

13 December 2023

COHORT PLC
("Cohort" or "the Group")

HALF YEAR RESULTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2023

Strong growth in operating profit, revenue and order book; further progress expected

Cohort plc, the independent technology group, today announces its half year results for the six months ended 31 October 2023.

The Group achieved a strong first half, with growth in revenue, profit, and order book compared with 2022. The increase in the interim dividend reflects the Board's confidence in the Group's growth prospects and continued commitment to a progressive dividend policy.

Financial highlights

- Revenue up 22% to £94.3m (2022: £77.5m).
- Adjusted* operating profit up 20% to £6.0m (2022: £5.0m).
- Adjusted* earnings per share of 10.36 pence (2022: 10.12 pence) impacted by a higher tax rate and higher net interest charge.
- Order intake of £119.1m (2022: £88.6m), 1.3x the period's revenue.
- Record closing order book of £353.9m (30 April 2023: £329.1m).
- Interim dividend increased by over 10% to 4.70 pence per share (2022: 4.25 pence per share) continuing the Group's long standing track record of progressive dividend growth.
- Net funds of £13.3m at 31 October 2023 (31 October 2022: £0.6m net debt; 30 April 2023: £15.6m net funds).

Operational highlights

- Increased revenue was driven by higher UK MOD sales within both divisions.
- The strong growth in adjusted* operating profit was driven by the Communications and Intelligence division, with profit performance in the Sensors and Effectors division slightly lower than last year.
- Order intake benefited from strong performances within the Sensors and Effectors division, particularly at SEA which continues to grow its naval business stream.

Looking forward

- The record order book of £353.9m includes over £90m of revenue deliverable in the second half:
 - Taking into account revenue recognised in the first half, this covers over 95% of consensus forecast revenue for the full financial year.
 - Revenue deliverable in future years from committed orders continues to grow, and the duration of the order book now extends to 2033.
- The current year outlook for the Group remains unchanged:
 - In line with previous experience, we anticipate a stronger Group performance in the second half.
 - Increased delivery in Sensors and Effectors division expected to drive growth in Group performance.
- We continue to see a positive outlook for organic growth in the medium term.

New non-executive director appointment

- Peter Lynas, formerly Finance Director of BAE Systems, will join the Board as a Non-Executive Director and Audit Chair designate in January 2024.

* Adjusted figures exclude the effects of marking forward exchange contracts to market value (£6k charge; 2022: £1.6m charge), amortisation of other intangible assets (£1.6m; 2022: £1.8m).

Commenting on the results, Nick Prest CBE, Chairman of Cohort, said:

“Cohort delivered a stronger performance for the first half compared to the same period last year with growth in both revenue and adjusted operating profit. Strong order intake has driven a record closing order book which underpins most of the second half of this financial year. Consequently, in line with previous experience and given the 95% visibility the current order book gives us over current year forecast revenues, we anticipate a stronger performance in the second half and thus remain on track to achieve our expectations for the full year.

“The continued expansion of the order book is a strong indicator that we are offering competitive products in a growing market. On-order revenue is now deliverable out to 2033. The pipeline of order opportunities for the remainder of the year also looks strong. Demand for our solutions and services continues to be driven by international tensions in the Asia-Pacific region and Europe. This backdrop is driving increased spending on defence and security in Europe, including the UK, other NATO countries and the Asia-Pacific region. Overall, we continue to see a positive outlook for organic growth in the years ahead.”

Dividend timetable:

Interim dividend announcement date	13 December 2023
Record date	5 January 2024
Dividend payment date	13 February 2024

A Dividend Reinvestment Plan ('DRIP') is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. The latest election date is 23 January 2024. More information can be found at www.shareview.co.uk/info/drip.

Analyst Presentation

A meeting is being held today, for analysts, hosted by Andy Thomis, Chief Executive, and Simon Walther, Finance Director, at 9.15am for a 09:30am start. Please contact MHP via cohort@mhpgroup.com if you wish to attend.

For those unable to attend in person, a recording of the presentation will be made available on Cohort's website: <https://www.cohortplc.com/investors/results-reports-presentations>

Investor Presentation

Andy Thomis (Chief Executive) and Simon Walther (Finance Director) will be giving an investor presentation hosted by Equity Development at 4.15pm today. The webinar is open to all existing and potential shareholders. Questions can be submitted during the presentation, or sent beforehand by email to info@equitydevelopment.co.uk

Please register to attend the event via the following link: [Cohort: Investor Presentation \(Interim Results\) - 13th December 2023 \(equitydevelopment.co.uk\)](https://www.cohortplc.com/investors/results-reports-presentations)

For further information please contact:

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NOTES TO EDITORS

Cohort plc (www.cohortplc.com) is the parent company of six innovative, agile and responsive businesses based in the UK, Germany and Portugal, providing a wide range of services and products for domestic and export customers in defence and related markets.

Cohort (AIM: CHRT) was admitted to London's Alternative Investment Market in March 2006. It has headquarters in Reading, Berkshire and employs in total over 1,200 core staff there and at its other operating company sites across the UK, Germany, and Portugal.

The group is split into two segments - Communications and Intelligence, and Sensors and Effectors:

Communications and Intelligence

- EID designs and manufactures advanced communications systems for naval and military customers. Cohort acquired a majority stake in June 2016. www.eid.pt
- MASS is a specialist data technology company serving the defence and security markets, focused on electronic warfare, digital services, and training support. Acquired by Cohort in August 2006. www.mass.co.uk
- MCL designs, sources, and supports advanced electronic and surveillance technology for UK end users including the MOD and other government agencies. MCL has been part of the Group since July 2014. www.marlboroughcomms.com

Sensors and Effectors

- Chess Dynamics offers surveillance, tracking and fire-control systems to the defence and security markets. Chess has been part of the Group since December 2018. www.chess-dynamics.com
- ELAC SONAR supplies advanced sonar systems and underwater communications to global customers in the naval marketplace. Acquired by Cohort in December 2020. www.elac-sonar.de
- SEA delivers and supports technology-based products for the defence and transport markets alongside specialist research and training services. Acquired by Cohort in October 2007. www.sea.co.uk

Chairman's statement

Compared to the same period last year Cohort delivered a stronger performance for the six months ended 31 October 2023 with growth in both revenue and adjusted operating profit.

Overall, the Group's adjusted operating profit grew by 20% to £6.0m (2022: £5.0m) on 22% higher revenue of £94.3m (2022: £77.5m).

The re-prioritisation of defence spending within Europe seen last year, following events in Ukraine and persistent tensions in the Asia-Pacific region, has driven continued impetus for defence spending. That has resulted in an increased tempo of order intake across the Group, at 1.3x first half revenue (2022/23: 1.1x). Recent events in the Middle East, while also contributing to an increased regional focus on defence spending, have led to some delays in delivery as a result of diverted customer focus. That has been particularly noticeable in relation to training work in the Communications and Intelligence division.

Although there remain pockets of supply challenges, notably in relation to our Portuguese business, these have lessened over the period. Recruitment pressures have likewise eased considerably, reflecting the positive impact of initiatives such as apprentice and graduate schemes, a focus on employee engagement and the support of STEM initiatives in local schools and communities. Recruitment of certain specialist professionals with high-level security clearances remains the most challenging aspect of people resourcing, and this is particularly relevant to the Communications and Intelligence division. Overall we have seen our employee headcount increase from 1,075 last October to 1,243 this October.

We continue to see some inflationary pressures, particularly affecting specialist materials and expertise. We have been able to mitigate some of this effect through price escalation clauses in longer term contracts. In shorter term contracts the impact is less serious, but our ability to mitigate inflationary pressures depends on our ability to increase our prices, which is sometimes but not always the case.

Geographically, the improvement in the Group's adjusted operating profit was driven by the Group's UK operations. This was partly offset by delays to orders and deliveries within the Group's Portuguese business, EID. We also saw weaker revenue mix at ELAC as the Group continued to take a cautious approach to the margin traded on the Italian sonar project, which is still in development.

The Group's order intake was strong at £119.1m (2022: £88.6m), and the closing order book of £353.9m was a record high for the Group. On-contract revenue now stretches out to 2033. We saw particularly strong order intake within Sensors and Effectors of £93.6m. There are further good order prospects for the Group in the second half and beyond. These include opportunities with the Portuguese Navy, and export customers in Southeast Asia and Australasia, as well as communications and surveillance systems for customers in the UK and Europe. Since the period end the order book has grown to over £365m including the third boat for the Italian sonar project announced on 5 December 2023.

At 31 October 2023, net funds were £13.3m, compared to net funds of £15.6m at 30 April 2023. As at 10 December 2023, the Group's net funds were £10.3m. We expect the Group to see a net cash outflow in the second half of the year, a result of planned capital investment.

Governance

The Board regularly evaluates and reviews the Group's environmental, social and governance (ESG) activity and is committed to maintaining appropriate standards. We continue to make good progress with a wide range of initiatives at subsidiary level with MCL, MASS and Chess working towards ISO 14001 accreditation. Each UK subsidiary has published its net zero carbon plans. The Group's values, customer engagement principles and governance policies are all outlined on Cohort's website and in the Annual Report and Accounts.

The Board remains committed to open communications with investors. Shortly after the AGM the Board hosted an institutional investor site visit at Chess giving the audience a chance to view some of the work being undertaken within the Group and an opportunity to talk face to face with Chess's management team.

As separately announced today, Peter Lynas will be joining the Cohort Board as a Non-Executive Director on 2 January 2024 and will replace Jeff Perrin as Chairman of the Audit Committee when Jeff retires in September 2024. Peter Lynas has deep experience of the defence industry as the former Finance Director of BAE Systems, and we are pleased to welcome him to the Board.

Key financials

For the six months ended 31 October 2023 the Group's revenue was £94.3m (2022: £77.5m), comprised of £43.9m in Communications and Intelligence (2022: £33.2m) and £51.0m in Sensors and Effectors (2022: £44.5m).

The Group's adjusted operating profit in the period was £6.0m (2022: £5.0m). Central costs were £2.3m (2022: £2.6m). Cohort made an operating profit after recognising amortisation of intangible assets (£1.6m) of £4.4m (2022: operating profit of £1.6m, after amortisation of intangible assets of £1.8m and a charge on marking forward exchange contracts to market value of £1.6m).

Adjusted earnings per share for the six months ended 31 October 2023 increased to 10.36 pence (2022: 10.12 pence). The tax rate in respect of the adjusted operating profit was 20.0% (2022: 17.0%). Basic earnings per share were 7.46 pence (2022: 2.73

pence). The lower growth in adjusted earnings per share when compared with adjusted operating profit was due to the higher tax rate and higher net interest charge.

The cash inflow from operations of £10.5m (2022: outflow of £4.9m) is significantly higher than last year's equivalent period due to timing of working capital movements, with advanced payments received, particularly within Sensors and Effectors, ahead of project work deliverable in the rest of the year. The Group made payments in respect of dividends (£3.7m) and capital expenditure (£2.7m) resulting in net funds at 31 October 2023 of £13.3m (30 April 2022: net funds of £15.6m). The capital expenditure included a further spend of £1.5m on ELAC's new facility. The total spend for this project is expected to be around £17m over the three years from 2022 to 2025.

Communications and Intelligence

Driven largely by increased UK MOD spend, largely at MCL, the Communications and Intelligence division posted an improved trading profit of £6.0m for the six months to 31 October 2023 (2022: £5.2m) on revenue of £43.9m (2022: £33.2m), a net margin of 13.7% (2022: 15.7%). The weaker net margin has been mostly driven by performance at MASS, where some of its higher margin EWOS work has slipped into the second half.

The division's order book reduced to £108.3m (30 April 2023: £126.7m) as much of MCL's outstanding UK MOD order backlog was delivered in the first half. Long-awaited orders from the Portuguese Navy were further delayed, but we expect that the division will deliver a performance for the whole year in line with 2022/23.

Sensors and Effectors

Despite higher revenue of £51.0m (2022: £44.5m) within Sensors and Effectors, the trading profit of £2.3m was slightly lower than that achieved last year (£2.5m) with a net margin of 4.5% (2022: 5.6%). This was a result of revenue mix, with a greater proportion of lower margin sales at SEA and continued low margin trading of the Italian sonar project as it progresses through its development phase. Last year also included a £0.5m contribution from Wärtsilä, the final payment under the scheme agreed at the time of the acquisition of ELAC.

The division's order book increased to £245.6m (30 April 2023: £202.4m) with £93.7m of order intake in the first half of the year. SEA in particular saw several large naval orders placed, including an order with the Royal New Zealand Navy. The pipeline of opportunities for this division is strong with further large orders possible in the second half of the year.

The order book covers over £60m of revenue to be delivered in the second half of the year and we expect this division to deliver a stronger performance in the second half, driving the Group's overall growth compared to 2022/23.

Dividend

The Board has declared an interim dividend increase of over 10% to 4.70 pence per share (2022: 4.25 pence per share). The interim dividend is payable on 13 February 2024 to shareholders on the register as at 5 January 2024.

Outlook

The Group's order book at 31 October 2023 stood at £353.9m (30 April 2023: £329.1m), underpinning most of the second half of this financial year. In line with previous experience, we anticipate a stronger Group performance in the second half and thus remain on track to achieve our expectations for the full year.

The continued expansion of the Group's order book is a strong indicator that we are offering competitive products in a growing market. On-order revenue is now deliverable out to 2033. The pipeline of order opportunities for the remainder of the year also looks strong. Demand for our solutions and services continues to be driven by international tensions in the Asia-Pacific region and Europe. This backdrop is driving increased spending on defence and security in Europe, including the UK, other NATO countries and the Asia-Pacific region. Overall, we continue to see a positive outlook for organic growth in the years ahead.

Nick Prest CBE

Chairman

13 December 2023

**Consolidated income statement
for the six months ended 31 October 2023**

		Six months ended 31 October 2023	Six months ended 31 October 2022	Year ended 30 April 2023
	Notes	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	2	94,304	77,467	182,713
Cost of sales		(63,154)	(53,184)	(117,852)
Gross profit		31,150	24,283	64,861
Administrative expenses		(26,721)	(22,675)	(49,610)
Operating profit	2	4,429	1,608	15,251
Operating profit comprises:				
Adjusted operating profit	2	5,996	5,011	19,064
Charge on marking forward exchange contracts to market value at the period end (included in cost of sales)		(6)	(1,567)	(1,082)
Amortisation of other intangible assets (included in administrative expenses)		(1,561)	(1,836)	(3,672)
Research and development expenditure credits (RDEC) (included in cost of sales)		—	—	941
Operating profit		4,429	1,608	15,251
Finance income		227	29	134
Finance costs		(988)	(552)	(1,458)
Profit before tax		3,668	1,085	13,927
Income tax expense	3	(734)	(184)	(2,675)
Profit for the period		2,934	901	11,252
Attributable to:				
Equity shareholders of the parent		3,017	1,109	11,356
Non-controlling interests		(83)	(208)	(104)
		2,934	901	11,252
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Earnings per share		Pence	Pence	Pence
Basic	4	7.46	2.73	27.92
Diluted	4	7.44	2.72	27.86

All profit for the period is derived from continuing operations.

**Consolidated statement of comprehensive income
for the six months ended 31 October 2023**

	Six months ended 31 October 2023 Unaudited £'000	Six months ended 31 October 2022 Unaudited £'000	Year ended 30 April 2023 Audited £'000
Profit for the period	2,934	901	11,252
Foreign currency translation differences on net assets of overseas subsidiaries	(49)	305	(1,070)
Changes in retirement benefit obligations	—	—	1,919
Other comprehensive (expense)/income for the period, net of tax	(49)	305	849
Total comprehensive income for the period	2,885	1,206	12,101
Attributable to:			
Equity shareholders of the parent	2,957	1,414	12,205
Non-controlling interests	(72)	(208)	(104)
	2,885	1,206	12,101

**Consolidated statement of changes in equity
for the six months ended 31 October 2023**

	Attributable to the equity shareholders of the parent								
	Share capital	Share premium account	Own shares	Share option reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2022	4,121	30,527	(3,346)	1,000	(1,400)	53,068	83,970	5,220	89,190
Profit/(loss) for the period	—	—	—	—	—	1,109	1,109	(208)	901
Other comprehensive income for the period	—	—	—	—	—	305	305	—	305
Total comprehensive income/(expense) for the period	—	—	—	—	—	1,414	1,414	(208)	1,206
Transactions with owners of the Group and non-controlling interests recognised directly in equity:									
Issue of new shares	16	622	—	—	—	—	638	—	638
Equity dividend	—	—	—	—	—	(3,393)	(3,393)	—	(3,393)
Vesting of Restricted Shares	—	—	—	—	—	189	189	—	189
Own shares purchased	—	—	—	—	—	—	—	—	—
Own shares sold	—	—	111	—	—	—	111	—	111
Net loss on disposal of own shares	—	—	198	—	—	(198)	—	—	—
Share-based payments (including deferred tax and foreign exchange)	—	—	—	312	—	—	312	—	312
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	384	—	384	—	384
At 31 October 2022	4,137	31,149	(3,037)	1,312	(1,016)	51,080	83,625	5,012	88,637
At 1 May 2022	4,121	30,527	(3,346)	1,000	(1,400)	53,068	83,970	5,220	89,190
Profit for the period	—	—	—	—	—	11,356	11,356	(104)	11,252
Other comprehensive income for the period	—	—	—	—	—	849	849	—	849
Total comprehensive income/(expense) for the period	—	—	—	—	—	12,205	12,205	(104)	12,101
Transactions with owners of the Group and non-controlling interests recognised directly in equity:									
Issue of new shares	25	957	—	—	—	—	982	—	982
Equity dividend	—	—	—	—	—	(5,124)	(5,124)	—	(5,124)
Vesting of Restricted Shares	—	—	—	—	—	218	218	—	218
Own shares purchased	—	—	(586)	—	—	—	(586)	—	(586)
Own shares sold	—	—	111	—	—	—	111	—	111
Net loss on disposal of own shares	—	—	220	—	—	(220)	—	—	—
Purchase of non-controlling interest	—	—	—	—	—	2,359	2,359	(2,359)	—
Share-based payments	—	—	—	1,522	—	—	1,522	—	1,522
Deferred tax adjustment in respect of share-based payments	—	—	—	(36)	—	—	(36)	—	(36)
Transfer of share option reserve on vesting of options	—	—	—	(370)	—	370	—	—	—
Change in option for acquiring non-controlling interest in Chess	—	—	—	—	1,400	—	1,400	—	1,400
At 30 April 2023	4,146	31,484	(3,601)	2,116	—	62,876	97,021	2,757	99,778
At 1 May 2023	4,146	31,484	(3,601)	2,116	—	62,876	97,021	2,757	99,778
Profit/(loss) for the period	—	—	—	—	—	3,017	3,017	(83)	2,934
Other comprehensive (expense)/income for the period	—	—	—	—	—	(60)	(60)	11	(49)
Total comprehensive income/(expense) for the period	—	—	—	—	—	2,957	2,957	(72)	2,885
Transactions with owners of the Group and non-controlling interests recognised directly in equity:									
Issue of new shares	3	127	—	—	—	—	130	—	130
Equity dividend	—	—	—	—	—	(3,697)	(3,697)	—	(3,697)
Vesting of Restricted Shares	—	—	—	—	—	202	202	—	202
Own shares purchased	—	—	(1,917)	—	—	—	(1,917)	—	(1,917)
Own shares sold	—	—	115	—	—	—	115	—	115
Net loss on disposal of own shares	—	—	159	—	—	(159)	—	—	—
Transfer of reserves	—	—	—	—	—	1,556	1,556	(1,556)	—

Share-based payments (including deferred tax and foreign exchange)	—	—	—	420	—	—	420	—	420
At 31 October 2023	4,149	31,611	(5,244)	2,536	—	63,735	96,787	1,129	97,916

**Consolidated statement of financial position
as at 31 October 2023**

	31 October 2023 Unaudited £'000	31 October 2022 Unaudited £'000	30 April 2023 Audited £'000
Assets			
Non-current assets			
Goodwill	50,145	50,145	50,145
Other intangible assets	4,409	7,806	5,969
Right of use asset	8,053	8,804	8,521
Property, plant, and equipment	17,177	13,829	15,304
Deferred tax asset	1,531	1,364	1,600
	81,315	81,948	81,539
Current assets			
Inventories	33,831	22,755	32,041
Trade and other receivables	61,060	59,573	55,612
Current tax assets	1,793	138	-
Derivative financial instruments	78	128	42
Cash and cash equivalents	36,094	29,030	41,454
	132,856	111,624	129,149
Total assets	214,171	193,572	210,688
Liabilities			
Current liabilities			
Trade and other payables	(62,945)	(44,343)	(55,897)
Current tax liabilities	(2,876)	(659)	(2,143)
Derivative financial instruments	(766)	(1,711)	(1,041)
Lease liabilities	(1,541)	(1,264)	(1,660)
Bank borrowings	—	(19)	(9)
Provisions	(10,378)	(8,835)	(8,687)
Other current liabilities	—	(1,016)	—
	(78,506)	(57,847)	(69,437)
Non-current liabilities			
Deferred tax liability	(1,100)	(985)	(1,467)
Lease liabilities	(7,154)	(8,131)	(7,473)
Bank borrowings	(22,779)	(29,612)	(25,837)
Provisions	(1,449)	(1,294)	(1,404)
Retirement benefit obligations	(5,267)	(7,066)	(5,292)
	(37,749)	(47,088)	(41,473)
Total liabilities	(116,255)	(104,935)	(110,910)
Net assets	97,916	88,637	99,778
Equity			
Share capital	4,149	4,137	4,146
Share premium account	31,611	31,149	31,484
Own shares	(5,244)	(3,037)	(3,601)
Share option reserve	2,536	1,312	2,116
Other reserves	—	(1,016)	—
Retained earnings	63,735	51,080	62,876
Total equity attributable to the equity shareholders of the parent	96,787	83,625	97,021
Non-controlling interests	1,129	5,012	2,757
Total equity	97,916	88,637	99,778

**Consolidated cash flow statement
for the six months ended 31 October 2023**

	Notes	Six months ended 31 October 2023 Unaudited £'000	Six months ended 31 October 2022 Unaudited £'000	Year ended 30 April 2023 Audited £'000
Net cash generated from/(used by) operating activities	6	7,598	(5,846)	16,522
Cash flow from investing activities				
Interest received		227	29	134
Purchases of property, plant, and equipment		(2,720)	(2,612)	(5,231)
Purchase of non-controlling interest in Chess		—	—	(1,016)
Net cash used in investing activities		(2,493)	(2,583)	(6,113)
Cash flow from financing activities				
Issue of new shares		130	638	982
Dividends paid		(3,697)	(3,393)	(5,124)
Purchase of own shares		(1,917)	—	(586)
Sale of own shares		115	111	111
Repayment of borrowings		(3,000)	(17)	(4,000)
Repayment of lease liabilities		(1,006)	(941)	(1,954)
Net cash used in financing activities		(9,375)	(3,602)	(10,571)
Net decrease in cash and cash equivalents		(4,270)	(12,031)	(162)
Represented by:				
Cash and cash equivalents brought forward		41,454	40,367	40,367
Net decrease in cash and cash equivalents		(4,270)	(12,031)	(162)
Exchange (losses)/gains		(1,090)	694	1,249
Cash and cash equivalents carried forward		36,094	29,030	41,454

Net funds/(debt) reconciliation

	At 1 May 2023 £'000	Effect of foreign exchange rate changes £'000	Cash flow £'000	At 31 October 2023 £'000
Cash and cash equivalents	41,454	(1,090)	(4,270)	36,094
Loan	(25,837)	58	3,000	(22,779)
Finance leases	(9)	—	9	—
Bank borrowings	(25,846)	58	3,009	(22,779)
Net funds	15,608	(1,032)	(1,261)	13,315

The above analysis excludes IFRS 16 leases which are disclosed on the face of the statement of financial position.

**Notes to the interim report
for the six months ended 31 October 2023**

1. Basis of preparation

The financial information contained within this Interim Report has been prepared applying the recognition and measurement requirements of UK-adopted International Accounting Standards expected to apply at 30 April 2024. 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'. 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 two divisions, each containing three of our six small and medium-sized businesses, operating primarily in defence and security markets, and with a strong emphasis on technology, innovation and specialist expertise.

These divisions are the basis on which the Company, Cohort plc, currently reports its primary segmental information and are as follows:

- Communications and Intelligence, comprising EID, MASS and MCL, and;
- Sensors and Effectors, comprising Chess, ELAC and SEA

The Group's first half trading is in line with historical trends for the Group where typically we see a first half of a third or less of the full year in respect of earnings.

Going concern

The Group meets its day-to-day working capital requirements through a facility which was renewed in July 2022 and recently extended to run until July 2026 with an option to extend by a further year until July 2027. The new facility is for a £35m revolving credit facility with an accordion (option) to draw another £15m. Both the current domestic economic conditions and continuing UK Government budget pressures create uncertainty, particularly over the level of demand for the Group's products and services, specifically in respect of UK defence spending (UK MOD represents 52% of the Group's 2023/24 first half revenue). The current heightened international security situation, especially the ongoing conflict in Ukraine, has increased the focus of governments, particularly in NATO, on defence capability and how this should be enhanced, including increased investment. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance for a period of at least 12 months from the date of signing this Interim Report, show that the Group should be able to operate within the level of its current facility.

The Directors have a reasonable expectation that the Company and Group have 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.

(A) Statutory accounts

The financial information set out above does not constitute the Group's statutory accounts for the year ended 30 April 2023. RSM UK Audit 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, or material uncertainty, without qualifying its report and (iii) did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006. 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.

(B) Statement of compliance

The accounting policies applied by the Group in this Interim Report are consistent with its consolidated financial statements for the year ended 30 April 2023 and are in accordance with UK-adopted International Accounting Standards. The accounting policies have been applied consistently to all periods presented in the consolidated financial statements of this Interim Report.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities.

Estimates and judgements as applied to items, including goodwill, revenue recognition, recoverability of trade and other receivables, provisions and taxation have not materially changed since the year end.

The Interim Report was approved by the Board for issue on 13 December 2023.

2. Segmental analysis of revenue and adjusted operating profit

	Six months ended 31 October 2023 Unaudited £'000	Six months ended 31 October 2022 Unaudited £'000	Year ended 30 April 2023 Audited £'000
Revenue			
Communications and Intelligence	43,888	33,176	86,379
Sensors and Effectors	50,990	44,464	97,031
Inter-segment revenue	(574)	(173)	(697)
	94,304	77,467	182,713
Operating profit comprises:			
Adjusted operating profit of:			
Communications and Intelligence	5,998	5,189	14,911
Sensors and Effectors	2,295	2,451	9,320
Central costs	(2,297)	(2,629)	(5,167)
Adjusted operating profit	5,996	5,011	19,064
Charge on marking forward exchange contracts to market value at the period end	(6)	(1,567)	(1,082)
Amortisation of intangible assets	(1,561)	(1,836)	(3,672)
Research and development expenditure credits (RDEC)	—	—	941
Operating profit	4,429	1,608	15,251

All revenue and adjusted operating profits are 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 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 £393,000 for the six months ended 31 October 2023 (six months ended 31 October 2022: £310,000; year ended 30 April 2023: £1,522,000).

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

Revenue analysis by sector and type of deliverable

	Six months ended 31 October 2023 Unaudited		Six months ended 31 October 2022 Unaudited		Year ended 30 April 2023 Audited	
	£m	%	£m	%	£m	%
By sector						
UK Defence	49.4	52	36.8	47	98.5	54
UK Security	1.1	1	0.8	1	3.7	2
UK Other	4.2	5	5.2	7	7.4	4
Total UK	54.7	58	42.8	55	109.6	60
Portuguese defence and security	3.7	4	0.4	1	4.9	3
German defence and security	2.9	3	0.8	1	4.3	2
Home market revenue	61.3	65	44.0	57	118.8	65
Export defence and security	29.3	31	29.7	38	58.4	32
Export other (non-defence and security)	3.7	4	3.8	5	5.5	3
Total revenue	94.3	100	77.5	100	182.7	100

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

	Six months ended 31 October 2023 Unaudited		Six months ended 31 October 2022 Unaudited		Year ended 30 April 2023 Audited	
	£m	%	£m	%	£m	%
Product	70.2	74	57.4	74	140.8	77
Services	24.1	26	20.1	26	41.9	23
Total revenue	94.3	100	77.5	100	182.7	100

3. Income tax expense

The income tax expense comprises:

	Six months ended 31 October 2023 Unaudited £'000	Six months ended 31 October 2022 Unaudited £'000	Year ended 30 April 2023 Audited £'000
UK corporation tax: in respect of this period	1,878	556	3,314
UK corporation tax: in respect of prior periods	-	—	(756)
German corporation tax: in respect of this period	(354)	2	—
Portugal corporation tax: in respect of this period	(488)	(6)	(249)
Portugal corporation tax: in respect of prior periods	-	—	397
Other foreign corporation tax: in respect of this period	-	—	133
	1,036	552	2,839
Deferred taxation: in respect of this period	(302)	(368)	(96)
Deferred taxation: in respect of prior periods	-	—	(68)
	(302)	(368)	(164)
	734	184	2,675

The income tax charge for the six months ended 31 October 2023 is based upon the anticipated charge for the full year ending 30 April 2024.

4. Earnings per share

The earnings per share are calculated as follows:

	Six months ended 31 October 2023 Unaudited £'000	Six months ended 31 October 2022 Unaudited £'000	Year ended 30 April 2023 Audited £'000
Earnings			
Basic and diluted earnings attributable to owners	3,017	1,109	11,356
Charge on marking forward exchange contracts to market at the period end (net of income tax)	5	1,660	811
Group's share of amortisation of intangible assets (net of income tax)	1,165	1,342	2,672
Adjusted basic and diluted earnings	4,187	4,111	14,839

	Number	Number	Number
Weighted average number of shares			
For the purposes of basic earnings per share	40,419,052	40,616,350	40,673,953
Share options	113,791	130,673	88,038
For the purposes of diluted earnings per share	40,532,843	40,747,023	40,761,991

The weighted average number of ordinary shares for the six months ended 31 October 2023 excludes 1,048,353 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 2022: 602,590; year ended 30 April 2023: 718,157).

	Six months ended 31 October 2023 Unaudited Pence	Six months ended 31 October 2022 Unaudited Pence	Year ended 30 April 2023 Audited Pence
Earnings per share			
Basic	7.46	2.73	27.92
Diluted	7.44	2.72	27.86
Adjusted earnings per share			
Basic	10.36	10.12	36.48
Diluted	10.33	10.09	36.40

5. Dividends

	Six months ended 31 October 2023 Unaudited Pence	Six months ended 31 October 2022 Unaudited Pence	Year ended 30 April 2023 Audited Pence
Dividends per share proposed in respect of the period			
Interim	4.70	4.25	4.25
Final	—	—	9.15

The interim dividend for the six months ended 31 October 2023 is 4.70 pence (six months ended 31 October 2022: 4.25 pence) per ordinary share. This dividend will be payable on 13 February 2024 to shareholders on the register at 5 January 2024.

The dividend paid during the year ended 30 April 2023 was 12.60 pence per ordinary share, comprising 4.25 pence of interim dividend for the six months ended 31 October 2022 and 8.35 pence of final dividend for the year ended 30 April 2022.

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

	Six months ended 31 October 2023 Unaudited £'000	Six months ended 31 October 2022 Unaudited £'000	Year ended 30 April 2023 Audited £'000
Profit for the period	2,934	901	11,252
Adjustments for:			
Tax expense	734	184	2,675
Depreciation of property, plant and equipment	1,281	1,171	2,376
Depreciation of right of use assets	901	898	1,776
Amortisation of intangible assets	1,561	1,836	3,672
Net finance expense	761	523	1,324
Derivative financial instruments and other non-trading exchange movements	6	1,567	1,082
Share-based payment	393	310	1,522
Increase in provisions	1,740	278	720
Operating cash flow before movements in working capital	10,311	7,668	26,399
(Increase)/decrease in inventories	(1,567)	223	(8,565)
(Increase)/decrease in receivables	(5,738)	(4,090)	2,999
Increase/(decrease) in payables	7,513	(8,726)	(2,976)
	208	(12,593)	(8,542)
Cash generated from/(used by) operations	10,519	(4,925)	17,857
Income taxes paid	(2,068)	(500)	(111)
Interest paid	(853)	(421)	(1,224)
Net cash generated from/(used by) operating activities	7,598	(5,846)	16,522

Conclusion

We have been engaged by Cohort plc ('the Company') to review the condensed set of financial statements of the Company and its subsidiaries (the 'Group') in the interim financial report for the six months ended 31 October 2023 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and accompanying notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent material misstatements of fact or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 31 October 2023 is not prepared, in all material respects, in accordance with the presentation, recognition and measurement criteria of UK-adopted International Accounting Standards and the AIM Rules for Companies.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ('ISRE (UK) 2410') issued for use in the United Kingdom. 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 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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with the presentation, recognition and measurement criteria of UK-adopted International Accounting Standards.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group and the Company to cease to continue as a going concern.

Responsibilities of Directors

The interim financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim financial report in accordance with the presentation, recognition and measurement criteria of UK-adopted International Accounting Standards and the AIM Rules for Companies.

In preparing the interim financial report, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial Information

In reviewing the interim financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the interim financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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 formed.

RSM UK Audit LLP

Chartered Accountants

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13 December 2023