

Cohort plc

Interim Report 2014



Cohort plc is the parent company of four innovative, agile and responsive businesses operating in defence and related markets.

We provide a range of services and products to customers both in the UK and internationally.



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Financial and operational highlights

- Adjusted* operating profit up 34% at £2.5m (2013: £1.8m).
- Revenue up 13% to £37.6m (2013: £33.2m).
- Acquisitions of a majority of Marlborough Communications Ltd (MCL) and J+S Ltd (J+S) completed in period adding £38.0m to the Group's order book.
- In addition to orders acquired, order intake of £64.5m (2013: £35.7m), up 80%.
- Strong closing order book of £146.6m (30 April 2014: £81.7m).
- Net funds of £6.7m (31 October 2013: £13.6m; 30 April 2014: £16.3m) after net acquisition spend of £16.6m.
- Interim dividend increased by 14% to 1.60p per share (2013: 1.40p per share).
- Adjusted* earnings per share 39% higher at 5.50p (2013: 3.97p).

Looking forward

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

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

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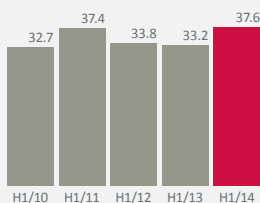
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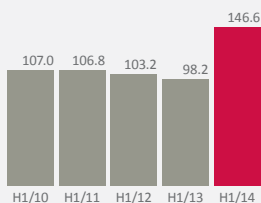
Revenue (£m)

£37.6m +13%



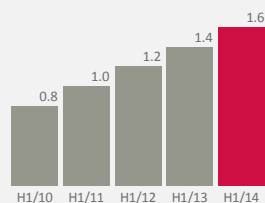
Order book (£m)

£146.6m +49%



Interim dividend (p)

1.6p +14%





Chairman's statement

Nick Prest CBE, Chairman

“88% of the full year consensus revenue is already on order or delivered.”

Overview

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

Key financials

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

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

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

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

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

MASS

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

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

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

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

MCL

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

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

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

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

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

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

SCS

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

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

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

Chairman's statement continued

Nick Prest CBE, Chairman

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

SEA

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

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

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

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

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

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

Dividend

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

Outlook

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

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

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

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

Nick Prest CBE

Chairman

Consolidated income statement

for the six months ended 31 October 2014

| | Notes | Six months ended 31 October 2014 Unaudited £'000 | Six months ended 31 October 2013 Unaudited £'000 | Year ended 30 April 2014 Audited £'000 |
|---|-------|--|--|--|
| Revenue | 2 | 37,581 | 33,167 | 71,555 |
| Cost of sales (including marking forward exchange contracts to market value at period end) | | (26,393) | (23,268) | (47,842) |
| Gross profit | | 11,188 | 9,899 | 23,713 |
| Administrative expenses (including amortisation of intangible assets and exceptional items) | | (9,921) | (8,072) | (17,095) |
| Operating profit | 2 | 1,267 | 1,827 | 6,618 |
| Operating profit comprises: | | | | |
| Adjusted operating profit | 2 | 2,463 | 1,840 | 8,171 |
| Income/(expense) on marking forward exchange contracts to market value at period end | | — | 51 | (103) |
| Amortisation of intangible assets | | (549) | (64) | (64) |
| Exceptional items: | | | | |
| Cost of acquisition of MCL (included in administrative expenses) | 7 | (197) | — | — |
| Cost of acquisition of J+S (included in administrative expenses) | 8 | (417) | — | — |
| Loss on disposal of SEA's Space business (included in administrative expenses) | 9 | (33) | — | (1,386) |
| Operating profit | | 1,267 | 1,827 | 6,618 |
| Finance income | | 56 | 74 | 125 |
| Profit before tax | | 1,323 | 1,901 | 6,743 |
| Income tax expense | 3 | (304) | (314) | (843) |
| Profit for the period | | 1,019 | 1,587 | 5,900 |
| Attributable to: | | | | |
| Equity holders of the parent | | 1,132 | 1,587 | 5,900 |
| Non-controlling interests | | (113) | — | — |
| | | 1,019 | 1,587 | 5,900 |
| Earnings per share | | Pence | Pence | Pence |
| Basic | 4 | 2.84 | 3.95 | 14.75 |
| Diluted | 4 | 2.78 | 3.86 | 14.37 |

All profit for the period is derived from continuing operations.

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

Consolidated statement of financial position

as at 31 October 2014

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

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

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

Consolidated cash flow statement

for the six months ended 31 October 2014

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

Notes to the interim report

for the six months ended 31 October 2014

1. Basis of preparation

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

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

Going concern

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

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

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

(A) Statutory accounts

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

(B) Statement of compliance

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

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

Notes to the interim report continued

for the six months ended 31 October 2014

2. Segmental analysis of revenue and adjusted operating profit

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

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

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

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

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

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

2. Segmental analysis of revenue and adjusted operating profit continued

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

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

Revenue analysis by sector and type of work

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

Notes to the interim report continued

for the six months ended 31 October 2014

3. Income tax expense

The income tax expense/(credit) comprises:

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

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

4. Earnings per share

The earnings per share are calculated as follows:

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

4. Earnings per share continued

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

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

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

5. Dividends

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

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

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

Notes to the interim report continued

for the six months ended 31 October 2014

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

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

7. Acquisition of Marlborough Communications Ltd (MCL)

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

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

7. Acquisition of Marlborough Communications Ltd (MCL) continued

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

Notes to the interim report continued

for the six months ended 31 October 2014

7. Acquisition of Marlborough Communications Ltd (MCL) continued

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

| | Other intangible assets £'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 on the acquisition of MCL was £2.2m.

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

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

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

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

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 IFRS 3, the Group has ascribed a value to the option to acquire the non-controlling interest of MCL. This value is £12.5m and the option is shown as a non-current liability and as the non-controlling interest has a right to dividends, in the other reserves as 'option for acquiring non-controlling interest in MCL'.

8. Acquisition of J+S Ltd (J+S)

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

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

Notes to the interim report continued

for the six months ended 31 October 2014

8. Acquisition of J+S Ltd (J+S) continued

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

| | Other intangible assets £'000 | Estimated life Years |
|--------------------|--|----------------------------|
| Contracts acquired | 6,795 | 9.5 |

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

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

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

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

9. Disposal of SEA's Space business

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

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

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

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

Introduction

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

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

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

Andrew Campbell-Orde for and on behalf of KPMG LLP

Chartered Accountants
Arlington Business Park
Theale
Berkshire
RG7 4SD
15 December 2014

Shareholder information, financial calendar and advisers

Advisers

Nominated adviser and broker

Investec

2 Gresham Street
London EC2V 7QP

Auditor

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Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD

Tax advisers

Deloitte LLP

Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers

Pitmans

The Anchorage
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Reading RG1 2LU

Registrars

Capita Asset Services

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public and investor relations

MHP Communications

60 Great Portland Street
London W1W 7RT

Bankers

RBS

Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Shareholders' enquiries

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

Share register

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

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

Capita Asset Services

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300 (calls cost 10 pence per minute plus network extras). (From outside the UK: +44 20 8639 3399). Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

Facsimile: +44 (0) 20 8639 2220

Email: shareholderenquiries@capita.co.uk

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

Daily share price listings

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

Financial calendar

Interim dividend payable
4 March 2015

Preliminary announcement of year end results 2014/15
25 June 2015

Annual General Meeting
22 September 2015

Final dividend payable (subject to approval)
September 2015

Preliminary announcement of half year results 2015/16
December 2015

Registered office

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Reading RG7 4SA

Registered company number of Cohort plc
05684823

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