



Cohort plc

Applying advanced technology to **protect and secure**

Interim Report 2019



Supporting entrepreneurial businesses to grow and innovate in defence technology, products & services.

Cohort plc



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We support the businesses within our Group to grow. With a focus on entrepreneurialism, we foster agility and promote innovation. Our strong balance sheet provides a stable financial foundation. We create an environment of trust where our businesses share knowledge to widen market access and through partnership to open doors globally.

Operational highlights

- ▶ Revenue up to £60.2m (2018: £39.5m). On a like for like basis, revenues grew by 17%.
- ▶ Adjusted* operating profit up significantly to £4.0m (2018: £1.0m). On a like for like basis, adjusted operating profit grew by 120%.
- ▶ Adjusted* earnings per share up to 6.94 pence (2018: 1.99 pence).
- ▶ Order intake up to £77.2m (2018: £45.6m).
- ▶ Closing order book of £206.7m (30 April 2019: £190.9m).
- ▶ Net debt of £6.8m (31 October 2018: net funds £4.7m; 30 April 2019: net debt £6.4m).
- ▶ Interim dividend increased by 12% to 3.20 pence per share (2018: 2.85 pence per share).
- ▶ Initial first half contribution from Chess and an improvement in the remainder of the Group, particularly at MASS.
- ▶ Agreement to acquire Wärtsilä ELAC Nautik GmbH for a headline price of €11.25m announced today. Expected to complete before 30 June 2020.

Looking forward

- ▶ Second half weighting expected again this year.
- ▶ The half year order book of £206.7m underpins over £60m of revenue deliverable in the second half, which, added to revenue delivered to date, is 83% (2018: 71%) of consensus forecast revenue for the full year.
- ▶ Prospects for more orders in the second half to further underpin this year and next year are good.
- ▶ Full year performance expected to be in line with market expectations.
- ▶ The acquisition of ELAC represents a significant strategic step, furthering our expansion in defence products and export markets, particularly the naval sector.

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

Financial highlights

Revenue (£m)

£60.2m

+52%

Order book (£m)

£206.7m

+90%

Interim dividend (p)

3.20p

+12%

H1/19	60.2
H1/18	39.5
H1/17	44.8
H1/16	50.0
H1/15	49.7

H1/19	206.7
H1/18	108.8
H1/17	132.1
H1/16	129.6
H1/15	140.0

H1/19	3.20
H1/18	2.85
H1/17	2.55
H1/16	2.20
H1/15	1.90

Strong order book underpins a significant proportion of the second half revenue, with good prospects for more orders.



Cohort delivered an improved result in the first half compared to the same period last year, due to a combination of an initial first half contribution from Chess and an improvement in the underlying Group, particularly at MASS. The order book of nearly £207m underpins a significant proportion of the second half revenue, and, as in recent years, we expect a stronger second half.

The Group's 2019/20 first half adjusted operating profit was £4.0m (2018: £1.0m) on higher revenue of £60.2m (2018: £39.5m). Order intake was over 50% up at £77.2m (2018: £45.6m).

MASS was again the largest contributor to the Group's adjusted operating profit, with a much stronger performance than last year. As expected, EID's performance also improved, with higher revenue resulting in a small trading profit. EID is expected to have a strong second half as it delivers against contracted orders. MCL also delivered a better first half performance on higher revenue. SEA's revenue was slightly down and as a result of this and investment in its anti-submarine warfare system, including a sea trial with the Portuguese Navy, its first half result was a small trading loss. SEA is expected to return to profit in the second half, delivering an annual performance similar to last year. Chess contributed a good initial performance to the Group's first half trading performance, following its acquisition in December last year.

As announced separately today, Cohort has signed an agreement to acquire the entire share capital of Wärtsilä ELAC Nautik GmbH (ELAC) from its parent, Wärtsilä Corporation. The headline price is €11.25m (£9.5m) with no earn out, and is subject to adjustments for working capital and a pension liability under a defined benefit scheme. The completion of the deal is subject to conditions including satisfaction of regulatory requirements in Germany. We expect completion of the acquisition to be concluded on or before 30 June 2020. The purchase will be funded entirely from the Group's own cash and debt resources.

ELAC adds a range of sophisticated active and passive sonar systems to the Group's portfolio of naval systems and products, complementary to the existing capabilities at SEA. ELAC also brings a presence in the German domestic market and is active in export markets, including some that are new to the Group.

Key financials

For the six months ended 31 October 2019 the Group's revenue was a total of £60.2m (2018: £39.5m), including £19.9m from MASS, £13.9m from Chess, £13.4m from SEA, £6.0m from EID and £7.0m from MCL.

The Group's adjusted operating profit in the period was £4.0m (2018: £1.0m). This included contributions from MASS of £3.7m (2018: £2.2m), Chess of £1.8m, MCL of £0.5m (2018: break-even), EID of £0.1m (2018: loss of £0.3m), and a loss of £0.3m at SEA (2018: trading profit of £0.4m). Central costs were just over £1.7m (2018: £1.3m).

Cohort's operating profit, after recognising amortisation of intangible assets (£3.7m) was £0.4m (2018: loss of £1.9m after an exceptional charge of £0.5m and amortisation of intangible assets of £2.3m).

Adjusted earnings per share for the six months ended 31 October 2019 increased to 6.94 pence (2018: 1.99 pence). The tax rate in respect of the adjusted operating profit was 16.0% (2018: 18.0%). Basic earnings per share were 1.00 pence (2018: loss per share of 3.52 pence).

The net funds outflow in the first half has been lower than we expected due to the timing of payments. Before taking into account the acquisition of ELAC, we expect the second half operating cash flow to be flat, in line with the expectations stated in July.

The operating cash inflow of £4.8m (2018: outflow of £3.8m) has been used in paying dividends (£2.5m), capital expenditure (£1.8m) and net investment in the Employee Benefit Trust (£0.7m). The net tax refund in the first half (£0.7m) was a result of research and development credits in Portugal.

Our order intake for the first half was £77.2m (2018: £45.6m), excluding foreign exchange movements, resulting in a closing order book of £206.7m (30 April 2019: £190.9m).

Chess

Chess made a strong initial contribution to the Group's first half performance following its acquisition last December, reflecting the Group's 81.84% ownership.

Chess delivered an adjusted operating profit of £1.8m on revenue of £13.9m with good contributions from sales of its counter-drone system to military customers in the United States and Norway. Chess also completed deliveries of naval systems for both the UK and export customers.

Chess's order book of £16.0m at 31 October 2019 along with good short-term order prospects give us confidence that Chess will have a profitable second half.

Chess's long-term prospects for naval, land and counter-drone systems remain strong.

EID

EID's operating profit for the six months ended 31 October 2019 of under £0.1m (2018: loss of £0.3m) was due to an increase in revenue from £3.7m to £6.0m.

EID's stronger performance was mostly in its Tactical (Land) division, delivering the first part of a large order to a Middle East customer.

The mix of work, with lower naval systems activity, and further investment in its new vehicle intercom system account for its lower net margin (1%) compared with its historical levels.

The Group owned 80% of EID throughout the first half of the year (2018: 80% owned).

EID's order book of £37.1m at 31 October 2019 (2018: £23.5m) underpins a high percentage of its expected second half revenue and gives us confidence that EID will deliver a stronger performance in the second half, ahead of last year, returning EID's net margin to more appropriate levels.

EID has good prospects of securing further significant orders in the second half, providing a good base for 2020/21 and beyond.

MASS

MASS's adjusted operating profit of £3.7m (2018: £2.2m) was significantly above last year on higher revenue of £19.9m (2018: £16.0m). Its first half net margin also improved to 19% (2018: 14%), a level we expect to be maintained in the second half.

The higher revenue was a result of work commencing on new electronic warfare operational support projects for export customers.

Following significant order intake in 2018/19, MASS secured further renewals in the first half of 2019/20 and we expect it to maintain its order book into 2020/21.

MCL

MCL's first half contribution of £0.5m (2018: break-even) on higher revenue of £7.0m (2018: £5.5m) was a result of increased activity in supplying equipment to the UK MOD, particularly the Royal Navy.

MCL's order book of £13.2m (2018: £10.0m) and a good pipeline of opportunities give us confidence that MCL will have a stronger second half.

We expect MCL's overall annual performance to be in line with last year.

SEA

SEA's adjusted operating loss of £0.3m (2018: profit of £0.4m) was on slightly lower revenue of £13.4m (2018: £14.3m).

SEA's revenue mix was similar to last year. However, the combination of slightly lower revenue, investment in its products, particularly its anti-submarine warfare Krait Defence System, and extensive bidding activities on export opportunities for naval systems, account for its weaker profit performance. We expect this investment to deliver stronger order intake in the second half, providing good underpinning for 2020/21 and beyond.

For 2019/20, SEA is reasonably well underpinned with a closing order book of £34.6m (2018: £40.7m) including £13m of revenue to be delivered in the second half. Overall, we expect SEA's performance in 2019/20 to be profitable and similar to last year.

Dividend

The Board is declaring an interim dividend increased by 12% to 3.20 pence per share (2018: 2.85 pence per share). This increase reflects the Board's confidence in the outlook for Cohort and its commitment to a progressive dividend policy. The dividend is payable on 26 February 2020 to shareholders on the register at 31 January 2020.

Auditor

After ten years as our auditor, KPMG LLP is stepping down. Following a competitive tender process, we are appointing RSM UK AUDIT LLP as our new auditor and it will undertake our 30 April 2020 year-end audit. We will seek approval of this appointment from shareholders at the Annual General Meeting next September.

Outlook

After a strong year in 2018/19, especially in terms of order intake, the first half of 2019/20 has started well with over £77m of orders secured and we expect a similar second half for order intake. We expect these orders to include important first steps into some key markets and programmes which will provide good revenue streams for many years to come, particularly at SEA and Chess.

At 31 October 2019 our order book was £206.7m (30 April 2019: £190.9m), providing good underpinning for the second half. We therefore expect, as seen in the last few years, a stronger performance in the second half, though we still need to win and deliver some important orders to achieve our targets for the year.

As previously stated, we do not expect any direct effects upon Cohort from the Brexit process, as our UK into EU business remains small. The result of today's UK General Election is not expected to have a material impact on UK defence spending in the short-term, notwithstanding a range of potential long-term outcomes. In all scenarios, the responsibility of the Cohort Board is to manage our affairs so that our businesses prosper whatever the political and economic backdrop.

Overall, the Board expects Cohort's performance in 2019/20 will be in line with market expectations.

The acquisition of ELAC will represent a significant expansion, adding a profitable and growing sixth stand-alone business to Cohort's portfolio. It furthers our strategy of expanding in defence products and export markets, particularly in the naval sector. The naval export markets the Group is focused on are expected to reach US\$150 billion of spend over the next decade in the Asia Pacific region (excluding China) alone.

Nick Prest CBE

Chairman

12 December 2019

Consolidated income statement

for the six months ended 31 October 2019

	Notes	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Revenue	2	60,151	39,493	121,182
Cost of sales		(39,161)	(26,406)	(78,143)
Gross profit		20,990	13,087	43,039
Administrative expenses		(20,626)	(15,005)	(37,095)
Operating profit/(loss)	2	364	(1,918)	5,944
Operating profit/(loss) comprises:				
Adjusted operating profit	2	4,034	968	16,164
Credit/(charge) on marking forward exchange contracts to market value at the period end (included in cost of sales)		7	(64)	33
Amortisation of other intangible assets (included in administrative expenses)		(3,677)	(2,322)	(9,514)
Exceptional items:				
Research and development expenditure credits (RDEC) (included in cost of sales)		—	—	744
Cost of acquiring Chess (included in administrative expenses)		—	—	(1,000)
Cost of acquiring EID (included in administrative expenses)		—	—	17
Reorganisation of SEA (included in administrative expenses)	2	—	(500)	(500)
Operating profit/(loss)		364	(1,918)	5,944
Finance income		12	12	27
Finance costs		(379)	(57)	(296)
Profit/(loss) before tax		(3)	(1,963)	5,675
Income tax credit/(expense)	3	125	353	(584)
Profit/(loss) for the period		122	(1,610)	5,091
Attributable to:				
Equity shareholders of the parent		407	(1,433)	5,447
Non-controlling interests		(285)	(177)	(356)
		122	(1,610)	5,091
Earnings/(loss) per share				
		Pence	Pence	Pence
Basic	4	1.00	(3.52)	13.37
Diluted	4	1.00	(3.52)	13.29

All profit for the period is derived from continuing operations.

Consolidated statement of comprehensive income
for the six months ended 31 October 2019

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Profit/(loss) for the period	122	(1,610)	5,091
Foreign currency translation differences on net assets of EID	(19)	113	(21)
Other comprehensive income/(expense) for the period, net of tax	(19)	113	(21)
Total comprehensive income/(expense) for the period	103	(1,497)	5,070
Attributable to:			
Equity shareholders of the parent	382	(1,321)	5,559
Non-controlling interests	(279)	(176)	(489)
	103	(1,497)	5,070

Consolidated statement of changes in equity

for the six months ended 31 October 2019

	Attributable to the equity shareholders of the parent								
	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non- controlling interests £'000	Total equity £'000
At 1 May 2018	4,096	29,657	(1,190)	626	—	39,253	72,442	2,554	74,996
Loss for the period	—	—	—	—	—	(1,434)	(1,434)	(176)	(1,610)
Other comprehensive income for the period	—	—	—	—	—	113	113	—	113
Total comprehensive income/(expense) for the period	—	—	—	—	—	(1,321)	(1,321)	(176)	(1,497)
Transactions with owners of the Group and non-controlling interests recognised directly in equity:									
Equity dividend	—	—	—	—	—	(2,299)	(2,299)	—	(2,299)
Vesting of Restricted Shares	—	—	—	—	—	178	178	—	178
Own shares purchased	—	—	(631)	—	—	—	(631)	—	(631)
Own shares sold	—	—	587	—	—	—	587	—	587
Net loss on selling own shares	—	—	678	—	—	(678)	—	—	—
Share-based payments	—	—	—	150	—	—	150	—	150
At 31 October 2018 (as restated)	4,096	29,657	(556)	776	—	35,133	69,106	2,378	71,484
At 1 May 2018	4,096	29,657	(1,190)	626	—	39,253	72,442	2,554	74,996
Profit for the year	—	—	—	—	—	5,447	5,447	(356)	5,091
Other comprehensive income/(expense) for the year	—	—	—	—	—	112	112	(133)	(21)
Total comprehensive income/(expense) for the year	—	—	—	—	—	5,559	5,559	(489)	5,070
Transactions with owners of the Group and non-controlling interests, recognised directly in equity:									
Equity dividends	—	—	—	—	—	(3,464)	(3,464)	—	(3,464)
Vesting of Restricted Shares	—	—	—	—	—	178	178	—	178
Own shares purchased	—	—	(631)	—	—	—	(631)	—	(631)
Own shares sold	—	—	743	—	—	—	743	—	743
Net loss on selling own shares	—	—	730	—	—	(730)	—	—	—
Share-based payments	—	—	—	291	—	—	291	—	291
Deferred tax adjustment in respect of share-based payments	—	—	—	(76)	—	—	(76)	—	(76)
Transfer of share option reserve on vesting of options	—	—	—	(238)	—	238	—	—	—
Acquisition of 81.84% of Chess	—	—	—	—	(4,350)	—	(4,350)	4,214	(136)
At 30 April 2019	4,096	29,657	(348)	603	(4,350)	41,034	70,692	6,279	76,971
At 1 May 2019	4,096	29,657	(348)	603	(4,350)	41,034	70,692	6,279	76,971
Profit/(loss) for the period	—	—	—	—	—	407	407	(285)	122
Other comprehensive income/(expense) for the period	—	—	—	—	—	(25)	(25)	6	(19)
Total comprehensive income/(expense) for the period	—	—	—	—	—	382	382	(279)	103
Transactions with owners of the Group and non-controlling interests recognised directly in equity:									
Equity dividend	—	—	—	—	—	(2,544)	(2,544)	—	(2,544)
Vesting of Restricted Shares	—	—	—	—	—	210	210	—	210
Own shares purchased	—	—	(1,830)	—	—	—	(1,830)	—	(1,830)
Own shares sold	—	—	1,104	—	—	—	1,104	—	1,104
Net loss on selling own shares	—	—	577	—	—	(577)	—	—	—
Share-based payments	—	—	—	150	—	—	150	—	150
Adoption of IFRS 16	—	—	—	—	—	(29)	(29)	—	(29)
At 31 October 2019	4,096	29,657	(497)	753	(4,350)	38,476	68,135	6,000	74,135

Consolidated statement of financial position

as at 31 October 2019

	Notes	31 October 2019 Unaudited £'000	31 October 2018 Unaudited (restated) £'000	30 April 2019 Audited £'000
Assets				
Non-current assets				
Goodwill		42,254	39,156	41,354
Other intangible assets		16,911	3,846	20,588
Right of use asset	8	5,745	—	—
Property, plant and equipment		12,111	9,490	10,956
Deferred tax asset		361	640	365
		77,382	53,132	73,263
Current assets				
Inventories		12,889	6,316	13,452
Trade and other receivables		41,673	30,543	42,971
Derivative financial instruments		—	72	—
Cash and cash equivalents		18,371	11,935	18,763
		72,933	48,866	75,186
Total assets		150,315	101,998	148,449
Liabilities				
Current liabilities				
Trade and other payables		(32,909)	(21,189)	(35,225)
Current tax liabilities		(1,234)	—	—
Derivative financial instruments		(118)	(179)	(99)
Bank borrowings		(51)	(7,253)	(61)
Lease liability in respect of right of use asset	8	(1,060)	—	—
Provisions		(1,730)	(1,018)	(818)
		(37,102)	(29,639)	(36,203)
Non-current liabilities				
Deferred tax liability		(3,134)	(1,170)	(4,041)
Bank borrowings		(25,114)	(13)	(25,126)
Lease liability in respect of right of use asset	8	(4,722)	—	—
Provisions		(608)	—	(608)
Other creditors		(5,500)	—	(5,500)
		(39,078)	(1,183)	(35,275)
Total liabilities		(76,180)	(30,822)	(71,478)
Net assets		74,135	71,176	76,971
Equity				
Share capital		4,096	4,096	4,096
Share premium account		29,657	29,657	29,657
Own shares		(497)	(556)	(348)
Share option reserve		753	776	603
Other reserves		(4,350)	—	(4,350)
Retained earnings		38,476	35,133	41,034
Total equity attributable to the equity shareholders of the parent		68,135	69,106	70,692
Non-controlling interests		6,000	2,070	6,279
Total equity		74,135	71,176	76,971

Consolidated cash flow statement

for the six months ended 31 October 2019

	Notes	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Net cash generated from/(used in) operating activities	6	4,844	(3,830)	8,635
Cash flow from investing activities				
Interest received		12	12	27
Purchases of property, plant and equipment		(1,823)	(445)	(2,058)
Acquisition of Chess (including net debt acquired)		—	—	(20,885)
Net cash used in investing activities		(1,811)	(433)	(22,916)
Cash flow from financing activities				
Equity dividends paid		(2,544)	(2,299)	(3,464)
Repayment of borrowings		(23)	(2,000)	(2,027)
Drawdown of borrowings		—	12	18,017
Purchase of own shares		(1,830)	(631)	(631)
Sale of own shares		1,104	587	743
Net cash (used in)/generated from financing activities		(3,293)	(4,331)	12,638
Net decrease in cash and cash equivalents		(260)	(8,594)	(1,643)
Represented by:				
Cash and cash equivalents brought forward		18,763	20,511	20,511
Cash flow		(260)	(8,594)	(1,643)
Exchange		(132)	18	(105)
Cash and cash equivalents carried forward		18,371	11,935	18,763

Net debt reconciliation

	At 1 May 2019 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	At 31 October 2019 £'000
Cash and cash equivalents	18,763	(132)	(260)	18,371
Loan	(25,028)	(1)	—	(25,029)
Finance leases	(159)	—	23	(136)
Bank borrowings	(25,187)	(1)	23	(25,165)
Net debt	(6,424)	(133)	(237)	(6,794)

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 2020. As permitted, this Interim Report has been prepared in accordance with the AIM Rules for Companies and is not required to comply with IAS 34 "Interim Financial Reporting" to maintain compliance with IFRS. This Interim Report is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

For management and reporting purposes, the Group, for the period just ended, operated through its five subsidiaries: Chess, EID, MASS, MCL and SEA. These subsidiaries are the basis on which the Company, Cohort plc, reports its primary segmental 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.

The Group's UK bank facility was renewed during November 2018 for four years until November 2022. The new facility of £30m is with NatWest and Lloyds.

The facility is for debt (including overdraft) and is in addition to separate bilateral facilities with each bank for trade finance items such as guarantees and foreign exchange instruments.

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 2019. KPMG LLP has reported on these accounts; its 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 its report and (iii) did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

(B) Statement of compliance

The accounting policies applied by the Group in its consolidated financial statements for the year ended 30 April 2019 are in accordance with IFRS as adopted by the European Union. The accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

The Interim Report was approved by the Board and authorised for issue on 12 December 2019.

2. Segmental analysis of revenue and adjusted operating profit/(loss)

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Revenue			
Chess	13,917	—	10,674
EID	6,050	3,671	11,530
MASS	19,856	16,055	38,951
MCL	7,024	5,485	21,715
SEA	13,775	14,303	38,731
Inter-segment revenue	(471)	(21)	(419)
	60,151	39,493	121,182
Operating profit comprises:			
Trading profit/(loss) of:			
Chess	1,787	—	1,682
EID	56	(274)	1,357
MASS	3,754	2,181	8,175
MCL	468	32	2,282
SEA	(302)	381	5,492
Central costs	(1,729)	(1,352)	(2,824)
Adjusted operating profit	4,034	968	16,164
Charge on marking forward exchange contracts to market value at the period end	7	(64)	33
Amortisation of intangible assets	(3,677)	(2,322)	(9,514)
Exceptional items	—	(500)	(1,483)
Research and development expenditure credits (RDEC)	—	—	744
Operating profit/(loss)	364	(1,918)	5,944

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, other exchange gains and losses, exceptional items and the amortisation of other intangible assets.

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

The Group's adjusted operating profit includes the cost of share options of £150,000 for the six months ended 31 October 2019 (six months ended 31 October 2018: £150,000; year ended 30 April 2019: £291,000). This figure is reported within the central costs for the six months ended 31 October 2019 and 31 October 2018. For the year ended 30 April 2019 the share option cost is applied to each reporting segment in proportion to the number of employees in the Group's various share option schemes.

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

The operating profit and interest charge for the six months ended 31 October 2019 include the impact of applying IFRS 16 'Leases' from 1 May 2019. The comparatives have not been restated (see note 8).

2. Segmental analysis of revenue and adjusted operating profit/(loss) continued
Revenue analysis by sector and type of deliverable

	Six months ended 31 October 2019 Unaudited		Six months ended 31 October 2018 Unaudited		Year ended 30 April 2019 Audited	
	£m	%	£m	%	£m	%
By sector						
UK defence	28.1	47	22.3	56	62.3	51
Portugal defence	1.5	2	1.7	4	4.4	4
Export defence customers	21.5	36	6.8	17	30.8	26
Security	4.0	7	1.9	6	9.0	7
Defence and security revenue	55.1	92	32.7	83	106.5	88
Transport	2.8		3.9		9.2	
Offshore energy	0.9		0.9		2.1	
Other commercial	1.4		2.0		3.4	
Non-defence revenue	5.1	8	6.8	17	14.7	12
Total revenue	60.2	100	39.5	100	121.2	100

The defence and security revenue is further analysed into the following:

	Six months ended 31 October 2019 Unaudited		Six months ended 31 October 2018 Unaudited		Year ended 30 April 2019 Audited	
	£m	%	£m	%	£m	%
By market segment						
Combat systems	8.9	15	9.3	24	22.9	19
C4I/STAR	29.2	49	10.4	26	51.1	42
Cyber security and secure networks	7.6	13	7.2	18	15.5	13
Simulation and training	4.1	7	2.3	6	6.5	5
Research, advice and support	5.1	8	3.3	8	9.3	8
Other	0.2	—	0.2	1	1.2	1
Total defence and security revenue	55.1	92	32.7	83	106.5	88

The Group's total revenue in terms of type of deliverable is analysed as follows:

	Six months ended 31 October 2019 Unaudited		Six months ended 31 October 2018 Unaudited		Year ended 30 April 2019 Audited	
	£m	%	£m	%	£m	%
Product	34.3	57	16.6	42	65.2	54
Services	25.9	43	22.9	58	56.0	46
Total revenue	60.2	100	39.5	100	121.2	100

3. Income tax (credit)/expense

The income tax (credit)/expense comprises:

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
UK corporation tax: in respect of this period	531	195	2,729
UK corporation tax: in respect of prior periods	—	—	(10)
Portugal corporation tax: in respect of this period	57	(90)	(410)
Portugal corporation tax: in respect of prior periods	—	—	1
Other foreign corporation tax: in respect of this period	—	—	31
	588	105	2,341
Deferred taxation: in respect of this period	(713)	(458)	(1,713)
Deferred taxation: in respect of prior periods	—	—	(44)
	(713)	(458)	(1,757)
	(125)	(353)	584

The income tax credit for the six months ended 31 October 2019 is based upon the anticipated charge for the full year ending 30 April 2020. As it is an estimate, the impact of research and development credits (RDEC) is not shown separately.

4. Earnings per share

The earnings per share are calculated as follows:

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Earnings			
Basic and diluted earnings/(loss)	407	(1,433)	5,447
(Credit)/charge on marking forward exchange contracts to market at the period end (net of income tax)	(6)	52	(27)
Exceptional items (net of income tax):			
Reorganisation of SEA	—	405	405
Cost of acquisition of EID	—	—	(17)
Cost of acquisition of Chess (net of income tax)	—	—	926
Group's share of amortisation of intangible assets (net of income tax)	2,420	1,787	6,956
Adjusted basic and diluted earnings	2,821	811	13,690
	Number	Number	Number
Weighted average number of shares			
For the purposes of basic earnings per share	40,633,341	40,666,957	40,749,551
Share options	200,712	213,513	224,086
For the purposes of diluted earnings per share	40,834,053	40,880,470	40,973,637

The weighted average number of ordinary shares for the six months ended 31 October 2019 excludes 109,383 ordinary shares held by the Cohort plc Employee Benefit Trust (which does not receive a dividend) for the purposes of calculating earnings per share (six months ended 31 October 2018: 156,411; year ended 30 April 2019: 98,053).

4. Earnings per share continued

	Six months ended 31 October 2019 Unaudited Pence	Six months ended 31 October 2018 Unaudited Pence	Year ended 30 April 2019 Audited Pence
Earnings/(loss) per share			
Basic	1.00	(3.52)	13.37
Diluted	1.00	(3.52)	13.29
Adjusted earnings per share			
Basic	6.94	1.99	33.60
Diluted	6.91	1.98	33.41

5. Dividends

	Six months ended 31 October 2019 Unaudited Pence	Six months ended 31 October 2018 Unaudited Pence	Year ended 30 April 2019 Audited Pence
Dividends per share proposed in respect of the period			
Interim	3.20	2.85	2.85
Final	—	—	6.25

The interim dividend for the six months ended 31 October 2019 is 3.20 pence (six months ended 31 October 2018: 2.85 pence) per ordinary share. This dividend will be payable on 26 February 2020 to shareholders on the register at 31 January 2020.

The final dividend charged to the income statement for the year ended 30 April 2019 was 8.50 pence per ordinary share, comprising 2.85 pence of interim dividend for the six months ended 31 October 2018 and 5.65 pence of final dividend for the year ended 30 April 2018.

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

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Profit/(loss) for the period	122	(1,610)	5,091
Adjustments for:			
Tax (credit)/expense	(125)	(353)	584
Depreciation of property, plant and equipment	654	550	1,147
Amortisation of intangible assets	3,677	2,322	9,514
Net finance costs	367	45	269
Share-based payment	150	150	291
Derivative financial instruments and foreign exchange movements	(7)	64	(33)
Increase/(decrease) in provisions	11	(574)	(1,186)
Operating cash flow before movements in working capital	4,849	594	15,677
Decrease/(increase) in inventories	563	111	(2,812)
Decrease/(increase) in receivables	1,020	2,580	(794)
Decrease in payables	(2,086)	(6,418)	(451)
	(503)	(3,727)	(4,057)
Cash generated from/(used in) operations	4,346	(3,133)	11,620
Tax received/(paid)	784	(640)	(2,689)
Interest paid	(286)	(57)	(296)
Net cash generated from/(used in) operating activities	4,844	(3,830)	8,635

7. IFRS 15 'Revenue from Contracts with Customers'

The impact of IFRS 15 was fully reported on by the Group in the Annual Report and Accounts for the year ended 30 April 2019.

The reported results for the six months ended 31 October 2018 were initial estimates at the publication of the 2018 Interim Report. These figures have now been updated and reported as final figures for the six months ended 31 October 2018.

The impact of the changes is that the total equity of the Group at 1 May 2018 has increased by £66,000 from that reported in the 2018 Interim Report of 12 December 2018. The 31 October 2018 balance sheet has been restated accordingly with an increase in the trade and other receivables by £66,000. The Consolidated income statement, Consolidated statement of comprehensive income and Consolidated cash flow statement for the six months ended 31 October 2018 are unaffected.

8. IFRS 16 'Leases'

The Group has adopted IFRS 16 'Leases' as from 1 May 2019 using the modified retrospective methodology. This has resulted in the Group recognising right of use assets and liabilities as follows:

Right of use asset	Property £'000	Other plant and equipment £'000	Total £'000
At 1 May 2019	5,405	466	5,871
Additions	336	54	390
At 31 October 2019	5,741	520	6,261
Depreciation charge	(429)	(87)	(516)
Net book value at 31 October 2019	5,312	433	5,745
Lease liability in respect of right of use asset:			
At 1 May 2019			5,900
New loans			390
Interest			93
Payments			(601)
At 30 April 2019			5,782
Due within one year			1,060
Due after one year			4,722
			5,782

The impact on the operating profit and profit before tax for the six months ended 31 October 2019 is as follows:

	£'000
Depreciation charge	(516)
Operating lease cost	601
Net increase in operating profit	85
Interest charge	(93)
Net decrease in profit before tax	(8)

The impact of this change in accounting policy on basic earnings per share is 0.02 pence for the six months ended 31 October 2019.

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Shareholders' enquiries

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

Share register

Link 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:

Link Asset Services

Shareholder Solutions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300 (calls are charged at 12 pence per minute plus your phone provider's access charge). (From outside the UK: +44 371 664 0300 calls will be charged at the applicable international rate.) Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Email:
shareholderenquiries@linkgroup.co.uk

If you change your name or address or if details on the envelope enclosed with 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
- ▶ The Daily Telegraph – AIM section
- ▶ London Evening Standard – AIM section

Financial calendar

Annual General Meeting

15 September 2020

Final dividend payable

16 September 2020

Expected announcements of results for the year ending 30 April 2020

Preliminary full year announcement

7 July 2020

Half year announcement

December 2020

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Registered company number of Cohort plc

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Cohort plc is a company registered in England and Wales.

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