly take place in the composition of the Cohort Board. These reflect the evolving needs of the Group and the plans of individuals.

With effect from the Annual General Meeting to be held on 22 September 2015 Stanley Carter will relinquish his role as Co-Chairman of Cohort. He will remain on the Board as a Non-executive Director.

Jeff Perrin will be joining the Board of Cohort as a Non-executive Director on 1 July 2015 and will take over from Sir Robert Walmsley as Chairman of the Audit Committee following the Annual General Meeting. Rob Walmsley will remain on the Board as a Non-executive Director and continue as Chairman of the Remuneration and Nominations Committee.

I would like to set on record the Board's appreciation for all that Stanley Carter has done for Cohort as co-founder, as CEO until 2009, and in recent years as Co-Chairman. He remains a significant shareholder and the Board is pleased that he will be continuing as a Non-executive Director.

I am delighted that we will shortly be welcoming Jeff Perrin to the Board. He brings a wealth of experience not only in the financial management of multi-business technology groups, operating in the UK and overseas, but also in the general management of such companies, embracing the supply of software and hardware and the execution of multi-disciplinary projects in markets related to those in which Cohort operates. He will be a valuable addition to the Cohort Board.

I would like to thank Rob Walmsley for his work as Chair of the Audit Committee from the inception of the company until now.

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 would like to thank in particular Bill Bird who retires as Managing Director of SCS on 26 June 2015. Bill started with SCS in September 2010 and has successfully steered the company in a tricky market, improving its profit performance year on year whilst at the helm. The Board of Cohort plc wishes Bill a very happy retirement. I also welcome Christian Cullinane as Bill's replacement. Christian joined the Group on 11 June 2015 having had extensive experience as a senior executive in consultancy, the last 10 years in defence with QinetiQ and Airbus, and previously with Deloitte and BT.

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

Outlook

The closing order book of £134.0m (2014: £81.7m) provides a good 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 programs, and a good pipeline of new opportunities. Export prospects continue to strengthen. Outside defence, MASS is making progress with its cyber capability, especially in the security market, and SEA, in transport, has successfully completed all of the testing required to enable it to achieve UK Home Office approval for its level crossing enforcement system. A number of long term orders were secured during the year just ended, so we do not expect to see a repeat of 2015's sharp increase in order book over the coming financial year.

The management emphasis is now on driving further growth both organically and by acquisition, supported by a continuing strong funding position. The Board considers that Cohort's order book and near-term prospects provide a good base for future progress.

Nick Prest CBE
Chairman

<u>**BUSINESS REVIEW**</u>

Operating review

2014/15 has been another year of continued progress for Cohort and also saw the Group make its first acquisitions in five years. MCL was acquired in July 2014 and J+S in October 2014, both making positive contributions to the Group's adjusted operating profit. This progress has resulted in the delivery of a record level of revenue, adjusted operating profit and a closing order book of £134.0m, strongly underpinning the coming financial year.

The Group's adjusted operating profit of £10.1m (2014: £8.2m) on revenue of £99.9m (2014: £71.6m) was a net return of 10.1% (2014: 11.4%).

Adjusted operating profit by subsidiary:

	Adjusted operating profit			Operating margin	
	2015	2014	Change	2015	2014
	£m	£m	%	%	%
MASS	5.5	5.0	10	16.9	18.1
MCL	1.3	-	n/a	13.1	n/a
SCS	1.3	1.0	30	7.8	6.9
SEA	4.0	3.8	5	9.8	13.1
Central costs	(2.0)	(1.6)	25	-	-
	10.1	8.2	23	10.1	11.4

As a result of the acquisitions made in 2014/15 and the disposal of SEA's Space business at the end of 2013/14, a 'like for like' comparison of the underlying Group performance excluding these items is as follows:

	2015		2014	
	Revenue	Adjusted Operating Profit	Revenue	Adjusted Operating Profit
	£m	£m	£m	£m
As reported in the Group's income statement	99.9	10.1	71.6	8.2
Exclude:				
SEA's Space business sold 30 April 2014	-	-	(4.5)	(0.6)
Impact of MCL acquired on 9 July 2014	(10.1)	(1.3)	-	-
Impact of J+S acquired on 1 October 2014	(7.9)	(0.1)	-	-
Merger costs of SEA and J+S	-	0.2	-	-
As reported on 'like for like' basis	81.9	8.9	67.1	7.6
The underlying changes on a like for like basis are as follows:				
MASS	32.5	5.5	27.6	5.0
SCS	16.9	1.3	14.9	1.0
SEA (excluding J+S and Space business)	32.5	4.1	24.6	3.2
Central costs	-	(2.0)	-	(1.6)
	81.9	8.9	67.1	7.6

The analysis shows that the Group achieved organic revenue and adjusted operating profit growth of 22% and 17% respectively.

MASS was again the strongest contributor to the Group, growing its adjusted operating profit by 10% on revenue which increased by nearly 18%. MASS's net margin of 16.9% is much nearer its long term expected operating margin, below last year's level which benefited from a one-off item of high margin income.

SCS continued its positive progress, growing its revenue by 13% and its adjusted operating profit by 30%. The improved net margin is a result of operational efficiency at the higher revenue level.

SEA's underlying business (excluding the effects of Space and J+S) produced an increase of around 30% in both revenue and adjusted operating profit. This was a result of strong performance in its defence business, with increased submarine activity more than offsetting a slightly weaker transport performance.

The increase in central costs reflects the growth of the Group over the past year. Looking forward we expect to see a further, albeit less marked, increase to prepare the Group for the next few years of delivering our strategy.

Operating strategy

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

- 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 and surveillance technologies 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 was led by Managing Director Bill Bird until his retirement this June. SCS's new Managing Director, Christian Cullinane, joined the business on 11 June 2015.

- 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 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. On 1 October 2014 SEA acquired 100% of J+S Ltd, a supplier of systems and in-service support for the defence and offshore energy markets in the UK and overseas. Its products include sonar systems, torpedo launchers and a range of other naval equipment which are complementary to SEA's defence technology capabilities. J+S has been integrated into SEA in the year ended 30 April 2015 and the combined business provides a wider and deeper offering to its customers, especially in naval equipment and support services. SEA was founded in 1988 and is led by Managing Director Steve Hill.

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

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 family of Nano UAV's. 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 widened the customer base for our cyber security offering, as well as progressing the development of the Red Light Roadflow product which has now passed all of its accreditation requirements and awaits final UK Home Office sign-off. We hope to see deliveries of this product in the coming year for application in rail crossing safety.

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 would otherwise be perceived as risky. Examples include MASS's £50m in-service support contract awarded in 2010, and nearly £55m of contracts awarded to SEA so far for ECS. 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 four 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.

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 recent acquisition by SEA of J+S this year is a very good example of this. J+S has been integrated fully into SEA, a process that took around six months from acquisition. J+S increased SEA's depth of offering, especially in products and in-service support to its naval customers. J+S has strong relationships in the UK but has also brought new markets to the Group in South East Asia, Europe and South and North America.

Although the rationale for the acquisition was very much capability and market enhancement, the integration is expected to yield around £0.5m of annual cost savings in the coming financial year.

For stand-alone acquisitions we are looking for agile, innovative businesses that have reached a stage of development where there will be mutual benefit in joining Cohort. It is likely that candidates will be operating in the defence and security markets either in the UK or internationally as that is where the Group can add most value. Growth prospects, sustainable competitive advantage and the ability to operate as part of a publicly quoted UK group will all be important. The acquisition of just over 50% of MCL in the year meets these criteria.

MCL provides niche communications and surveillance technology, both sourced from global suppliers and developed and integrated by its own in-house engineers. It also provides training and support services. Its customers are in the defence and security markets, primarily in the UK. MCL brings to the Group a different offering and one which is very much seen as the future of procurement of such products and solutions by the UK MOD and wider defence and security customers. In these technology areas, the ability to rapidly utilise existing technology to create solutions for pressing operational requirements is a key factor for success.

The nature of MCL's offering and market make it a fast moving business with the time between opportunity and delivery often being very short. MCL is looking to expand its offering into new areas and increase its level of long term supply and support contracts. Joining Cohort has enhanced its market and financial strength, giving strong support to this strategy while retaining its agile and flexible approach, a key selling point for its customers.

Cohort has acquired just over 50% of MCL, with the balance remaining in the hands of its management. An agreement between the parties allows for a second-stage transaction whereby Cohort will acquire the remaining equity for a price based on MCL's performance over a two-year period. This structure allows Cohort and the sellers to share the benefits of the acquisition while minimising risks on both sides.

Divisional Review

MASS

	2015 **£m**	2014 £m
Revenue	**32.5**	**27.6**
Adjusted operating profit	**5.5**	**5.0**
Operating cash flow	**8.2**	**(0.7)**

MASS had another successful year under Ashley Lane's leadership, increasing its adjusted operating profit by 10% and revenue by 18% compared to 2013/14.

A significant contributor to the increase in MASS's revenue was export EW operational support (EWOS), with extensions to its existing services in the Middle East taking its current workload through to the end of the 2016 calendar year.

Education deliveries were flat during the year but MASS has continued to invest in its wider cyber offering for new commercial and government customers, the latter providing the first significant order wins and deliveries towards the end of the financial year.

The mix of work, and the investment in cyber capability resulted in MASS's net margin being lower than last year. At 16.9%.(2014: 18.1%) this is nearer to our long term expectation for MASS, with a portfolio of work including long term managed service offerings, higher margin but unpredictable export business and more predictable but 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, secured during 2013/14, was extended for a further year during 2014/15. 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.

MASS delivered a strong operating cash flow in the year, unwinding all of the large build-up of working capital in the final quarter of 2013/14 and maintaining this position throughout 2014/15.

MASS reorganised itself further at the end of the year and enters 2015/16 with four divisions. 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.

MCL

	2015 **£m**	2014 £m
Revenue	**10.1**	-
Adjusted operating profit	**1.3**	-
Operating cash flow	**(2.1)**	-

MCL's initial contribution to the Group was close to our expectation for the year, delivering a net margin of 13.1% on £10.1m of revenue.

MCL's performance was driven by delivery of electronic surveillance systems to the UK Royal Navy, tactical satellite communication upgrades for British Army vehicles returning from Afghanistan and a number of other EW and communication deliveries for UK forces.

Typifying its agility and flexibility, during the year MCL designed, built and tested a one-off electronic system for a defence customer in under six months, a requirement driven by a demanding time-sensitive mission that was successfully accomplished. This considerable achievement resulted in an impressed and happy customer, and a strong possibility of further orders.

MCL is currently a business with a short order to delivery timescale, resulting in a relatively low current order backlog at any time. It ended the year with just under £3m of 2015/16 on contract. Historical experience and a strong pipeline of opportunities suggest it will once again win and deliver much of its revenue in the course of the financial year ahead. MCL's pipeline includes prospects for securing longer term, larger orders which if won would help to build a higher and more predictable base load of work.

The adverse operating cash flow was as expected. The business contained over £3m of cash when acquired which was required to meet its immediate operating obligations.

I welcome MCL's Managing Director, Darren Allery and his capable and enthusiastic team to the Cohort Group.

SCS

	2015 **£m**	2014 £m
Revenue	**16.9**	**14.9**
Adjusted operating profit	**1.3**	**1.0**
Operating cash flow	**2.5**	**1.6**

SCS, under the leadership of Bill Bird, has seen a 13% increase in revenue and a 30% improvement in profit. SCS's net return on revenue has increased from 6.9% to 7.8%.

The improvement reflects a continued focus on growing areas of the UK MOD budget, in particular air domain hazard analysis and technical assurance, which have grown as new military air platforms have been introduced into UK service. SCS has also grown both its NATO work and other export offerings. A further positive sign for SCS was the improvement in its high level training offering to the UK's Joint Warfare Centre (JWC), a service SCS has provided for over 10 years now and which was extended for a further year until March 2016 following exercise of an option by the customer. The increased activity was a result of the UK's return to normal patterns of deployment and training following the exit from Afghanistan last Christmas. SCS continues to provide the JWC customer with a comprehensive and responsive service. SCS also continued to secure further overseas work for this unique offering.

SCS's net return at nearly 8% is an improvement. Continued revenue growth can drive the margin closer to our target of 10% through operational gearing. SCS delivered a strong operating cash performance, reducing its working capital to a record low level at 30 April 2015.

I would like to place on record my thanks to Bill Bird for all of his efforts since 2010. He has steered SCS through a difficult time, both in its main UK MOD market and overcoming certain internal issues, resulting in a business which is more profitable, cash generative and growing. I welcome his successor, Christian Cullinane who took over from Bill in June 2015.

SEA

	2015 **£m**	2014 £m
Revenue	**40.4**	**29.1**
Adjusted operating profit	**4.0**	**3.8**
Operating cash flow	**8.4**	**1.9**

SEA, led by Managing Director Steve Hill, has had a busy and successful year with profit increasing by 5% on nearly 40% higher revenue. This performance, as at the Group level is due to the impact of structural changes at SEA; disposal of its Space business on 30 April 2014 and the acquisition on 1 October 2014 of J+S and its subsequent integration.

The SEA result on a 'like for like' basis is as follows:

	2015		2014	
	Revenue £m	Adjusted Operating Profit £m	Revenue £m	Adjusted Operating Profit £m
As reported in the Group's income statement	40.4	4.0	29.1	3.8
Exclude:				
SEA's Space business sold 30 April 2014	-	-	(4.5)	(0.6)
Impact of J+S acquired on 1 October 2014	(7.9)	(0.1)	-	-
Merger costs of SEA and J+S	-	0.2	-	-
As reported on 'like for like' basis	32.5	4.1	24.6	3.2

The continuing business of SEA grew its revenue by 32% and its adjusted operating profit by 28%.

The increase in revenue was due primarily to the securing of an initial Common ECS contract. This extends the ECS system to cover two additional Astute Class boats (five were already under contract), the four Vanguard Class boats and certain of the Trafalgar Class vessels.

This increased revenue offsets a deterioration in the Transport revenue where an export contract delivered last year was not repeated in 2014/15.

In net margin terms, the effect of these changes was a small reduction (on a 'like for like' basis) from 13.0% to 12.6%.

SEA continued to make very good progress on its External Communications System (ECS) for the Astute Class of submarines, with the first boat with SEA's ECS system installed having gone to sea.

SEA's defence research revenue was slightly up on last year. The business has continued to deliver a major research programme on soldier equipment known as Delivering Dismounted Effect (DDE) to its customer, the Defence Science and Technical Laboratory (DSTL). SEA is now regarded as a national lead provider in this area.

In the transport market, SEA maintained deliveries of Roadflow units to UK customers. SEA made good technical progress on its red light enforcement system, which is derived from Roadflow, obtaining the necessary technical clearance for the system. We now await formal sign-off by the UK Home Office to enable the system to be fully deployed, with its output admissible as evidence in future prosecutions.

SEA had a very strong operating cash flow in the year with good receipt management in the final quarter and slower than expected invoicing from its suppliers. This supplier invoicing and payments caught up in the first few months of 2015/16.

Having disposed of its Space business last year, SEA received the due completion monies in full: £2.5m in June 2014 and the remaining £1.5m in April 2015

The acquired business of J+S contributed £0.1m of adjusted operating profit on £7.9m of revenue. This was below our expectations for the period and was as a result of delayed orders for naval support and its leading low profile array sonar. These orders have now been secured and delivery has commenced. We expect J+S to deliver a return in 2015/16 in line with our expectations at the time of the acquisition.

The offshore energy business was acquired just at the end of its peak activity period, the summer. Nevertheless, and despite the depressed oil price, it has performed well, including securing its largest ever contract for a subsea distribution unit from Apache for over £1m.

SEA's closing order book of £68.0m provides a strong underpinning to 2015/16 revenue, especially in its submarine and other naval system work.

The integration of J+S and SEA has progressed well and was mostly complete at 30 April 2015. SEA incurred £0.2m of integration costs in the year ended 30 April 2015 and this is expected to realise annual savings of around £0.5m per annum from 1 May 2015.

Following the integration, SEA's business has been restructured into 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 will be supported by a single production facility at its Barnstaple site, the result of integrating the former SEA and J+S production facilities at Beckington, Bristol and Barnstaple into one.

Revenue by market and business

	MASS		MCL		SCS		SEA		GROUP			
	2015	2014	2015	2014	2015	2014	2015	2014	2015		2014	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	£m	%
Defence & Security	28.4	23.5	10.0	-	16.7	14.5	34.1	19.8	89.2	89	57.8	81
Transport	-	-	-	-	-	-	3.9	4.9	3.9	4	4.9	7
Offshore energy	-	-	-	-	-	-	2.0	-	2.0	2	-	-
Other commercial	4.1	4.1	0.1	-	0.2	0.4	0.4	-	4.8	5	4.5	6
Space	-	-	-	-	-	-	-	4.4	-	-	4.4	6
	32.5	27.6	10.1	-	16.9	14.9	40.4	29.1	99.9	100	71.6	100

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

	MASS		MCL		SCS		SEA		GROUP			
	2015	2014	2015	2014	2015	2014	2015	2014	2015		2014	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	£m	%
Direct to UK MOD	11.5	10.7	8.4	-	8.7	7.3	9.7	8.0	38.3	38	26.0	36
Indirect to UK MOD where the Group acts as a sub-contractor or partner	6.1	6.3	0.3	-	3.9	4.3	21.4	11.7	31.7	32	22.3	32
Total to UK MOD	17.6	17.0	8.7	-	12.6	11.6	31.1	19.7	70.0	70	48.3	68
Export & other	10.8	6.5	1.3	-	4.1	2.9	3.0	0.1	19.2	19	9.5	13
	28.4	23.5	10.0	-	16.7	14.5	34.1	19.8	89.2	89	57.8	81

Revenue breakdown by capability

		2015		2014	
		£m	%	£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.	34.8	35	15.6	22
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.	10.6	11	8.1	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.	10.4	10	12.1	17
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.	10.1	10	10.5	15
Operational support	Operational support: the provision of direct support to active operations which takes place at both MASS (including its Electronic Warfare Operational Support activities), SCS and through SEA, both in defence and offshore energy.	9.7	10	3.9	5
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.	9.1	9	8.7	12
Studies and analysis	Studies and analysis: other self-contained studies, consultancy and analytical work such as SCS's Hazard Analysis work on the Joint Combat Aircraft.	8.4	8	6.1	9
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.	6.8	7	6.6	9
		99.9	100	71.6	100

Notable changes between 2014 and 2015 were:

- A significant growth in defence products, both in absolute terms and as a proportion of total revenue. This was driven by the increased pace of work on ECS with the scope extending to further platform types. The rest of the increase was from MCL, delivering products and systems and J+S from its naval product and support business.

- A twofold increase in operational support activity, primarily due to increased deliveries by MASS in EW operational support but also J+S's operational support to the offshore energy market.

Our people

At the year end the Group had 635 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 (the average salary across the group, excluding directors is £41,000) 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 2015 financial year the Gold Award went to the team at SEA running the Delivering Dismounted Effect research programme. This received some exceptionally positive customer feedback and resulted in both commercial success and some significant technical achievements. Other award winners included a team supporting a vital defence system in Afghanistan, and another involved in submarine equipment trials. The awards also gave an opportunity to celebrate some relatively unsung but important achievements by the Group's support staff.

A new initiative in 2015 has been the introduction of a formal Leadership Development Scheme, intended to hone the skills of the next generation of senior leaders. It has been extended to high-potential individuals across the whole Group, and has been 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.

Cohort's largest customers are the UK armed forces, and the work we do helps them to carry out their vital work more effectively. This work 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 to the UK Armed Forces Corporate Covenant and to have received in 2014 a Silver Award under the Defence Employer Recognition Scheme. Our operating business SCS went a step better, being one of only five UK employers to receive a Gold Award under the scheme, which was presented at 10 Downing Street. Our people are frequently involved in fund-raising for armed forces charities, activities which we are pleased to support, in a modest way, corporately.

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	
	2015	2014	2015	2014
	£m	£m	£m	£m
MASS	39.6	17.9	53.4	46.4
MCL	7.5	-	2.8	-
SCS	16.7	17.4	9.8	10.0
SEA	50.5	33.2	68.0	25.3
	114.3	68.5	134.0	81.7

The increase in the Group's order intake reflected medium term export defence orders at MASS, orders at SEA to extend its ECS system to the whole of the Royal Navy's submarine fleet and initial order contributions from MCL and J+S (within SEA). The closing Group order book includes acquired order books of £5.4m and £32.6m from MCL and J+S respectively.

MASS had a very strong year of order intake. The increase over the previous year was predominantly due to export and UK EW work (a total of £24m). Further export opportunities for THURBON™ and Electronic Warfare operational support and training are in the pipeline but the timing of these, as with all export orders, is unpredictable. Of MASS's order book at 30 April 2015, over £25m is deliverable in 2015/16, a higher level of underpinning than last year.

MCL's order intake of £7.5m was mostly delivered in the year ended 30 April 2015 and MCL's closing order book of £2.8m is virtually all deliverable in 2015/16. MCL's visibility of its pipeline is short (typically three to six months) and MCL's business model with low flexible headcount (and hence cost) enable it to respond rapidly to opportunities and customer needs. MCL's pipeline for 2015/16 is strong, although the timing unpredictable and there are some large opportunities, which if secured would provide MCL with a more stable future revenue stream.

SCS's order intake was slightly lower than last year reflecting the securing last year of longer term air domain work. SCS's closing order book of £9.8m is mostly deliverable in 2015/16 representing a similar level of underpinning to 2014/15. The visibility of SCS's pipeline, as in the past, 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 includes extension and expansion of its air domain offering through independent technical evaluation, both on the Joint Strike Fighter and other military air platforms.

SEA's (including J+S's) strong order intake of over £50m was significantly up on last year. The order intake included just over £9m of orders secured by J+S with the balance of orders (£41m) at SEA. Major orders included over £25m for submarine systems, mostly Common ECS, with research and simulation accounting for around £14m.

SEA's Roadflow product saw further orders of £1.5m this year compared with £2.1m in 2013/14. The reduction was due to an export order in 2013/14 that was not repeated this year. The orders for UK Roadflow systems continue to show growth.

SEA's closing order book of £68m will deliver over £34m of revenue in 2015/16, a record level of underpinning for SEA.

In the near term, the majority of Cohort's business will continue to derive, either directly or indirectly, from the UK MOD. The MOD's latest Defence Equipment Plan continues to show a stable procurement programme, with the largest expenditure area by a considerable margin being submarines. Overall, despite the pressure on public spending, defence is an area of significant accessible expenditure where sources of growth can be found. We await to see the impact, if any, of the Government's Strategic Defence Review which is due to be published this autumn.

We also remain active in exports, where we have seen growth in 2014/15. Our focus has been on markets with growing demands for defence equipment and resources to match. Our non-defence activities reduced in 2014/15 as a result of the sale of SEA's Space business but we remain active in the education ICT, cyber security and transport markets as well as now having a small presence (2% of Group revenue) in the offshore energy market. This 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 2015/16.

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 provides it with the resources to conduct its acquisition strategy and the disposal of SEA's Space business has provided a further £4.0m of cash in the year.

At 30 April 2015 the Group had facilities with its banking provider, RBS, as follows:

	£m	Term at commencement of facility
Overdraft facility for working capital requirements	7.5	364 days

During the year ended 30 April 2015 the above facility was drawn on by the Group for a period of one week.

The overdraft facility is renewable 1 October 2015 and the Board expects it to be renewed on broadly similar terms, subject to its discussions to enter into a new multi-bank facility. The Group is in discussion with RBS, Barclays and Lloyds to put in place a committed facility of 3 to 5 years, expected to be around £25m, to support the Group's day to day operational needs and provide a facility to support the Group's strategy of further acquisitions. The Group has not received a written commitment from the banks regarding the facility but has received no indication that such a facility will not be provided.

The Group takes a prudent approach to treasury policy with its overriding objective being protection of capital. In implementing this policy, deposits are 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 this offset arrangement.

Following the acquisition of J+S, the Group has inherited a banking arrangement with Clydesdale bank which will be retained for a short while to receive any future receipts until payment arrangements with customers are transferred to our RBS accounts.

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 1.35% (2014: 0.46% to 1.40%).

In addition to its cash resources, the Group has in issue 41.0m ordinary shares of 10 pence each. Of these shares 0.5m are owned by the Cohort plc Employee Benefit Trust (EBT) and 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 2.2m at 30 April 2015.

The Group maintains a progressive dividend policy with dividends having increased by approximately 20% per annum over the last five years and dividend cover in the current year at 4.4 times (2014: 4.6 times) based upon the adjusted earnings per share.

The Group's cash generation in 2014/15 was much stronger than previous years. In summary, the Group's cash performance was as follows:

	2015 £m	2014 £m
Adjusted operating profit	**10.1**	**8.2**
Depreciation and other non-cash operating movements	**1.2**	**0.8**
Working capital movement	**9.3**	**(5.4)**
	20.6	**3.6**
Acquisition of 50.001% of MCL	**(5.7)**	-
Acquisition of 100% of J+S	**(11.7)**	-
Disposal of SEA's Space business	**4.0**	**2.5**
Tax, dividends, capital expenditure, interest, loans and investments	**(3.8)**	**(6.2)**
Increase/(decrease) in net funds	**3.4**	**(0.1)**

The primary reason for the stronger cash flow was lower working capital at MASS, SCS and SEA. This strong operating cash flow reflected good cash receipt management across the Group and slippage of supplier invoices (primarily at SEA) into 2015/16 and this timing advantage will unwind in 2015/16, much of it in the first quarter. We expect the closing cash at the end of April 2016 to remain in line with previous expectations. This implies a small net cash outflow in the coming year, before any further acquisition activity.

The lower cash outflow in tax, dividends etc. was mainly due to lower capital expenditure (SEA acquired the freehold of its Bristol office in 2013/14) and no investment in Cohort's own shares by the EBT. The use of EBT shares to satisfy employee share options during 2014/15 may 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 24 days (2014: 43 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 decrease in debtor days is a reflection of the strong cash collection in the final quarter across the Group, especially at MASS and SEA.

Tax

The Group's tax charge for the year ended 30 April 2015 of £707,000 (2014: £843,000) was at an effective rate of 11.9% (2014: 12.5%) of profit before tax. This includes a current year corporation tax charge of £1,485,000 (2014: £1,222,000), a rate of 25.0% (2014: 18.1%) of profit before tax, a prior year corporation tax credit of £204,000 (2014: credit of £482,000) and a deferred tax credit of £574,000 (2014: charge of £103,000).

Including the current year deferred tax, the effective current tax rate for the year ended 30 April 2015 is 16.3% (2014: 19.6%). The current tax rate (including deferred tax) on profit before tax is lower than the standard rate (calculated at 20.92%; 2014: 22.83%), primarily due to recognition of Research & Development (R&D) credits.

The Group's overall tax rate was below the standard corporation tax rate of 20.92% (2014: 22.83%). The reduction is due to the reasons given above for the current year's rate and in addition, prior year tax credit in respect of the release of provisions held in respect of previous R&D credit claims. The Group's businesses are only allowed to claim the lower R&D tax credit allowance available to larger companies, currently 30%. Looking forward, the Group's effective current tax rate for both 2015/16 and 2016/17 is estimated at 18%, 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 and 2014/15 and it is this cautious approach which explains why the future tax rate of 18% is higher than this year's net rate of just under 12%. Much of the lower rate in this year is due to higher actual R&D credits being recognised than were forecast, and the release of the earlier year contingency.

Exceptional items

The exceptional costs in the year were primarily in respect of the acquisitions of MCL and J+S, £0.2m and £0.4m respectively. During the year the Group's subsidiary SEA received in full the remaining outstanding balance (£4.0m) due on the disposal of its Space business from the buyer, TAS. In closing out this disposal, accruals for expected costs made in the year 30 April 2014 were not incurred, realising a reduction in the overall loss on disposal (an exceptional profit in the year ending 30 April 2015 of £44,000).

Adjusted earnings per share

The adjusted earnings per share of 20.45 pence (2014: 19.15 pence) is reported in addition to the basic earnings per share and excludes the effect of amortisation of intangible assets, exchange movement on marking forward exchange contracts to market and exceptional items, all net of tax.

The 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 £000	Applicable Tax adjustment £000	Adjustment to adjusted earnings per share (net of tax) £000	
Exceptional items	580	(28)	552	
Exchange adjustment in marking forward contracts to market	38	8	23	*note 1*
Amortisation of other intangible assets:				
J+S	1,378	(276)	1,102	
MCL	2,224	(445)	890	*note 1*
	4,220	(741)	2,567	

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

Financial estimates and judgements

In preparing the Annual Report and Accounts of Cohort plc for 2015, 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) and SEA (including J+S) has been tested for impairment as at 30 April 2015. In both cases there was no impairment.

The goodwill of J+S was tested for impairment alongside SEA as their future cash flows are no longer separable. MCL's goodwill, since acquired in the year was not tested for impairment at 30 April 2015.

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 2015.

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 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 £198,000 (2014: £235,000) 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 2015

	Notes	**Year ended 30 April 2015 £000**	Year ended 30 April 2014 £000
Revenue	2	**99,938**	71,555
Cost of sales		**(69,988)**	(47,842)
Gross profit		**29,950**	23,713
Administrative expenses		**(24,085)**	(17,095)
Operating profit	2	**5,865**	6,618
Comprising:			
Adjusted operating profit	2	**10,085**	8,171
Amortisation of other intangible assets (included in administrative expenses)		**(3,602)**	(64)
Charge on marking forward exchange contracts to market value at the year end (included in cost of sales)		**(38)**	(103)
Exceptional items:			
Costs of acquisition of MCL (included in administrative expenses)		**(197)**	—
Costs of acquisition of J+S (included in administrative expenses)		**(427)**	—
Profit/(loss) on disposal of SEA's Space business (included in administrative expenses)		**44**	(1,386)
Operating profit	2	**5,865**	6,618
Finance income		**87**	125
Finance costs		**(5)**	-
Profit before tax		**5,947**	6,743
Income tax charge	3	**(707)**	(843)
Profit for the year		**5,240**	5,900
Attributable to:			
Equity holders of the parent		**5,628**	5,900
Non-controlling interests		**(388)**	—
		5,240	5,900

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 2015 Pence	Year ended 30 April 2014 Pence
Earnings per share	4		
Basic		**14.04**	14.75
Diluted		**13.74**	14.37
Adjusted earnings per share	4		
Basic		**20.45**	19.15
Diluted		**20.00**	18.66
Dividends per share paid and proposed in respect of the year	5		
Interim		**1.60**	1.40
Final		**3.40**	2.80
		5.00	4.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 April 2015

	Notes	At 30 April 2015 £000	At 30 April 2014 £000
ASSETS			
Non-current assets			
Goodwill		**36,841**	**29,395**
Other intangible assets		**18,871**	**-**
Property, plant and equipment		**10,338**	**8,502**
Deferred tax asset		**104**	**301**
		66,154	**38,198**
Current assets			
Inventories		**1,078**	**297**
Trade and other receivables		**19,528**	**22,998**
Cash and cash equivalents		**19,701**	**16,338**
		40,307	**39,633**
Total assets		**106,461**	**77,831**
LIABILITIES			
Current liabilities			
Trade and other payables		**(25,373)**	**(13,297)**
Current tax liabilities		**(786)**	**(782)**
Derivative financial instruments		**(38)**	**(142)**
Bank loans and overdrafts		**(14)**	—
Provisions		**(558)**	**(791)**
		(26,769)	**(15,012)**
Non-current liabilities			
Deferred tax liability		**(4,345)**	**(621)**
Other creditors	7	**(12,500)**	—
		(16,845)	**(621)**
Total liabilities		**(43,614)**	**(15,633)**
Net Assets		**62,847**	**62,198**
Equity			
Share capital		**4,096**	**4,096**
Share premium account		**29,657**	**29,656**
Own shares		**(835)**	**(2,274)**
Share option reserve		**403**	**526**
Other reserve: option for acquiring non-controlling interest in MCL		**(12,500)**	—
Retained earnings		**33,805**	**30,194**
Total equity attributable to the equity shareholders of the parent		**54,626**	**62,198**
Non-controlling interests		**8,221**	—
Total equity		**62,847**	**62,198**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2015

	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 2013	4,079	29,519	(731)	571	-	25,609	59,047	-	59,047
Profit for the year	-	-	-	-	-	5,900	5,900	-	5,900
Transactions with owners of Group and non-controlling interests, recognised directly in equity:									
Equity dividends	-	-	-	-	-	(1,482)	(1,482)	-	(1,482)
New shares issued	17	137	-	-	-	-	154	-	154
Vesting of restricted shares	-	-	-	-	-	16	16	-	16
Own shares acquired	-	-	(1,979)	-	-	-	(1,979)	-	(1,979)
Own shares sold	-	-	307	-	-	-	307	-	307
Loss on shares sold	-	-	129	-	-	(129)	-	-	-
Share-based payments	-	-	-	235	-	-	235	-	235
Transfer of share option reserve on vesting of options	-	-	-	(280)	-	280	-	-	-
At 30 April 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 acquired	-	-	-	-	-	-	-	-	-
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 April 2015

	Notes	**Year ended 30 April 2015 £000**	Year ended 30 April 2014 £000
Net cash generated from operating activities	6	**18,798**	2,576
Investing activities			
Interest received		**87**	125
Proceeds on disposal of property, plant and equipment		-	3
Purchases of property, plant and equipment		**(1,063)**	(2,274)
Acquisition of MCL, net of cash acquired	7	**(5,698)**	-
Acquisition of J+S, including overdraft acquired	8	**(11,688)**	-
Disposal of SEA's Space business	9	**4,000**	2,500
Net cash (used in)/from investing activities		**(14,362)**	354
Financing activities			
Dividends paid		**(1,765)**	(1,482)
Repayment of borrowings		**(131)**	-
Proceeds on issue of new shares		**1**	154
Purchase of own shares		-	(1,979)
Sale of own shares		**822**	307
Net cash out flow from financing activities		**(1,073)**	(3,000)
Net increase/(decrease) in cash and cash equivalents		**3,363**	(70)

	At 1 May 2014 £000	Acquired £000	Cash Flow £000	**At 30 April 2015 £000**
Funds reconciliation				
Cash and bank	10,256	-	9,445	**19,701**
Short term deposits	6,082	-	(6,082)	**-**
Cash and cash equivalents	16,338	-	3,363	**19,701**
Loan	-	(129)	129	**-**
Finance lease	-	(16)	2	**(14)**
Debt	-	(145)	131	**(14)**
Net funds	16,338	(145)	3,494	**19,687**

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 2015. The information in this preliminary statement has been extracted from the financial statements for the year ended 30 April 2015 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.

The Group's Annual Report for the year ended 30 April 2015 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 2015 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 2014 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 25 June 2015.

Copies of the Annual Report and accounts for the year ended 30 April 2015 will be posted to shareholders on 31 July 2015 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 2015 £000	Year ended 30 April 2014 £000
Revenue		
MASS	**32,528**	27,568
MCL	**10,143**	-
SCS	**16,892**	14,850
SEA	**40,375**	29,137
	99,938	71,555
Adjusted Operating Profit		
MASS	**5,492**	4,999
MCL	**1,327**	-
SCS	**1,319**	1,037
SEA	**3,964**	3,803
Central costs	**(2,017)**	(1,668)
	10,085	8,171
Amortisation of other intangible assets	**(3,602)**	(64)
Charge on marking forward exchange contracts to market value at the year end	**(38)**	(103)
Exceptional items:		
Costs of acquisition of MCL	**(197)**	-
Costs of acquisition of J+S	**(427)**	-
Profit/(loss) on disposal of SEA's Space business	**44**	(1,386)
Operating Profit	**5,865**	6,618

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, charge on marking forward exchange contracts to market value at the year end 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 £198,000 in respect of share-based payments (2014: £235,000).

3. **TAX CHARGE**

	Year ended 30 April 2015 £000	Year ended 30 April 2014 £000
Corporation tax:		
Current year	**1,485**	1,222
Prior year	**(204)**	(482)
	1,281	740
Deferred taxation:		
Prior year	**(56)**	-
Current year	**(518)**	103
	(574)	103
	707	843

The current year corporation tax charge includes a credit of £20,000 (2014: charge of £186,000) in respect of continuing exceptional items and the current year deferred tax credit includes a credit of £721,000 (2014: credit of £15,000) in respect of the amortisation of other intangible assets and a charge of £8,000 (2014: £37,000) in respect of marking forward exchange contracts to market value at the year end.

4. **EARNINGS PER SHARE**

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

	Year ended 30 April 2015 £000	Year ended 30 April 2014 £000
Earnings		
Basic and diluted earnings	**5,628**	**5,900**
Amortisation of other intangible assets (net of tax of £721,000; 2014: £15,000)	**1,992**	**49**
Charge in respect of marking forward exchange contracts to market value at the year end (net of tax of £8,000; 2014: plus tax of £37,000)	**23**	**140**
Costs of acquisition of MCL (nil tax)	**197**	**-**
Costs of acquisition of J+S (nil tax)	**427**	**-**
(Profit)/loss of disposal of SEA's Space business (including tax credit of £28,000; 2014 charge of £186,000)	**(72)**	**1,572**
Adjusted basic and diluted earnings	**8,195**	**7,661**

The adjustments for the amortisation of intangible assets in respect of MCL and the charge on marking forward exchange contracts to market for 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	**40,071,658**	40,010,675
Share options	**894,739**	1,036,715
For the purposes of diluted earnings per share	**40,966,397**	41,047,390

	Year ended 30 April 2015 Pence	Year ended 30 April 2014 Pence
Earnings per share		
Basic	**14.04**	14.75
Diluted	**13.74**	14.37
Adjusted earnings per share		
Basic	**20.45**	19.15
Diluted	**20.00**	18.66

5. DIVIDENDS

The proposed final dividend for the year ended 30 April 2015 is 3.4 pence (2014: 2.8 pence) per ordinary share. This dividend will be payable 30 September 2015 to shareholders on the register at 28 August 2015.

The total paid and proposed dividend for the year ended 30 April 2015 is 5.0 pence per ordinary share; a cost of £2,013,000 (2014: 4.2p per ordinary share; cost of £1,664,000).

The charge for the year ended 30 April 2015 of £1,765,000 is the final dividend for the year ended 30 April 2014 paid (£1,121,000) and the interim dividend for the year ended 30 April 2015 paid (£644,000).

6. NET CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended 30 April 2015 £000	Year ended 30 April 2014 £000
Profit for the year	**5,240**	5,900
Adjustments for:		
Tax charge	**707**	843
Depreciation of property, plant and equipment	**957**	612
Amortisation of goodwill and other intangible assets	**3,602**	2,064
Net finance	**(82)**	(125)
Share-based payment	**198**	235
Derivative financial instruments	**38**	103
Decrease in provisions	**(356)**	(120)
Operating cash inflows before movements in working capital	**10,304**	9,512
Decrease/(increase) in inventories	**450**	(69)
Decrease/(increase) in receivables	**1,861**	(5,613)
Increase/(decrease) in payables	**7,890**	(212)
	10,201	(5,894)
Cash generated by operations	**20,505**	3,618
Tax paid	**(1,702)**	(1,042)
Interest paid	**(5)**	-
Net cash generated from operating activities	**18,798**	2,576

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

	Book Value	Fair value
	£000	£000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	146	146
Other intangible assets	—	15,678
Inventory	94	94
Trade and other receivables	397	397
Trade and other payables	(3,130)	(3,430)
Deferred tax	—	(3,136)
Cash	3,149	3,149
	656	12,898
50.001% acquired		6,449
Goodwill		2,398
Total consideration		8,847
Satisfied by:		
Cash		8,847
Total consideration transferred		8,847
Net cash outflow arising on acquisition:		
Cash consideration		8,847
Less: cash and cash equivalents acquired		(3,149)
		5,698

Of the cash consideration, £7,864,000 was paid on completion and a further earn out of £983,000 paid on 30 March 2015.

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

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

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

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

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

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

MCL contributed £10.1m and £1.3m to the Group's revenue and adjusted operating profit respectively for the period from 9 July 2014 to 30 April 2015.

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 is £12.5m and the option is shown as a non-current liability and as the non-controlling interest has a right to dividends, in the other reserves as 'option for acquiring non-controlling interest in MCL'.

8. **ACQUISITION OF J+S Limited (J+S)**

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

	Book Value £000	Fair value £000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	2,669	1,329
Other intangible assets	1,069	6,795
Inventory	1,956	1,231
Trade and other receivables	1,997	1,900
Trade and other payables	(2,510)	(2,988)
Provisions	(123)	(123)
Deferred tax	(214)	(1,359)
Cash	41	41
Loan and finance leases	(145)	(145)
	4,740	6,681
Goodwill		5,048
Total consideration		11,729
Satisfied by:		
Cash		11,729
Net cash outflow arising on acquisition:		
Cash consideration		11,729
Less: cash acquired		(41)
		11,688

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

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

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

The goodwill of £5.0m arising from the acquisition represents the customer contacts, supplier relationships and know-how to which no certain value can be ascribed. None of the goodwill is expected to be deductible for income tax purposes.

The goodwill is stated after making adjustments to the net assets acquired of J+S; £3.2m reduction as a result of policy alignment, £0.3m reduction due to other fair value adjustments and £5.4m increase to recognise other intangible assets (net of deferred tax liability).

Acquisition costs of £427,000 in respect of J+S were charged as an exceptional item in the consolidated income statement.

J+S contributed £7.9m and £0.1m to the Group's revenue and adjusted operating profit respectively for the period from 1 October 2014 to 30 April 2015. This contribution has been reported as part of SEA in the segmental analysis (note 1).

9. **DISPOSAL OF SEA'S SPACE BUSINESS**

On 30 April 2014, the Group's subsidiary, SEA, signed an agreement to sell its Space business, in its entirety, to Thales Alenia Space UK Limited (TAS). On signing the Group received £2.5m of £5.0m agreed consideration and in return passed effective control of SEA's Space business to TAS. As a result of TAS taking effective control from 30 April 2014, the Group has accounted for the disposal in its entirety in the year ended 30 April 2014.

On 6 June 2014 the disposal completed and a further £2.5m was received from TAS. Following completion of the working capital adjustment a further £1.5m was received on 30 April 2015. A reduction in the loss on closing out the disposal of £44,000 was reported as an exceptional item.