Arlington House
1025 Arlington Business Park
Reading
Berks
RG7 4SA

Cohort plc

COHORT PLC

FINAL RESULTS

FOR THE YEAR ENDED 30 APRIL 2014

Improved performance

Cohort plc today announces its final results for the year ended 30 April 2014. Highlights include:

	2014	2013	**%**
• Revenue	**£71.6m**	£70.9m	**1**
• Adjusted operating profit*	**£8.2m**	£7.3m	**11**
• Adjusted profit before tax*	**£8.3m**	£7.5m	**11**
• Adjusted earnings per share*	**19.15p**	17.94p	**7**
• Statutory profit before tax	**£6.7m**	£8.5m	**(21)**
• Net funds	**£16.3m**	£16.4m	**(1)**
• Order book (closing)*	**£82m**	£85m	**(4)**
• Proposed final dividend per share	**2.8p**	2.3p	**22**
• Total dividend per share	**4.2p**	3.5p	**20**

* Excludes exceptional items, amortisation of other intangible assets and exchange differences on marking forward exchange contracts to market. Order book at 30 April 2014 excludes £10.6m Space business order book (2013: £10.4m)

Looking forward:

- Good order book 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 again improved its performance in the year, achieving a record adjusted operating profit. The disposal of its Space business has enabled the Group to unlock net funds to provide further resources for acquisitions and internal investment.*

"All three Cohort businesses are on a sound operational footing and the management emphasis is now on maintaining and improving performance, whilst driving growth both organically and by acquisition, supported by a strong funding position. Despite uncertainties in the wider Defence market, the Board considers that Cohort's order book and near term prospects provide a good base for future progress following the disposal of our Space activities."

A presentation for analysts is being hosted today (26 June 2014) at 9.15am for 9.30am at Investec's offices. For further information, please contact MHP Communications.

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, Vicky Watkins	020 3128 8100

NOTES TO EDITORS

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

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

- MASS (www.mass.co.uk) - a specialist defence and aerospace business, focused mainly on electronic warfare, information systems and electronic systems development. Acquired by Cohort in August 2006.

- SEA (www.sea.co.uk) - an advanced surveillance systems and software house with hardware development capability operating in the defence and transport market sectors. Acquired by Cohort in October 2007.

Cohort (AIM: CHRT) was admitted to London's Alternative Investment Market in March 2006. It has its headquarters in Berkshire and, through its operating companies, employs in total around 500 core staff there and at bases in Bristol, Cambridgeshire, Lincolnshire and Somerset.

CHAIRMAN'S STATEMENT

Cohort once again improved its performance in the year, achieving a record adjusted operating profit. Of Cohort's three trading subsidiaries, MASS again delivered the strongest result and both SCS and SEA made significant further progress. At the end of the year SEA disposed of its Space business, realising a cash profit before goodwill write off and tax of £0.6m. This transaction unlocked long term working capital, providing further resources to pursue our acquisition strategy.

Key financials

In the year ended 30 April 2014, Cohort achieved sales revenue of £71.6m (2013: £70.9m), including £27.6m (2013: £24.9m) from MASS Consultants Limited (MASS), £29.1m (2013: £31.9m) from SEA (Group) Limited (SEA) and £14.9m (2013: £14.1m) from Systems Consultants Services Limited (SCS). Increased defence exports at MASS and SCS offset a fall in UK MOD revenue following the completion of a research programme at SEA. Both transport at SEA and education at MASS showed good growth. SEA's Space business suffered further milestone slippage prior to its disposal.

The Group's adjusted operating profit was £8.2m (2013: £7.3m). This included contributions from SCS of £1.0m (2013: £0.5m), MASS £5.0m (2013: £5.0m) and SEA £3.8m (2013: £3.1m). Cohort Group overheads were £1.6m (2012: £1.3m). The improved performance at SCS reflected its increased revenue and the full effect of cost reduction measures taken in October 2012. SEA also performed well with increased revenue and profitability from its transport business and its defence business performing in line with last year on slightly lower revenue. SEA's Space business also made a contribution to the bottom line. MASS remained the Group's largest contributor to profit, performing in line with last year on higher revenue, its overall margin diluted slightly by a higher proportion of education work.

The Group operating profit of £6.6m (2013: £8.4m) was after recognising amortisation of intangible assets, differences arising on marking forward exchange contracts to market value at the year end and an exceptional loss on the disposal of SEA's Space business. Profit before tax was £6.7m (2013: £8.5m) and profit after tax was £5.9m (2013: £8.3m).

Adjusted earnings per share were 19.15 pence (2013: 17.94 pence). The adjusted earnings per share were based upon profit after tax, excluding amortisation of other intangible assets, marking forward exchange contracts to market value at the year end and exceptional items, all net of tax. Basic earnings per share were 14.75 pence (2013: 20.76 pence). The basic earnings per share for the year ended 30 April 2014 include a negative impact from the exceptional item of 3.93 pence per share.

Order intake for the year was £67.6m (2013: £59.6m). The net funds at the year end were £16.3m (2013: £16.4m), having spent £1.9m during the year on acquiring the freehold of SEA's office in Bristol.

Dividends

The Board is recommending a final dividend of 2.8 pence per ordinary share (2013: 2.3 pence), making a total dividend of 4.2 pence per ordinary share (2013: 3.5 pence) in respect of the year ended 30 April 2014, a 20% increase. This will be payable on 24 September 2014 to shareholders on the register at 29 August 2014 subject to approval at the Annual General Meeting on 16 September 2014.

MASS

MASS's adjusted operating profit was in line with last year. The increased revenue derived from a combination of higher margin defence export work and lower margin education work.

MASS's order book declined during the year, partly due to run-off of longer term contracts not due to be replenished in the year. The closing order book of £46.4m provides a good underpinning for 2014/15.

SCS

Although the domestic defence market remains tight, SCS grew its UK MOD revenue, reflecting good progress on business development and a slightly improved contracting environment.

The £1.0m (2013: £0.5m) trading profit reflected the full year effect of restructuring carried out in 2012/13, partly offset by a less profitable mix of work.

SCS's closing order book was £10.0m (2013: £7.7m), a strong position for the coming year.

SEA

SEA had another strong year with its trading profit of £3.8m (2013: £3.1m) representing a much better net return of 13.1% (2013: 9.8%).

The improved result at SEA reflected higher revenue in transport as well as a continuing solid performance from its defence business. It also included for the first time in some years a positive contribution from its Space business.

The Space business was sold to Thales Alenia Space UK Limited (TAS) at the year end, freeing up working capital and senior management time to focus on more profitable parts of the Group. The transaction generated total cash proceeds of £5.0m with a further £1.5m expected.

The disposal is in line with the Board's stated policy to increase shareholder value through corporate activity. SEA's Space business was relatively small in scale and it is the Board's view that it would be better owned by a business with a stronger presence in the Space sector.

SEA secured over £32m (2013: £34m) of orders in the year, and closed with an order book of £25m (2013: £32m), after removing the Space order book of £10.6m.

Cash

Cash generated from operations (before tax) in the period was £3.6m (2013: £5.1m). The reduction was largely due to an adverse working capital movement arising from the continued lock-up of work in progress on the delayed space projects in SEA. In addition an influx of orders received late in the year resulted in a build-up of working capital at MASS. These effects were partly mitigated by £2.5m received at the end of the year in respect of selling SEA's Space business with a further £2.5m received on 6 June 2014. With completion accounts currently being finalised a further £1.5m is expected to be received, more than recovering the Group's working capital in respect of Space.

Management and staff

The Group's improving performance reflects the impact of the management changes made over the last few years. The senior management teams within the Group have steered the business through some difficult times and deserve credit for maintaining focus and morale. My thanks also go to all the staff within the businesses. Their hard work and ability to deliver what our customers need, within what are still tight budgets, are what ultimately continue to drive our performance.

Outlook

The closing order book of £81.7m (2013: £95.7m) is above the opening position on a like-for-like basis after taking account of the run-off of approximately £9m of multi-year orders in 2014 and the disposal of £10.6m (£10.4m at 30 April 2013) of order book in respect of SEA's Space business. 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. Outside defence, MASS is making progress in its secure networks business, especially in education, and SEA in transport. Overall we expect order intake to be stronger in 2014/15 than 2013/14.

All three Cohort businesses are on a sound operational footing and the management emphasis is now on maintaining and improving performance, whilst driving growth both organically and by acquisition, supported by a strong funding position. Despite uncertainties in the wider Defence market, the Board considers that Cohort's order book and near term prospects provide a good base for future progress following the disposal of our Space activities.

Nick Prest CBE
Chairman

BUSINESS REVIEW

Operating review

2013/14 has been another year of continued progress for Cohort, building on the improvements made in the last three years. This progress has resulted in delivery of a record level of adjusted operating profit as well as the disposal of SEA's Space business.

The Group's adjusted operating profit of £8.2m (2013: £7.3m) on revenue of £71.6m (2013: £70.9m) was a net return of 11.4% (2013: 10.3%).

The improved operating performance reflects the improvements made in what have been weaker areas of the business, primarily at SEA but also a stronger return at SCS on the back of higher revenue and the full benefit of cost reduction measures taken in October 2012.

MASS was again the strongest profit contributor for the Group, although its mix of work saw more education and defence export activity offsetting lower revenue from its domestic defence customers, the net result being a return of its net margin to a more normal level.

Adjusted operating profit by subsidiary:

	Adjusted operating profit			Operating margin	
	2014	2013	Change	2014	2013
	£m	£m	%	%	%
MASS	5.0	5.0	-	18.1	20.3
SCS	1.0	0.5	100	6.9	3.7
SEA	3.8	3.1	23	13.1	9.8
Central costs	(1.6)	(1.3)	(23)	-	-
	8.2	7.3	11	11.4	10.3

Operating strategy

Cohort operates as a group of three 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™ electronic warfare 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 provider of secure networks to educational and other non-defence markets. MASS was founded in 1983 and is led by Managing Director Ashley Lane.

- 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. Its people include many with 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 Managing Director Bill Bird.

- SEA specialises in providing systems engineering and specialist design solutions to government and industry. SEA is an expert in naval and tactical communications providing solutions for the UK submarine flotilla and tactical battlefield data systems. 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.

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 approach is more difficult for large prime contractors for whom co-ordination of big teams through repeatable and enforceable processes can be more important than speed or innovation. But it 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 and SEA's Roadflow product range. 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 secured our first export customers for our proprietary EW database THURBON™ as well as increasing our secure network ("cyber") offering to education and commercial customers.

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 the £30m of contracts awarded to SEA so far for the Astute submarine External Communications System. 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 three 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 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 see opportunities to accelerate our growth by making targeted acquisitions. We believe that there are good businesses in the UK and elsewhere 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 acquisition by MASS of Abacus EW Consultancy in 2010 is a good example of this, and was successful for the Group in terms of its immediate financial return and the access it has provided for MASS into new markets.

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 key evaluation criteria.

Divisional Review

MASS

	2014 **£m**	2013 £m
Revenue	**27.6**	24.8
Adjusted operating profit	**5.0**	5.0
Operating cash flow	**(0.7)**	4.4

MASS had another successful year under Ashley Lane's leadership, maintaining its record level of trading profit off an 11% increase in revenue compared to 2012/13.

A significant contributor to the increase in MASS's revenue was export EW operational support (EWOS), including the first export customers for its proprietary EW database, THURBON™. MASS also had higher deliveries of secure networks to schools, in part resulting from a catch up of delays from 2012/13 at North Lincolnshire, but also with increased delivery to university technical colleges and other free schools. The pipeline for education secure networks remains strong.

Despite the increase in revenue of 11% the trading profit of MASS remained level. The mix of work affected the operating margin with a greater contribution from education and export EWOS and a proportionately lower contribution from defence system integration work. The latter has seen a steady decline over the past few years and MASS has successfully adapted to expand its offerings and secure work in EWOS, Managed Services and Secure Networks.

MASS's net margin of 18% (2013: 20%) is much nearer our expectation for MASS going forward reflecting long term managed service offerings, higher margin but unpredictable export business and more predictable but lower margin secure network activity in education, commercial and defence markets.

MASS secured an important support contract for the NATO Joint EW Core Staff (JEWCS) during 2013/14. As well as being a valuable workstream in its own right, this provides MASS with further opportunities to access NATO customers with its EWOS and THURBON™ offerings.

MASS reorganised itself further during 2013/14, ending the year with two 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). The Secure Information Systems division includes MASS's managed service offerings to the UK as well as secure network design, delivery and support for defence, education and commercial customers. The latter offering includes MASS's own trained and qualified IT consultants in the area of cyber security and information assurance.

MASS enters the current year with a strong order book and pipeline of opportunities, although export opportunities are always unpredictable in terms of timing.

SCS

	2014 **£m**	2013 £m
Revenue	**14.9**	14.1
Adjusted operating profit	**1.0**	0.5
Operating cash flow	**1.6**	0.1

SCS, under Managing Director Bill Bird, has seen a 6% increase in revenue and a more marked (100%) improvement in profit, SCS's net return increasing from below 4% to nearly 7%.

The improvement reflects a 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.

As we signalled last year, we have continued to see some of the tight UK MOD contracting conditions ease a little and we expect this gradual trend to continue in the coming year.

SCS secured a further one year contract, with an option for an additional year, to provide exercise support to the UK's Joint Forces Command, a program that it has now run for well over 10 years. This is a capability that SCS has been able to exploit with overseas customers. With UK forces gradually returning to more normal deployment patterns there are likely to be opportunities for exercise provision with other customers within the UK armed services.

SCS's profitability was boosted by the cost savings made during 2012/13. Its net return at nearly 7% is an improvement and continued revenue growth can drive the margin closer to our target of 10% through operational gearing.

SEA

	2014 **£m**	2013 £m
Revenue	**29.1**	31.9
Adjusted operating profit	**3.8**	3.1
Operating cash flow	**1.9**	2.1

SEA, led by Managing Director Steve Hill, has had another successful year with profit increasing by over 20% on slightly lower revenue. The reduced revenue reflected yet another weak performance in Space but also reduced activity following the completion of its Expeditionary Logistic Support (ELS) research program in 2012/13.

The increased profitability of SEA reflected its Space division making a positive trading contribution rather than the losses of previous years combined with increased revenue and profit from its transport activities. In defence, increased activity in more profitable communications work offset the fall in research activity described above.

The operating margin of SEA at over 13% was a result of one-off items related to the Space business that will not be repeated in future years.

SEA made very good progress on its External Communications System (ECS) for the Astute Class of submarines, work extending onto boats 5, 6 and 7 during the year. In partnership with BAE Systems and the UK MOD, SEA has undertaken the initial design work on extending ECS to the rest of the UK's submarine fleet under a programme known as Common ECS.

SEA's defence research revenue was down on last year with a significant framework contract (ELS) coming to its end in 2012/13. SEA 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 its transport markets, SEA continued to deliver Roadflow units to UK and export customers, with increased orders compared to last year. SEA also delivered its first red light enforcement system, derived from Roadflow, to Network Rail for trials in enforcing safety at railway level crossings.

During the year, SEA completed the delivery of a software tool, Network Rail Operational Logistics (NROL) to the customer. The system has been deployed and is in use by over 1,500 Network Rail employees, customers and suppliers.

SEA's Space division has underperformed for a number of years and although management took action several years ago to stem the operating losses, the delays to major programmes could not be so readily corrected and the business has carried a high level of working capital for a considerable time. During 2013/14 a decision was taken to sell SEA's Space business to Thales Alenia Space UK Ltd (TAS). The transaction was signed on 30 April 2014. The consideration exceeds the value of the assets sold, including the outstanding working capital. The loss on disposal of £1.4m is after a write off of goodwill (£2.0m) associated with the Space business.

SEA's opportunities for 2014/15 remain strong, particularly in its niche capability of submarine communications.

Revenue by market and business

	MASS		SCS		SEA		GROUP			
	2014	2013	2014	2013	2014	2013	2014		2013	
	£m	£m	£m	£m	£m	£m	£m	%	£m	%
Defence & Security	23.5	23.0	14.5	14.1	19.8	22.3	57.8	81	59.4	84
Transport	-	-	-	-	4.9	4.3	4.9	7	4.3	6
Space	-	-	-	-	4.4	5.1	4.4	6	5.1	7
Other commercial	4.1	1.9	0.4	-	-	0.2	4.5	6	2.1	3
	27.6	24.9	14.9	14.1	29.1	31.9	71.6	100	70.9	100

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

	MASS		SCS		SEA		GROUP			
	2014	2013	2014	2013	2014	2013	2014		2013	
	£m	£m	£m	£m	£m	£m	£m	%	£m	%
Direct to UK MOD	10.7	10.8	7.3	6.9	8.0	11.3	26.0		29.0	
Indirect to UK MOD where the Group acts as a sub-contractor or partner	6.3	8.1	4.3	4.6	11.7	10.5	22.3		23.2	
Total to UK MOD	17.0	18.9	11.6	11.5	19.7	21.8	48.3	68	52.2	74
Export & other	6.5	4.1	2.9	2.6	0.1	0.5	9.5	13	7.2	10
	23.5	23.0	14.5	14.1	19.8	22.3	57.8	81	59.4	84

Revenue breakdown by capability

		2014	%	2013	%
Electronic systems	Electronic systems: the design and supply of such equipment and its associated embedded software, as well as the integration of commercial “off the shelf” equipment for specialist applications.	15.6	22	15.7	23
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.	14.5	20	12.3	17
Specialist expertise	Specialist expertise: the provision of expert individuals as part of a customer’s team. All three of our businesses are active in this area, most notably SCS.	10.1	15	9.1	13
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.	6.6	9	9.2	13
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 customers.	8.6	12	8.8	12
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.	8.1	11	7.2	10
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) and SCS.	3.9	5	4.3	6
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.	4.2	6	4.3	6
		71.6	100	70.9	100

Notable changes between 2013 and 2014 were:

- A significant increase in secure networks both in absolute terms and as a proportion of total revenue. This was driven by the catch up on delivering secure networks into schools by North Lincolnshire Council, which were delayed from last year, and increased activity in delivering similar solutions to various University Technical Colleges.

- A drop in applied research revenue in absolute and relative terms at SEA as a result of completion of the ELS research framework contract for UK MOD during last year.

Our people

All of the Group's capabilities and customer relationships ultimately derive from our people. We are very much a people business and such success as we achieve is entirely due to the technical excellence, managerial skills and business acumen of our employees. We are very grateful for the many examples of hard work and dedication we have seen, from the senior management group to individuals and teams delivering what our customers need.

Operational Outlook

Order intake and order book

	Order intake		Order book	
	2014	2013	2014	2013
	£m	£m	£m	£m
MASS	17.9	11.7	46.4	56.1
SCS	17.4	14.2	10.0	7.7
SEA	32.3	33.7	25.3	31.9
	67.6	59.6	81.7	95.7

The increase in the Group's order intake reflected export defence orders at MASS and SCS, more education secure systems at MASS and air domain activity at SCS.

MASS had a strong year of order intake. The increase over the previous year was predominantly due to export EW work and secure systems for education customers. When taking into account the run off of long term orders, of approximately £9m, the MASS closing order book is roughly in line with its opening order book. 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 2014, nearly £20m is deliverable in 2014/15, a higher level of underpinning than last year.

SCS's order intake was over 20% higher than last year reflecting a significant increase in export defence work but also growing UK activity, particularly in the air domain and provision of training support.
SCS's closing order book of £10.0m is virtually all deliverable in 2014/15 representing a higher level of underpinning to 2013/14. 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 strong order intake was very similar to the level achieved in 2012/13. The small reduction was primarily driven by the space and research areas. In the case of the latter, 2012/13 saw a multi-year order for over £11m secured, to which a further £1.5m was added this year.

SEA's strong capability in submarine communications was reflected by orders of nearly £18m including £11m for Astute boats 6 and 7. An initial order of £1m in respect of Common External Communications System (ECS) is the first step in a long programme of developing and delivering SEA's ECS solution across the UK's entire submarine fleet.

SEA delivered its first red light enforcement solution (a variant of Roadflow) to Network Rail during the year.

SEA's Roadflow product saw further orders of £2.1m this year compared with just under £2m in 2012/13, including an export order which opens the door to further opportunities.

SEA's closing order book of nearly £25m underpins over £11m of revenue in 2014/15. Further orders of over £8m have been won by SEA since the year end, providing a solid foundation for the year ahead.

After adjusting for revenue delivered from multi-year orders secured previously (an amount of around £9m) and the impact of removing SEA's Space business, the closing order book of the Group on a like-for-like basis is above last year and provides an improved level of underpinning of revenue at MASS, SCS and SEA to that seen last year.

In the near term, the majority of Cohort's business will continue to derive, either directly or indirectly, from the UK MOD. For the time being the MOD has decided to abandon the idea of moving to a government owned, contractor operated ("GOCO") defence acquisition organisation, and this removes a considerable source of future uncertainty for Cohort. The MOD's recently published Defence Equipment Plan specifically mentions SHEPHERD as a significant achievement and shows 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 also remain active in export markets, where we have seen some success in 2013/14, focusing on those with growing demands for defence equipment and resources to match. Our non-defence activities will reduce in 2014/15 as a result of the sale of SEA's Space business but we remain active in the educational ICT, cyber security and transport markets, prospects in all of which are encouraging. 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 2014/15.

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 £2.5m of cash for the Group since the year end with a further £1.5m expected on finalisation of completion accounts.

At 30 April 2014 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 and at 30 April 2014 none of the above facility had been drawn by the Group.

The overdraft facility is renewable 1 October 2014 and the Board expects it to be renewed on broadly similar terms.

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. This has been reduced following a reduction in the Group's primary banking providers' (RBS) credit rating to Baa2 (2013: A3). RBS's ownership structure with a majority shareholding by the UK Government gives the Board confidence of the credit worthiness 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. All 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.

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 0.46% to 1.4% (2013: 0.6% to 2.1%).

In addition to its cash resources, the Group has in issue 41.0m ordinary shares of 10 pence each. Of these shares just under 1.4m are owned by the Cohort plc Employee Benefit Trust and waive their 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 2.7m at 30 April 2014.

The Group maintains a progressive dividend policy with dividends having increased by approximately 20% per annum over the last four years and dividend cover being maintained in the current year at five times (2013: five times) based upon the adjusted earnings per share.

The Group's cash generation in 2013/14 has not been as strong as during 2012/13. In summary, the Group's cash performance was as follows:

	2014	2013
	£m	£m
Adjusted operating profit	**8.2**	7.3
Depreciation and other non-cash operating movements	**0.8**	0.9
Working capital movement	**(5.4)**	(3.1)
	3.6	5.1
Disposal of SEA's Space business	**2.5**	—
Tax, dividends, capital expenditure, interest and investments	**(6.2)**	(2.8)
(Decrease)/increase in net funds	**(0.1)**	2.3

The primary reason for the weaker cash flow was increased working capital at MASS due to significant level of revenue and invoicing in the last few months of the year and at SEA the Space working capital not unwinding. The latter was partly mitigated by the receipt on the disposal of SEA's Space business.

The other key drivers of weaker cash performance was higher capital expenditure of £2.3m (2013: £0.3m) following SEA's purchase of one of its Bristol facilities and net purchase of own shares by the Employee Benefit Trust of £1.7m (2013: £0.4m).

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 43 days (2013: 42 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, 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 significant level of invoicing in March and April across the Group, especially at MASS and SEA.

The Group's foreign exchange exposure is mainly at SEA and primarily relates to receivables from the European Space Agency; this exposure is hedged using forward contracts. At 30 April 2014, the Group had in place forward foreign exchange contracts as follows:

	Sell	Buy
Euro to GBP	€4.7m	£4.0m
US$ to GBP	$0.2m	£0.1m

These forward contracts are used by the Group to manage its risk exposure to foreign currency on trading contracts where it either or both receives and pays currency from customers and to suppliers respectively.

These forward exchange contracts are entered into when customer contracts are considered highly probable. The Group does not enter into speculative foreign exchange dealing. The marking of forward exchange contracts to market at the spot rate on 30 April 2014 resulted in the recognition of a derivative financial liability of £142,000 (2013: liability of £39,000) and a charge to the income statement of £103,000 (2013: credit of £374,000). In both years, the change in the derivative financial instrument has been recognised separately within operating profit and is not disclosed as part of the adjusted operating profit of the Group.

Tax

The Group's tax charge for the year ended 30 April 2014 of £843,000 (2013: £168,000) was at an effective rate of 12.5% (2013: 2.0%) of profit before tax. This includes a current year corporation tax charge of £1,222,000 (2013: £1,158,000), a rate of 18.1% (2013: 13.6%) of profit before tax, a prior year corporation tax credit of £482,000 (2013: credit of £411,000) and a deferred tax charge of £103,000 (2013: credit of £579,000).

Including the current year deferred tax, the effective current tax rate for the year ended 30 April 2014 is 19.6% (2013: 6.8%). The profit before tax includes a write off of goodwill (£2.0m) which attracts no tax relief and is not recognised in the deferred tax, since it is a permanent difference. The current tax rate (including deferred tax) on profit before tax adjusted for the goodwill write off is 9.6%. This is lower than the standard rate (calculated at 22.83%; 2013: 23.92%), primarily due to recognition of Research & Development (R&D) credits.

The Group's overall tax rate was below the standard corporation tax rate of 22.83% (2013: 23.92%). 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 2014/15 and 2015/16 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 rates going forward are higher than this year due to the disposal of SEA's Space business which accounted for around a third of the Group's qualifying R&D spend. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open, currently 2012/13 and 2013/14.

Exceptional items

The exceptional loss in the year arose from the disposal of SEA's Space business. The loss of £1.4m is after writing off goodwill (£2.0m) associated with the Space business at the time SEA was acquired in 2007.

The profit before goodwill write off of £0.6m reflects the full recovery of the working capital lock up in the Space business less the costs of disposal and undertakings associated with the disposal.

The tax charge on disposal of £186,000 has been offset by the use of brought forward trading losses of SEA, the taxable gain being considered trading income due to the nature of the assets, contracts and intangibles disposed of.

Adjusted earnings per share

The adjusted earnings per share of 19.15 pence (2013: 17.94 pence) is reported in addition to the basic earnings per share and excludes the effect of amortisation of intangible assets, exchange movement on marking forward exchange contracts to market and exceptional items, all net of tax. The adjusted earnings per share, excluding the prior year tax credit and the deferred tax credit in respect of share options (2013: unutilised trading losses), £708,000 in total (2013: £835,000), was 17.37 pence (2013: 15.86 pence), an increase of 10%.

Financial estimates and judgements

In preparing the Annual Report and Accounts of Cohort plc for 2014, 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) and SEA. 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 has been tested for impairment as at 30 April 2014. In both 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 2014.

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 £235,000 (2013: £292,000) 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 2014

	Notes	**Year ended 30 April 2014 £000**	Year ended 30 April 2013 £000
Revenue	2	**71,555**	70,866
Cost of sales		**(47,842)**	(47,646)
Gross profit		**23,713**	23,220
Administrative expenses		**(17,095)**	(14,837)
Operating profit	2	**6,618**	8,383
Comprising:			
Adjusted operating profit	2	**8,171**	7,336
Amortisation of other intangible assets (included in administrative expenses)		**(64)**	(727)
(Charge)/income on marking forward exchange contracts to market value at the year end (included in cost of sales)		**(103)**	374
Exceptional items:			
Loss on disposal of SEA's Space business (included in administrative expenses)		**(1,386)**	-
Release of earn out provision in respect of the acquisition of Abacus EW Consultancy Limited (included in administrative expenses)		-	1,400
Operating profit	2	**6,618**	8,383
Finance income		**125**	128
Finance costs		**-**	-
Profit before tax		**6,743**	8,511
Income tax charge	3	**(843)**	(168)
Profit for the year		**5,900**	8,343

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

	Notes	**Year ended 30 April 2014 Pence**	Year ended 30 April 2013 Pence
Earnings per share	4		
Basic		**14.75**	20.76
Diluted		**14.37**	20.46
Adjusted earnings per share	4		
Basic		**19.15**	17.94
Diluted		**18.66**	17.68
Dividends per share paid and proposed in respect of the year	5		
Interim		**1.40**	1.20
Final		**2.80**	2.30
		4.20	3.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 April 2014

	Notes	At 30 April 2014 £000	At 30 April 2013 £000
ASSETS			
Non-current assets			
Goodwill		**29,395**	31,395
Other intangible assets		**-**	64
Property, plant and equipment		**8,502**	6,892
Deferred tax asset		**301**	479
		38,198	38,830
Current assets			
Inventories		**297**	228
Trade and other receivables		**22,998**	19,385
Cash and cash equivalents		**16,338**	16,426
		39,633	36,039
Total assets		**77,831**	74,869
LIABILITIES			
Current liabilities			
Trade and other payables		**(13,297)**	(13,075)
Current tax liabilities		**(782)**	(1,101)
Derivative financial instruments		**(142)**	(39)
Provisions	6	**(791)**	(911)
		(15,012)	(15,126)
Non-current liabilities			
Deferred tax liability		**(621)**	(696)
		(621)	(696)
Total liabilities		**(15,633)**	(15,822)
Net Assets		**62,198**	59,047
Equity			
Share capital		**4,096**	4,079
Share premium account		**29,656**	29,519
Own shares		**(2,274)**	(731)
Share option reserve		**526**	571
Retained earnings		**30,194**	25,609
Total equity attributable to the equity shareholders of the parent		**62,198**	59,047

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2014

Group	Share capital £000	Share premium account £000	Own shares £000	Share option reserve £000	Retained Earnings £000	Total £000
At 1 May 2012	4,079	29,519	(302)	703	18,101	52,100
Profit for the year	—	—	—	—	8,343	8,343
Transactions with owners of Group, recognised directly in equity						
Equity dividends	—	—	—	—	(1,247)	(1,247)
Share-based payments	—	—	—	292	—	292
Own shares acquired	—	—	(532)	—	—	(532)
Own shares sold	—	—	91	—	—	91
Loss on shares sold	—	—	12	—	(12)	—
Transfer of share option reserve on vesting of options	—	—	—	(424)	424	—
Total contribution by and distribution to Owners of the Group	—	—	(429)	(132)	(835)	(1,396)
At 30 April 2013	4,079	29,519	(731)	571	25,609	59,047
Profit for the year	—	—	—	—	5,900	5,900
Transactions with owners of Group, recognised directly in equity						
Equity dividends	—	—	—	—	(1,482)	(1,482)
New shares issued	17	137	—	—	—	154
Vesting of restricted shares	—	—	—	—	16	16
Own shares acquired	—	—	(1,979)	—	—	(1,979)
Own shares sold	—	—	307	—	—	307
Loss on own shares sold	—	—	129	—	(129)	—
Share-based payments	—	—	—	235	—	235
Transfer of share option reserve on vesting of options	—	—	—	(280)	280	—
Total contribution by and distribution to Owners of the Group	17	137	(1,543)	(45)	(1,315)	(2,749)
At 30 April 2014	**4,096**	**29,656**	**(2,274)**	**526**	**30,194**	**62,198**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 April 2014

	Notes	**Year ended 30 April 2014 £000**	Year ended 30 April 2013 £000
Net cash generated from operating activities	7	**2,576**	4,090
Investing activities			
Interest received		**125**	128
Proceeds on disposal of property, plant and equipment		**3**	3
Purchases of property, plant and equipment		**(2,274)**	(256)
Disposal of SEA's Space business		**2,500**	—
Net cash from/(used in) investing activities		**354**	(125)
Financing activities			
Dividends paid		**(1,482)**	(1,247)
Proceeds on issue of shares		**154**	—
Purchase of own shares		**(1,979)**	(532)
Sale of own shares		**307**	91
Net cash out flow from financing activities		**(3,000)**	(1,688)
Net (decrease)/increase in cash and cash equivalents		**(70)**	2,277

	At 1 May 2013 £000	Exchange gain £000	Cash Flow £000	**At 30 April 2014 £000**
Funds reconciliation				
Cash and bank	10,409	(18)	(135)	**10,256**
Short term deposits	6,017	-	65	**6,082**
Cash and cash equivalents	16,426	(18)	(70)	**16,338**
Bank overdraft	-	-	-	-
Debt	-	-	-	-
Net funds	16,426	(18)	(70)	**16,338**

NOTES TO THE PRELIMINARY RESULTS ANNOUNCEMENT

1. BASIS OF PREPARATION

The financial information contained within this preliminary report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the EU and applying at 30 April 2014. The information in this preliminary statement has been extracted from the financial statements for the year ended 30 April 2014 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with IFRS.

The Group's Annual Report for the year ended 30 April 2014 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 2014 and 2013 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 2013 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 on 26 June 2014 and authorised for issue on 26 June 2014.

Copies of the Annual Report and accounts for the year ended 30 April 2014 will be posted to shareholders on 31 July 2014 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 2014 £000	Year ended 30 April 2013 £000
Revenue		
MASS	**27,568**	24,843
SCS	**14,850**	14,098
SEA	**29,137**	31,925
	71,555	70,866
Adjusted Operating Profit		
MASS	**4,999**	5,033
SCS	**1,037**	517
SEA	**3,803**	3,118
Central costs	**(1,668)**	(1,332)
	8,171	7,336
Amortisation of other intangible assets	**(64)**	(727)
(Charge)/income on marking forward exchange contracts to market value at the year end	**(103)**	374
Exceptional items:		
Loss on disposal of SEA's Space business	**(1,386)**	-
Release of earn out provision in respect of the acquisition of Abacus EW Consultancy Limited	-	1,400
Operating Profit	**6,618**	8,383

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)/income 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 £235,000 in respect of share-based payments (2013: £292,000).

3. TAX CHARGE

	Year ended 30 April 2014 £000	Year ended 30 April 2013 £000
Corporation tax:		
Current year	**1,222**	1,158
Prior year	**(482)**	(411)
	740	747
Deferred taxation:		
Current year	**103**	(579)
	843	168

The current year corporation tax charge includes a charge of £186,000 (2013: £nil) in respect of continuing exceptional items and the current year deferred tax credit includes a credit of £15,000 (2013: £175,000) in respect of the amortisation of other intangible assets and a charge of £37,000 (2013: £90,000) 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 2014 £000	Year ended 30 April 2013 £000
Earnings		
Basic and diluted earnings	**5,900**	8,343
Amortisation of other intangible assets (net of tax of £15,000; 2013: £90,000)	**49**	552
Charge/(income) in respect of marking forward exchange contracts to market value at the year end (plus tax of £37,000; 2013: net tax of £90,000)	**140**	(284)
Loss of disposal of SEA's Space business (including tax charge of £186,000)	**1,572**	-
Release of earn out provision in respect of the acquisition of Abacus EW Consultancy Limited	**-**	(1,400)
Adjusted basic and diluted earnings	**7,661**	7,211

	Number	Number
Weighted average number of shares		
For the purposes of basic earnings per share	**40,010,675**	40,195,916
Share options	**1,036,715**	582,251
For the purposes of diluted earnings per share	**41,047,390**	40,778,167

	Year ended 30 April 2014 Pence	Year ended 30 April 2013 Pence
Earnings per share		
Basic	**14.75**	20.76
Diluted	**14.37**	20.46
Adjusted earnings per share		
Basic	**19.15**	17.94
Diluted	**18.66**	17.68

5. DIVIDENDS

The proposed final dividend for the year ended 30 April 2014 is 2.8 pence (2013: 2.3 pence) per ordinary share. This dividend will be payable 24 September 2014 to shareholders on the register at 29 August 2014.

The total paid and proposed dividend for the year ended 30 April 2014 is 4.2 pence per ordinary share; a cost of £1,664,000 (2013 3.5p per ordinary share; cost of £1,403,000).

The charge for the year ended 30 April 2014 of £1,482,000 is the final dividend for the year ended 30 April 2013 paid (£926,000) and the interim dividend for the year ended 30 April 2014 paid (£556,000).

6. PROVISIONS

	Warranty £000	Other contract related provisions £000	Total £000
At 1 May 2013	130	781	911
Utilised	-	(153)	(153)
Charge/(credit) to the income statement	152	(119)	33
At 30 April 2014	**282**	**509**	**791**
Due less than one year	282	509	791
Due greater than one year	-	-	-
	282	**509**	**791**

The warranty and other contract related provisions are management's best estimates of contract related costs and undertakings, which are in addition to contract accruals, and include provisions for loss making contracts. The timing of these is uncertain but expected to be resolved within twelve months of the balance sheet date.

7. **NET CASH GENERATED FROM OPERATING ACTIVITIES**

	Year ended 30 April 2014 £000	Year ended 30 April 2013 £000
Profit for the year	**5,900**	8,343
Adjustments for:		
Tax charge	**843**	168
Depreciation of property, plant and equipment	**612**	610
Amortisation of goodwill and other intangible assets	**2,064**	727
Net finance	**(125)**	(128)
Share-based payment	**235**	292
Derivative financial instruments	**103**	(374)
Decrease in provisions	**(120)**	(2,463)
Operating cash inflows before movements in working capital	**9,512**	7,175
Increase in inventories	**(69)**	(13)
(Increase)/decrease in receivables	**(5,613)**	1,083
Decrease in payables	**(212)**	(3,092)
	(5,894)	(2,022)
Cash generated by operations	**3,618**	5,153
Tax paid	**(1,042)**	(1,063)
Interest paid	**-**	-
Net cash generated from operating activities	**2,576**	4,090

8. **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.

The disposal completed on 6 June 2014 with the satisfaction of certain contract assignments and novations.

On completion, the Group received the balance of the consideration, a further £2.5m. A further £1.5m is receivable from TAS in respect of a working capital adjustment and is expected to be received in July 2014. The £4.0m receivable from TAS is included within trade and other receivables.

The loss on disposals has been accounted for as an exceptional item and was calculated as follows:

	£'000
Proceeds received	6,500
Assets sold:	
Debtors due less than one year	(5,833)
Fixed assets	(48)
Liabilities transferred:	
Creditors due less than one year	334
Cost of disposal	(339)
Profit on disposal before goodwill write off	614
Goodwill of SEA associated with Space business written off on disposal	(2,000)
Exceptional loss before tax	(1,386)

The cost of disposal includes legal and professional fees, estimated transaction obligations and the costs of the Space business from 1 May 2014 to 6 June 2014.

The tax charge arising on the disposal of SEA's Space business was £186,000. This charge has been offset by SEA utilising some of its deferred tax asset in respect of brought forward tax trading losses.

The disposal of SEA's Space business has not been disclosed as a discontinued item as it has not been recognised in the past as one of the Group's key business units (see note 2).

The contribution of SEA's Space business to the Group's trading performance for the years ended 30 April was as follows:

	2014	2013
	£m	£m
Revenue	**4.5**	5.1
Adjusted operating profit/(loss)	**0.6**	(0.7)