

Cohort plc

Annual Report and Accounts 2008



Registered Company Number of Cohort plc
05684823
Cohort plc is a company registered in England and Wales

Welcome to Cohort

Cohort is an AIM listed independent technology business operating in defence and related markets.

It was formed in 2006 as a holding company to acquire and grow businesses capitalising on the growing demand in the UK and overseas, for independent technical advice and cost effective and flexible supply of niche products and services.

It now has three well established, wholly owned subsidiaries providing a wide range of services and products covering the full defence procurement cycle.

IFC	Company Profile
01	Highlights
02	Chairman's Statement
04	Chief Executive's Report
06	Finance Director's Review
10	Operational Review
16	Board of Directors and Executive Management
18	Directors' Report
22	Corporate Governance Report
24	Remuneration Committee Report
26	Independent Auditors' Report
27	Consolidated Income Statement
28	Consolidated and Company Balance Sheets
29	Consolidated Statement of Changes in Equity
30	Consolidated Cash Flow Statement
31	Notes to the Financial Statements
49	Accounting Policies
54	Notice of Annual General Meeting
IBC	Advisers
	Shareholder Information and Financial Calendar

About us

Cohort's strategic aim is to build up a group of complementary companies supplying technical advice, managed services, niche products and software to growth segments of defence and related markets, sharing the following core characteristics:

- Independent
- Technically expert
- Practically oriented
- Flexible
- Cost-effective
- Growing

The accessible market for such services and products is large because of growing technical complexity, the outsourcing of scientific and technical expertise by Government to the private sector and the consolidation of the supply chain, particularly at prime and first tier level, all of which have increased the need of government for independent sources of advice and created new opportunities for niche suppliers of technical services and products. We aim to make targeted acquisitions of companies which have good management and technology but which can benefit from being part of a group with a larger balance sheet and a wider customer base. Our management approach provides a high level of operating autonomy for subsidiaries whilst ensuring the degree of financial oversight required for a quoted company and the exchange of information and practices which make the Group greater than the sum of its parts.

Our Operations

MASS Consultants Limited (MASS) is an independent systems house with a strong defence focus

MASS designs, manufactures and supports electronic systems and software, and provides specialist services and training. Its core capabilities are electronic warfare, operational support, communications and highly secure IT systems and applications. Its commitment to rigorous quality procedures enables delivery against demanding timescales, including many Urgent Operational Requirements (UORs).

MASS was formed in 1983 and is based in St Neots, near Cambridge, with an office in Lincoln. It currently has c130 permanent employees, plus c10 deployed associates.

Systems Consultants Services Limited (SCS) is an independent technical advisory business operating primarily in the defence and security sectors.

SCS specialises in providing advisers with sound technical knowledge coupled with experience of its practical application in the particular field. Its activities are very diverse, ranging from managing major exercises, providing technical input to major projects, to testing the integrity of overseas national lottery systems.

SCS was formed in 1992 and is based in Henley-on-Thames, Oxfordshire. It currently has c115 permanent employees, plus c190 deployed associates.

SEA (Group) Limited (SEA) is an independent systems engineering and software company operating in defence, space, transport and off-shore markets.

SEA delivers systems engineering, software and electronic engineering services and solutions to Government and industry, including specialist design and manufacture. Its core capability is development of innovative electronic surveillance systems (sensors for vibration, radar, sonar, optical and laser).

SEA was formed in 1988 and is based in Beckington, near Frome, with offices in North Bristol (near MOD). It currently has c210 permanent employees.

Our Market Sectors

Defence Security Information systems Telecommunications Space
Transport Off-shore

Our Clients

Our clients include the MOD, other UK Government Departments, NATO and a range of industry clients including major international corporations.

Highlights

Operational:

Strong revenue growth from MASS and SCS

SCS secured key part in UK MOD LEAPP programme

MASS secured and has begun to execute delivery on a key overseas electronic warfare operational support programme

SEA has performed above expectations since acquisition and secured key orders in Defence, Space and Transport

Financial:

Acquisition of SEA on 31 October 2007

Group revenue up 66% to £57.1m

Adjusted operating profit* up 210% at £6.1m

Adjusted earnings per share** up 63% at 14.2p

Group order book at 30 April 2008 £58.3m

Final proposed dividend up 11% to 1.0p per share

* Adjusted operating profit excludes amortisation of other intangible assets, exceptional items and joint ventures

** Adjusted earnings per share is based upon profit after tax excluding amortisation of other intangible assets and exceptional items

Chairman's Statement

Nick Prest CBE
Chairman

Summary: Chairman's Statement

SEA exceeded expectations

MASS and SCS revenue continued
to grow strongly

Adjusted earnings per share 63%
ahead of 2007 at 14.2p

Proposed final dividend of 1.0p per
share, 11% above 2007

Order book of £58.3m provides a good
platform for 2009

I am pleased to announce that Cohort plc has continued to make good progress in its second full year as a publicly quoted company, successfully implementing our strategy of growing both organically and by acquisition in the provision of technical services to defence and related markets. Our existing subsidiaries, MASS Consultants Limited (MASS) and Systems Consultants Services Limited (SCS) again delivered strong revenue growth. Cohort acquired SEA (Group) Limited (SEA) on 31 October 2007 and the new business has settled in well and performed ahead of expectations in its first six months within the Group.

Key Financials

In the year ended 30 April 2008, Cohort achieved revenue of £57.1m (2007 £34.4m) representing a 66% increase on 2007. This included revenue of £26.1m (2007 £22.1m) from SCS, and £18.0m from MASS (2007 £12.3m for nine months), representing annualised organic growth of 18% and 10% respectively, with an initial contribution from SEA of £13.0m.

The Group's adjusted operating profit was £6.1m (2007 £2.9m). This included operating profit from SCS of £2.3m (2007 £2.2m) and from MASS of £2.3m (2007 £1.3m for nine months) representing annualised organic growth of 6% and 30% respectively. The initial contribution from SEA for six months was £2.2m, representing a strong second half performance. Cohort group overheads were £0.7m (2007 £0.6m). Group operating profit was £5.5m (2007 £2.5m).

Profit before amortisation of other intangible assets, interest and tax was £6.0m (2007 £2.7m) after accounting for the Group's share of joint venture losses of £118,000 (2007 £256,000).

Profit after interest and before tax was £5.6m (2007 £2.7m) and profit after tax was £4.5m (2007 £2.3m).

Basic earnings per share were 12.81p (2007 8.21p). Adjusted earnings per share were 14.24p (2007 8.71p). The adjusted earnings per share were based upon profit after tax, excluding amortisation of other intangible assets and exceptional items.

The Cohort cash balance at year-end was £6.1m (2007 £5.0m), reflecting the good operating performance, net of the cash invested in the acquisition of SEA. The earn-out payment for the shareholders of SEA, estimated to be £4.7m, is expected to be paid in July 2008.

Dividends

The Group plans to pay a final dividend of 1.0p per ordinary share (2007 0.9p), making the full year dividend in respect of the year ended 30 April 2008 1.45p per ordinary share (2007 1.30p). This will be payable on 3 September 2008 to shareholders on the register at 8 August 2008 subject to approval at the Annual General Meeting on 28 August 2008.

Board and Personnel

Ian Dale Staples joined the Cohort executive team and Board on 1 November 2007 following the acquisition of SEA. As well as holding responsibility for SEA, Ian is working closely with Stanley Carter, Simon Walther and me on the Group's acquisition plans.

Cohort has achieved its financial and strategic objectives for the year.

I would like to add a warm welcome to all the employees of SEA who have joined the Cohort Group

I would like to thank all our employees for the efforts which have helped to make this year another successful one

Outlook

Following a good year for order intake with total orders of £63.8m the Group order book at 1 May 2008 stood at £58.3m. This provided a good platform going into the current year. With the addition of SEA the Group now stands with a wide offering to its largest customer, the UK MOD, but has also, through further export orders secured at MASS and through the space, transport and other commercial segments of SEA, positioned itself to grow in additional markets and sectors. We continue to look for acquisitions to complement the organic development of the business.

Overall the Board is positive about the outlook for the continued progress of the Group.

Nick Prest CBE
Chairman

Chief Executive's Report

A E Stanley Carter
Chief Executive

I am pleased to report that Cohort's trading this year has continued the successful trend of last year. The Group has been significantly expanded and strengthened with the acquisition of SEA in October 2007 and has witnessed continued strong growth from both MASS and SCS. All three companies have achieved record annual revenue and profit.

In the year ended 30 April 2008, Cohort achieved Group revenue of £57.1m (2007: £34.4m) and an adjusted operating profit of £6.1m (2007: £2.9m), representing a full year of trading for MASS and SCS and six months for SEA.

Group Overview

Cohort is an independent group whose constituent companies provide a wide range of technical advice, support and managed services and certain niche products, characterised by high tech design and low volume manufacture. It provides an environment in which companies can develop and continue to grow whilst retaining a high degree of autonomy but deriving benefit from being part of the wider Group. This year's expansion of its existing companies and the acquisition of SEA is entirely in line with Cohort's strategy of continuing organic growth and a steady rate of acquisition of successful, complementary companies. These may be large enough to operate as an additional member within the Group or smaller businesses that can be attached to existing members of the Group.

Organisationally Cohort's head office has been strengthened by Finance Director, Simon Walther and Business Manager, Emily Davies relinquishing their additional shadow roles in SCS with effect from 1 January 2008. Ian Dale-Staples, CEO of SEA was appointed to the Cohort Board following the

acquisition of SEA in October. Now that the earn-out period for SEA has ended he will take an increasing role in the Group's acquisition process.

Cohort's well established businesses have successfully expanded from their roots in defence and now have a presence in the following market sectors: information systems, security, telecommunications, transport, space and off-shore.

Trading Subsidiaries

MASS

MASS Consultants Limited (MASS) is an independent systems house with a strong technology market focus including the design and manufacture of niche technology products.

Based in St Neots near Cambridge with an electronic warfare facility in Lincoln, MASS, which was founded in 1983 celebrates its 25th anniversary this year. It specialises in the field of electronic warfare, secure communications and associated managed services.

Andy Thomas, formerly Corporate Development Director of Cohort, was appointed Managing Director of MASS on 1 May 2007. The three other Directors, including a founder of MASS, have remained in post since the acquisition in August 2006.

SCS

Systems Consultants Services Limited (SCS) is an independent technical advisory and managed service business operating primarily in the defence and security sectors. Its personnel combine technical expertise with practical experience. Over 70% of its employees have served in the Armed Forces.

Based in Henley-on-Thames, SCS was founded in 1992 and has consistently grown year on year. This year is no exception despite major management changes including my handover to Rick Bounsall as Managing Director on 1 May 2007. John Lyde (a founding Director) stepped down as Technical Director and I take this opportunity to thank him for his invaluable support over many years.

Revenue growth in 2008 at 18% was good, whilst not as strong as the previous year, and profit grew by just over 6% compared with 2007. The provision of specialist manpower support to the UK MOD demonstrated very good growth in revenue and profit, partly reflecting the high level of operational stretch in the Armed Forces, whereas major equipment programmes experienced delay resulting in some under-utilisation. Overheads were also higher, including costs relating to the needed introduction of new IT systems and additional support staff. These changes and the recent streamlining of management at SCS are aimed at improving the operating margin in the current year.

SCS Joint Ventures

In the course of the year SCS withdrew from participation in the Digital Millennium Map Limited Liability Partnership, membership of which pre-dated the 2006 flotation of Cohort, as there was no longer an adequate rationale for the investment. We have continued to support Advanced Geospatial Solutions Limited (AGS), in which SCS holds a 50% stake, as it works to bring its ground-breaking 3D terrain visualisation software to market. Progress was made with contracts being secured for both military/security and commercial applications, the latter

in relation to 3D display on mobile phones. We will continue to keep the investment in AGS under close review.

SEA

SEA (Group) Limited (SEA) is an independent systems engineering and software company operating in the defence, space, transport and off-shore markets. It is based in Beckington near Frome, Somerset with further offices close to the main UK MOD establishment at Bristol. The Company, which celebrates its 20th anniversary this year, was acquired by Cohort in October 2007. Limited management structure changes have been made recently, namely the subdivision of the former Defence Division into four Divisions which, added to the existing Transport, Space and Off-shore, make a total of seven. Paul Phillips, formerly heading Defence Division, has been appointed SEA Managing Director under Ian Dale-Staples who remains SEA CEO and has a place on the Cohort Board.

Outlook

In an uncertain financial climate, the diversity both across the Group and within the individual companies, coupled with the ability to keep well abreast of and sometimes lead technology, provides the agility to enable us to respond quickly to market needs. I am therefore confident the Group is well placed to continue to grow both organically and by acquisition.

Stanley Carter
Chief Executive

Finance Director's Review

Simon Walther
Finance Director

The following review explains in further detail the significant issues arising during the year ended 30 April 2008 and highlights other matters over and above what is included in the primary financial statements and notes thereto

Revenue

The segmental analysis (note 1) presents the Group's revenue by subsidiary. The revenue is further analysed in the table opposite.

The change in the revenue by sector and in the Group is due to the acquisition of SEA which at the time of acquisition had approximately 30% of its business in non-defence sectors. This proportion is expected to grow following recent significant contract wins in Space and Transport.

Adjusted Operating Profit

The adjusted operating profit is presented to reflect the trading profit of the Group and excludes amortisation of other intangible assets, joint ventures and exceptional items. This allows the Group to present its trading performance in a comparable format year on year.

The adjusted operating profit is stated after charging the cost of share-based payments of £129,000 (2007: £71,000) which is allocated to each business in proportion to its employee participation in the Group's share option schemes.

The adjusted operating profit of SEA (and the Group) is after crediting £131,000 (2007: £Nil) in respect of marking forward foreign exchange contracts to market at 30 April 2008, these contracts being used to hedge the forward sale of currency on Euro denominated trading contracts.

Tax

The Group's tax charge for the year ended 30 April 2008 of £1,089,000 (2007: £454,000) was at an effective rate of 19.6% (2007: 16.7%) of profit before tax. This includes a current year corporation tax charge of £710,000 (2007: £449,000), a rate of 12.7% (2007: 16.5%) of profit before tax and deferred tax charge of £379,000 (2007: credit of £28,000).

The Group's overall tax rate was significantly below the standard corporation tax rate of 30%. The majority of the rate reduction was due to the recognition of research and development (R&D) credits at MASS for the year ended 30 April 2008 and SEA for the six months ended 30 April 2008. The deferred tax charge was mostly in respect of SEA acquired losses, which were part of the fair value balance sheet acquired, being utilised in the year.

SEA retained its small and medium sized enterprise (SME) status for the five months ended 31 March 2008.

From 1 April 2007 and 1 April 2008, MASS and SEA respectively no longer qualify under current legislation as SMEs for the purposes of R&D tax credits.

Revenue analysis				
By Sector	2008		2007	
	£m	%	£m	%
Direct to UK MOD	34.0		23.6	
Indirect to UK MOD, where the Group acts as a sub contractor or partner	13.6		7.4	
Total to the UK MOD	47.6	83	31.0	90
Export defence customers	4.2		0.5	
Defence revenue	51.8	91	31.5	92
Transport	1.7		—	
Space	1.2		—	
Other commercial	2.4		2.9	
Non-defence revenue	5.3	9	2.9	8
Total revenue	57.1	100	34.4	100

By type of work	2008		2007	
	£m	%	£m	%
Advisory services	21.9	39	18.0	52
Technology solutions	14.9	26	1.1	4
Managed services	8.6	15	6.0	17
Manpower provision	6.9	12	5.3	15
Product	4.8	8	4.0	12
Total revenue	57.1	100	34.4	100

From these dates, these businesses are only allowed to claim the lower R&D tax credit allowance available to larger companies, currently 25%.

The R&D tax credit legislation is under review to increase the SME qualifying limits which may benefit the Group's subsidiaries in the future.

During the year the Group applied for R&D tax credits in respect of its subsidiary SCS and its joint venture AGS. The potential credit from these claims is not reflected in the current tax charge due to the claims being at an early stage with HMRC.

Looking forward, the change in the R&D tax credit rates available to the Group's subsidiaries will result in the Group's overall effective corporation tax rate rising from recent levels of below 20% to a higher level, although below the standard rate of 28%, effective from 1 April 2008.

Provisions

The Group's provisions at 30 April 2008 are as per note 18.

The deferred consideration provisions for both MASS and SEA were established at the time of their respective acquisitions and are to be settled in cash in the coming twelve months as follows:

MASS - the deferred consideration may be payable (up to a maximum of £0.5m) during the current year and 2009, if conditions set out at the time of acquisition are met before 31 July 2008.

SEA - due for settlement in July 2008. The deferred consideration is expected to be paid in full at £4.67m, as the profit before tax and interest of SEA for the thirteen months ended 30 April 2008 is expected to exceed the target of £2.5m set at the time of the acquisition.

The Group will settle the deferred consideration using its own cash and facility resources.

Treasury Facilities

At 30 April 2008 the Group had undrawn facilities with its banking provider, RBS as follows:

	£m	Term
Overdraft facility for working capital requirements	2.5	364 day, evergreen
Structured debt facility for acquisitions	7.0	364 day evergreen, 3 year term out

Of the structured debt facility of £10.0m, £3.0m was drawn to part finance the acquisition of SEA.

Finance Director's Review continued

Treasury Facilities continued

In addition, the Group has £0.9m of mortgage debt with RBS which was acquired with SEA.

At 30 April 2008, the Group had in place forward foreign exchange contracts to sell Euro 3.0m at a sterling equivalent value of £2.2m.

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

These contracts are entered into when contracts are considered effective. The Group does not enter into speculative foreign exchange dealing.

Goodwill and Other Intangible Assets

The Group has recognised goodwill and other intangible assets in respect of the acquisition of MASS and SEA (see note 10). The other intangible assets are in respect of contracts acquired in each case and are to be amortised over the life of the earnings associated with the contracts acquired.

The goodwill, which is not subject to amortisation but to annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived, this includes, but is not limited to, intellectual property within the acquired work force, reputation, customer relations, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of MASS and SEA has been tested for impairment as at 30 April 2008 and no impairment is to be recognised in either case.

Working Capital

The working capital of the Group, excluding provisions (which are mostly related to undertakings given on acquisition of MASS and SEA) and tax liabilities have risen from £2.7m net assets to £8.2m net assets, an increase of £5.5m.

Of the increase, £1.9m is due to the acquisition of SEA and £3.6m is an increase at both MASS and SCS reflecting the high volume of revenue in these businesses during the last quarter of the year when compared with 2007.

The year-end days debtors in sales has risen from 61 days in 2007 to 75 days in 2008. This calculation is based upon dividing the revenue by month, working backwards from April into the trade debtors balance at the year-end, a more appropriate measure as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year.

Performance Indicator	Description	2008	2007
Revenue growth	Growth in total Group revenue compared to the prior year	66%	93%
Adjusted profit growth (including share of joint ventures)	Growth in Group profit before tax, amortisation of other intangible assets and exceptional items	212%	70%
Order book visibility	Order cover for next financial year as percentage of market sales forecast for the year	50% cover on forecast 2009 sales of £74.7m	45% cover on actual 2007 sales of £57.1m
Growth in adjusted earnings per share	Annual growth in earnings per share, before amortisation of other intangible assets and exceptional items	63%	29%
Operating cash conversion	Net cash generated from operations before tax as compared to the profit before tax	70%	108%

The indicators shown above have been identified by the Directors as giving the best overall indication of the Group's long term success. Revenue growth gives a quantified indication of the rate at which the Group's business activity is expanding. An appropriate adjusted profit growth trend confirms that additional revenue is being gained without profit margins being compromised. It also indicates that acquisitions are value enhancing. Order book visibility, based upon

expected sales during the year to come, gives the Board confidence as to the achievement of future growth forecasts. Growth in adjusted earnings per share is an absolute measure of the Board's management of the Group's return to shareholders including tax and interest. Operating cash conversion measures the ability of the Group to convert profit to cash and to enable it to use its own resources to fund further acquisitions in whole or part.

The Group has a working capital facility of £2.5m with RBS which was not utilised during the year. The Group had cash at 30 April 2008 of £6.1m. Advance receipts on contracts at the year-end were £2.2m.

IFRS

The Group changed its accounting standards from UK GAAP to IFRS with effect from 1 May 2006.

The impact of this change upon the Group's reported profit is highlighted in note 30 and is in respect of the changes in capitalisation and amortisation of goodwill and other intangible assets. Other significant changes are mainly presentational in nature with the exception of recognition in the income statement of the gain or loss on forward foreign exchange contracts being marked to market, a gain in 2008 of £131,000 (2007: £Nil). Under UK GAAP such gains or losses would not have been recognised in the income statement.

Simon Walther
Finance Director

Operational Review

Andrew Thomas
Managing Director MASS

The year ended 30 April 2008 was MASS's best performing year since incorporation 25 years ago, with revenue of £18.0m and operating profit of £2.3m. This represents annualised revenue growth of 10% and profit growth of 30% over the nine months ended 30 April 2007. The Company's success was driven by a strong performance in the Systems Development Division, particularly in the continued successful delivery of the £10m SCA programme. The Lincoln Office made an initial profit contribution on the back of its export Electronic Warfare (EW) activities. The Company's major managed service contracts for the UK Ministry of Defence (MOD) also progressed well.

MASS's end of year order book was £28m. Major wins in the year included a £7m contract to provide specialist technical support and training for an overseas customer and a £1.2m contract to support Ultra Electronics in a secure communications programme for the Tornado aircraft. Encouragingly, MASS won and delivered a well received study for the MOD into the future of the Defence EW Centre, positioning us well for future work in this important area. As a member of the team led by May Gurney, we were selected as one of the last three competitors for the North Lincolnshire Building Schools for the Future programme.

MASS made a significant R&D investment in a new EW database product known as Thurbon. This advanced technology is based on our long experience and understanding of EW Operational Support (EWOS). We believe this will be an increasingly attractive product for export customers, and it also has potential as the basis of an eventual successor to the MOD's Defence EW Database.

In 2007 MASS reorganised its operations into three profit centres: Systems Development, Managed Services and Export EWOS. Chris Stanley was recruited as the Head of the Export EWOS business. He comes to MASS with significant experience in electronics, EW and managed services and his arrival enhances the breadth and depth of the management team.

Looking forward, we continue to see significant growth opportunities in all three of MASS's business areas.

Company Highlights

MASS's best performing year since incorporation

Secured and delivering on a key export contract

Continued development of an advanced EW database (Thurbon) to support domestic and export opportunities

Closing order book of £28m provides good base for 2009

Operational Review continued

Rick Bounsall
Managing Director SCS

In a challenging period for our principal client, the UK MOD, SCS has continued to grow, with revenue at £26.1m up 18% on 2007 and operating profit at £2.3m up 6% on 2007. The increase in trading profit is set against significant investment in a new business information system and the recruitment of new staff specifically to grow and strengthen our offering into four key lines of business: the Special Projects arena, Business Improvement and Transformation, Resilience and Support to the MOD's acquisition process.

John Lyde stepped down as Technical Director, Gavin Kilgour took over the new role of Head of Business Development and some streamlining of the consulting divisions has taken place.

Company Highlights

Record revenue with 18% growth over 2007

Company enters 2009 with its largest ever order book at £12.9m

Strong performance in logistics support and sustainability

Business continued in 2008 to invest in its business infrastructure, particularly a new information system

Notable contract awards during the year included

the Land Environment Air Picture Programme (LEAPP) Design & Manufacture Phase under Lockheed Martin as prime,

the Land Forces Command Mission Rehearsal Exercise (MRX) programme, and

the Land Systems Reference Centre (LSRC) Managed Service contract

SCS has been particularly successful in responding to the MOD's increasing need for Urgent Operational Requirements (UORs), temporary manpower support requirements, logistics and sustainability planning and transformation. We have also expanded our work in business continuity, crisis management and information assurance in the commercial sector.

Having added a discrete Special Projects group working in defence, security, the police and other government departments no further structural changes are envisaged, other than that associated with further growth, as we are now well placed organisationally for the future.

The outlook for SCS remains very positive as we continue to provide value for money solutions to help meet the challenges of defence, security and the wider commercial sector.

Operational Review continued

Ian Dale-Staples
Chief Executive Officer SEA

During the 13 month period ended 30 April 2008, in which SEA was acquired by Cohort plc, order intake was £24.9m (2007 £23.5m), revenue was £24.4m (2007 £18.2m) and operating profit was £2.7m (2007 £1.4m). The second half of the year, following acquisition by Cohort, was very strong.

SEA continues to implement its overall strategy of pulling through science and technology into innovative 'products' and all its market sectors of Defence, Space, Off-shore and Transport.

Defence completed the development installation of the Trafalgar class submarine's new secure communications network, delivered the Astute class' computer information system, vibration monitoring and data analysis systems for Agusta Westland Helicopters, and trialled a novel airborne foliage penetration radar technical demonstrator for the Research Acquisition Organisation.

Space saw its first space-flight model of the new MEMS rate sensor integrated with the European Space Agency's (ESA) Cryosat 2 spacecraft, delivered the Planck spacecraft's cooler drive electronics and completed the advanced scatterometer calibration transponders for EUMETSAT's METOP weather satellite. The major contract for Space was for the ESA's BroadBand Radiometer instrument for the Earthcare mission. Other awards included tasks for the Aurora ExoMars mission and a Bio-Containment study (for the return of Mars samples).

Company Highlights

Joined Cohort in October 2007, and met expectations.

Strong second half-year performance, with record order intake, revenue and profit.

Closing order book of £17m provides strong platform for 2009.

Increasing focus on the delivery of innovative systems and products.

Off-shore had a record year of SWATHplus sales, our shallow water seabed mapping sonar. The latest version of SWATHplus is for use with autonomous underwater vehicles.

Transport completed various active traffic management tasks for the Highways Agency and won the framework contract from Transport for London for its new digital traffic enforcement system. Various important milestones were met on several back-office software contracts for Network Rail.

To better address market sectors, Paul Phillips, Managing Director, has taken over responsibility for all the operating divisions, defence and civil, from 1 May 2008.

Overall, SEA is in a good position for the current year, with good prospects across all our market sectors.

Board of Directors and Executive Management

1 Nick Prest CBE,***Chairman**

Nick Prest became Chairman of Cohort on flotation in March 2006. After graduating from Oxford in 1974 Nick joined the Ministry of Defence. In 1982 Nick moved to Alvis, the defence contractor, undertaking a variety of roles before becoming Chief Executive in 1989 and Chairman and Chief Executive in 1996. Nick left Alvis following its acquisition by BAE Systems in 2004, by which time the company had become a leading international business in military land systems. In addition to his position at Alvis, Nick had a prominent role in defence industry representation, serving as Chairman of the Defence Manufacturers' Association and Vice Chairman of the National Defence Industries Council. In addition to being Chairman of Cohort, Nick is also Chairman of Aveva Group plc, a FTSE 250 software company, and of Shephard Group, a privately owned media company specialising in defence and aerospace.

2 Stanley Carter,***Chief Executive**

Stanley Carter took early retirement as a Regular Army Lieutenant Colonel in the Royal Artillery to found Systems Consultants Services Limited (SCS) in 1992. During his military service he held a wide range of operational posts and staff officer appointments in the MOD, including the central staff, procurement, Government research establishments and had significant interaction with industry. He also represented the UK on NATO technical committees. He has degrees in Technology and Behavioural Science from Loughborough and the Open University respectively and an MSc in Information Systems from the Royal Military College of Science. Stanley won a personal award from the MOD Committee of Awards to Inventors for a lightweight missile launcher which is still in service. Having been Managing Director of SCS for 14 years, Stanley became Chief Executive of Cohort on its formation in 2006.

3 Simon Walther,***Finance Director and Company Secretary**

After graduating with a BSc from London, Simon Walther went on to qualify as a chartered accountant with Touche Ross in 1992. Simon moved to the Peninsular and Oriental Steam Navigation Company (P&O) in 1993 where he was appointed a Chief Accountant for P&O European Ferries in 1995. In 1997 he was appointed Group Financial Controller at Alvis. He joined Cohort as Finance Director in May 2006, having considerable industry relevant experience with Alvis and BAE Systems.

4 Ian Dale-Staples,***Director and Chief Executive Officer SEA**

Ian is a graduate of Bath, with an MSc in Business Administration. He has considerable project management experience, having managed various military and civil programmes. Following a four year stay in Germany with Dornier System GmbH, mostly working on the Giotto spacecraft programme, Ian joined Plessey Naval Systems Limited, initially as project director for a multi million pound submarine sonar development programme and latterly, in strategic planning, mergers and acquisitions. He is one of the founders of Systems Engineering & Assessment Limited. Ian is a member of the EEF Western Management Board and a director of Sulis Innovations Limited, the seed corn venture capital company owned by Bath, Bristol and Southampton Universities.

Ian was appointed Director of Cohort in October 2007.

5 Sir Robert Walmsley KCB,***Independent Non-executive Director**

Sir Robert Walmsley served in the Royal Navy where his final appointment was as Controller of the Navy and member of the Navy Board as a Vice Admiral. He was knighted in 1995. After retiring from the Navy, he was appointed as Chief of Defence Procurement, occupying that position from 1996 until 2003. He was appointed independent non executive director of British Energy Group PLC in 2003. He is an independent director of General Dynamics Corporation, the Major Projects Association and EDO Corporation.

6 Andrew Thomas,**Managing Director of MASS**

Andrew graduated from Imperial College, London in 1987 with an M Eng in Electronic Engineering and Management Science. He spent nine years in the MOD as a fast stream civil servant, carrying out roles including technology research, scientific policy advice and a spell as a private secretary to the defence procurement minister. He left in 1996 and, following a period with Capita plc's management consultancy arm, he joined Alvis in a role covering strategy, M&A and business development. Andrew left Alvis in 2005, following the takeover by BAE Systems and worked with Nick Prest and Stanley Carter on the creation and flotation of Cohort plc. Andrew took over as Managing Director of MASS in May 2007 after previously acting as Corporate Development Director on the Cohort Board.

7 Rick Bounsall,**Managing Director of SCS**

Rick Bounsall is a Chartered Engineer and Fellow of the Institution of Engineering and Technology. He reached the rank of Brigadier in the British Army, commanding at Regimental level and deploying on several operations. His Service included two years with the United States Army and a tour as an instructor at the Army Command and Staff College. He later specialised in Defence Acquisition holding appointments as Director Equipment Capability in MOD and leading Teams in the Defence Equipment and Support organisation including responsibility for Bowman, Typhoon, Amphibious Shipping, Strategic Lift, Unmanned Air Vehicles, Air to Air and Air-to Ground missiles and command control and information infrastructure. Rick left the Army early in order to take up a second career and assumed the appointment of Managing Director of SCS in May 2007.

* Member of the Cohort plc Board
Member of the Cohort plc Audit committee
and Remuneration committee

Directors' Report

The Directors submit their report and the audited financial statements (pages 27 to 53) of Cohort plc for the year ended 30 April 2008

Share Capital of the Company and Transactions with Shareholders

The Company issued 10,954,866 ordinary shares on 1 November 2007 at £1.50 per share as part of the consideration for the acquisition of SEA. Of the shares issued, 5,000,000 were issued for cash and 5,954,866 shares were issued to the vendors of SEA.

During the year, the Company issued 24,390 shares in order to satisfy employee share option plans that were exercised.

Business Review of the Year Ended 30 April 2008

The principal activity of the Company is that of a holding company. The principal activities of the Group are described in the 'Our Operations' section (inside front cover). The operational and financial performance of the Group as well as its risks are described in the Chairman's Statement, Chief Executive's Report, Finance Director's Review and Operational Review on pages 2 to 15. The Finance Director's Review includes a review of key performance indicators. The resources, future outlook and development of the Group, including acquisition strategy is reviewed in the same statements on pages 2 to 15. The Group's approach to risk is discussed below.

On 31 October 2007, the Group completed the acquisition of SEA by acquiring 100% of SEA's issued share capital. The Group has accounted for SEA as a 100% subsidiary from that date. Further details of the acquisition, including consideration are included in note 23 on page 44.

The Group's performance was in line with expectations.

The retained profit of the Group after dividends charged and paid of £447,000 (2007: £236,000) was £4,033,000 (2007: £2,033,000).

The retained loss of the Company after dividends charged and paid of £447,000 (2007: £236,000) was £648,000 (2007: profit of £733,000).

The trading performance of the Group represents the trading result of the Group's 100% subsidiaries SCS and MASS for the whole year, and its 100% subsidiary SEA from 1 November 2008 less the corporate costs of the Company.

The operating result includes the Group's share of the losses of its joint venture undertaking, Advanced Geospatial Solutions Limited (AGS).

During the year ended 30 April 2008 the Group expenditure on research and development, both funded and private venture was £5.5m (2007: £1.9m).

Approach to Risk

The business risks of the Group can be summarised as follows:

i Revenue

The Group takes a prudent approach to revenue risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis. The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing, ensures minimal bad debts. The 2008 bad debt charge was £12,000 (2007: £Nil) on Group revenue of £57.1m (2007: £34.4m).

The Group also uses letters of credit and other methods of payment guarantee, including customer advances, especially in respect of overseas customers, to ensure any export debt risk is minimised. Any debt receivable in foreign currency is hedged using forward exchange contracts which are entered into when contracts are deemed effective.

ii Treasury

The Group takes a very prudent approach to the management of its financial instruments which are described in note 20. The Group's cash is held with at least AA rated institutions and on deposits not exceeding one month. This ensures a very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits.

During the year, the Group put in place a working capital facility with RBS NatWest for £2.5m. This facility is available to all of the Group's entities through an offset arrangement.

The Group did not utilise this facility during the year ended 30 April 2008 with an average cash balance of £4.4m, cash balances ranging from a low of £3.2m to a high of £6.1m since the acquisition of SEA in October 2007.

iii Operations

The Group's operational risk is primarily through its three subsidiaries. The subsidiary trading or business risks are similar in the case of MASS and SEA.

MASS and SEA

Primary risks are:

- i Fixed price contracts - these are often of a long-term nature (greater than twelve months) and typically include delivery of hardware and software. These projects are managed by dedicated project management, monthly review by the subsidiary Board and regular interaction with the customer and key suppliers. Margin is prudently recognised taking account of risk and cost to complete.

Approach to Risk continued

iii Operations continued

MASS and SEA continued

- ii Because of the nature of its niche technical skills requirement, both MASS and SEA have a fixed level of core software engineering and technical expertise. This cost base is carefully monitored at budget time and by rolling quarterly forecasts to identify any potential risk of low utilisation and thus under recovery of cost.

The risk is mitigated, in the short-term, to a certain extent by the use of a small number of sub-contractor staff. In the long-term, a programme of skills assessment and training is in place to ensure continued flexibility of the engineering resource.

SCS

The primary cost risk is in respect of staff utilisation. This risk is managed by retaining a minimal core staff, essential for business support, development and delivering key skills to customers. The majority of deliverable service is provided by non-core staff (associates) where cost is only incurred when the associates are on task earning revenue.

SCS has a small number of fixed price contracts which are managed by specifically tasked project management and reviewed on a monthly basis for financial performance and risk to recognised margin. The recognised margins are prudently traded taking account of risks and costs to completion.

The Group (through all of its subsidiaries) operates a number of off-site managed service contracts. These contracts are long-term in nature (typically five years at commencement) and are managed through dedicated site project managers. The contracts are fixed price in terms of revenue and cost with opportunities for additional tasks enhancing volume and return. The Group carefully manages the partnership with its customer and supplier base in all these cases to ensure the customer receives value for money and skilled Group staff providing a dedicated, flexible and responsive approach. The primary risk to these managed service contracts is termination which is mitigated by the partnering approach adopted by the Group and our close engagement with the customer to ensure customer requirements remain paramount at all times.

iv Acquisitions

The Group's acquisition risk is mitigated as far as practicable by the acquisition process being managed at the Cohort Board level, making use of appropriate external expertise and resources as and when required.

Going Concern

On the basis of current financial projections and facilities available to the Group, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

International Financial Reporting Standards (IFRS)

The Group has reported its results for the year ended 30 April 2008 in accordance with IFRS and the comparative figures have been restated accordingly. The restatement of the Group's results for the year ended 30 April 2007 are shown in note 30 on page 48.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and IFRS.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view, in accordance with IFRS, of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgements and estimates that are reasonable and prudent,

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are responsible for ensuring that the Annual Report includes information required by the AIM Rules of the Financial Services Authority.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Cohort plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report continued

Directors

The Directors in office during the year under review and their interests in the equity of the Company were

	At 30 April 2008 number of 10p ordinary shares	At 30 April 2007 number of 10p ordinary shares
S Carter	10,645,718	10,645,718
N Prest	2,064,580	1,959,580
I Dale-Staples (appointed 25 October 2007)	2,063,089	—
Sir Robert Walmsley	16,670	16,670
S Walther	10,000	10,000

Nick Prest's shareholding includes 261,276 held by his wife

Ian Dale-Staples shareholding is held in a trust, Ian Dale-Staples Settlement 2008

The Group maintains appropriate insurance cover in respect of legal actions against the Directors as well as against material loss or claims against the Group and reviews the adequacy of the cover regularly

Proposed Dividend

The profit after tax was £4,480,000 (2007 £2,269,000) The Directors recommend a final dividend of 1 0 pence (2007 0 9 pence) per 10 pence ordinary share

Substantial Shareholdings (excluding Directors of the Company)

The Company has been informed that on 30 May 2008 the following shareholders held substantial holdings in the issued ordinary shares of the Company

	Number of ordinary shares	Holding %
AXA Framlington Investment Managers	3,141,865	7 77
Hargreave Hale, stockbrokers	2,349,445	5 81
Schroder Investment Management	2,083,398	5 15
Invesco Perpetual	1,625,250	4 02
Unicorn Asset Management	1,310,500	3 24
G Somerset	1,281,298	3 17

G Somerset is an employee of Systems Evaluation and Assessment Limited, a 100% subsidiary of the Company

Payment Policy

In respect of all of its suppliers, the Group's policy is

- to agree the terms of payment when contracting with suppliers,
- to ensure suppliers are made aware of the terms of payment, and
- to abide by the terms of payment

All suppliers are treated alike in terms of payment with no preference to any one supplier

At 30 April 2008, the trade creditors of the Group represented 40 days (2007 42 days) of purchases

Employee Involvement

The Group organises staff communications locally through its subsidiary undertakings. The media used for organised communications includes local intranets, in-house magazines, staff bulletins, presentations and copies of press releases. In addition, regular staff meetings are held and notices are published containing information about matters of interest within the Group and its subsidiaries.

Disabled People

The policy of the Group is to offer the same opportunity to disabled people as to all others in respect of recruitment and career advancement, provided their disability does not prevent them from carrying out their required duties. Employees who become disabled will, wherever possible, be retained, rehabilitated and where necessary retrained.

Donations

During the year ended 30 April 2008 the Group made charitable donations of £11,535 (2007 £2,900), mainly in respect of military and local charities. The Group made no political donations during the year (2007 £Nil).

Auditor

A resolution to re-appoint Baker Tilly UK Audit LLP as auditor will be proposed at the AGM. The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Approved by the Board of Directors on 16 July 2008 and signed on its behalf by

Simon Walther
Company Secretary



Corporate Governance Report

Introduction

As Cohort plc is listed on AIM it is neither required to comply with the Combined Code 2006 (the Code) nor issue a statement of compliance with it. Nevertheless, the Board fully supports the principles set out in the Code and seeks to comply wherever this is appropriate, having regard to the size of the Company and the resources available to it. Details are provided below of how the Company applies the Code.

The Board

The Board of Directors comprises three Executive Directors and two Non-executive Directors, Nick Prest (Chairman) and Sir Robert Walmsley. The Chairman has a consultancy agreement with the Company (see Remuneration Committee Report) to provide services, primarily in respect of strategic business development and acquisition activity. This agreement allows for a minimum of 20 days' service in any one year. Nick Prest is not considered independent.

The Board has determined Sir Robert Walmsley to be independent and he is designated the Senior Independent Director.

The Board meets most months and receives a Board pack comprising individual reports from each of the Executive Directors and the subsidiary Managing Directors together with any other material deemed necessary for the Board to discharge its duties. It is the Board's responsibility to formulate, review and approve the Group's strategy, budgets, major items of expenditure and acquisitions.

All Directors retire by rotation and are subject to election by shareholders at intervals of no more than three years.

Board Committees

The Board has established two committees: Audit and Remuneration, each having written terms of delegated responsibilities.

Audit Committee

The Audit committee comprises the Chairman and the Non-executive Director and is scheduled to meet at least twice a year. It is the Audit committee's role to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control requirements of the Code, whilst maintaining an appropriate relationship with the independent auditor of the Group. In order to comply with the requirement of the Code that at least one member has relevant financial experience, the Chairman of the Board sits on the Audit committee.

The independent auditor liaises with the Audit committee regarding work to be undertaken and complies with the Ethical Standards for Auditors issued by the Auditing Practice Board. Each year, prior to commencing its audit work, the independent auditor confirms in writing the nature of its non-audit work on behalf of the Group and the safeguards in place to ensure its independence and objectivity.

Remuneration Committee

The Remuneration committee comprises the Chairman and the Non-executive Director and is scheduled to meet at least once a year. It is the Remuneration committee's role to establish a formal and transparent policy on Executive remuneration and to set remuneration packages for individual Directors.

Sir Robert Walmsley is Chairman of both the Audit and Remuneration committees.

The attendance of the Directors at Board and Committee meetings for the year ended 30 April 2008 was as follows:

	Board	Audit	Remuneration
N Prest (Chairman)	11/11	3/3	4/4
Sir Robert Walmsley (Non-executive Director)	10/11	3/3	4/4
S Carter (Chief Executive)	11/11	—	—
S Walther (Finance Director and Company Secretary)	10/11	—	—
I Dale-Staples (Director) (appointed 25 October 2007)	6/6	—	—

In the cases where Directors were unable to attend Board meetings, the agenda was available in sufficient time for those meetings to allow the respective Directors to prepare and issue relevant Board papers.

The Board has not established a Nominations committee. This is not considered necessary due to the small size of the Cohort Board. The role of the Nominations committee is undertaken by the Remuneration committee and the Chief Executive.

Management of the Group and its Subsidiary Undertakings

The management of the Group and subsidiary undertakings is as follows

Group Management

Cohort plc Board meeting at least eight times per year

Group Executive Committee meeting at least four times per year, comprising Cohort plc Executive Directors and subsidiary Managing Directors

Subsidiary Management

Monthly Executive management meetings involving subsidiary Board and senior management

Cohort Executive Directors have the right to attend all subsidiary executive management meetings

Shareholder Relations

The Company meets with its institutional shareholders and analysts as appropriate and will use the AGM to encourage communication with private shareholders. In addition, the Company uses the Annual Report and Accounts, interim statement and website (www.cohortplc.com) to provide further information to shareholders

Internal Control and Risk Management

The Board is responsible for the system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material misstatement or loss. Each year, on behalf of the Board, the Audit committee will review the effectiveness of these systems. This is achieved primarily by considering the risks potentially affecting the Group and from discussions with the external auditor.

The Group does not currently have an internal audit function due to the small size of the administrative function and the high level of Director review and authorisation of transactions.

A comprehensive budgeting process is completed once a year, reviewed and approved by the Board. In addition the Group conducts quarterly re-forecasts. The Group's results, as compared against budget and the latest quarterly applicable forecast, are reported to the Board on a monthly basis and discussed in detail at each meeting of the Board.

Remuneration Committee Report

Introduction

Companies quoted on AIM are not required to provide a formal remuneration report. However, in line with current best practice this report provides information to enable a greater level of understanding as to how Directors' remuneration is determined.

The Remuneration committee of the Board is responsible for considering Directors' remuneration packages and makes its recommendations to the Board. The Committee comprises the Chairman and Non-executive Director and meets at least once a year.

Remuneration Policy

Remuneration packages are designed to be competitive and to reward above average performance.

Executive Directors receive salary, medical cover, pension contribution, annual bonuses and share options.

Service Contracts

Stanley Carter and Simon Walther have service agreements with the Company which can be cancelled by either party giving six months' notice at any time or twelve months' notice in the event of a change of control arising as a result of any person or persons acquiring more than 50% of the voting rights at a general meeting of the Company. Ian Dale-Staples has a service contract with Systems Evaluation and Assessment Limited which confers similar rights to those of the other Executive Directors of the Company.

Pensions

The Group makes contributions to the Company's stakeholder pension scheme (a defined contribution scheme) at a rate of 12.8% of the Executive Director's contribution. In the case of Ian Dale-Staples, the Group makes contributions to the Systems Engineering and Assessment Limited pension scheme (a defined contribution scheme) at a rate of 10.6% of salary.

Performance Incentives

The Group operates a cash bonus scheme and grants share options.

A bonus of £52,500 was payable to the Executive Directors for the year ended 30 April 2008 (2007: £21,500).

Ordinary shares under option granted during the year ended 30 April 2008 and outstanding at 30 April 2008 were as follows:

	At 1 May 2007 Number	Granted Number	At 30 April 2008 Number	Date of grant	Date of maturity	Exercise period Years
S Walther						
Cohort plc 2006 share option scheme under the Enterprise Management Incentive (EMI) scheme						
- Option price of £1.41 per share	42,554	—	42,554	10 Jul 2006	10 Jul 2009	7
- Option price of £1.66 per share	—	21,084	21,084	21 Aug 2007	22 Aug 2010	7
Save as you earn (SAYE) scheme						
- Option price of £1.23 per share	7,601	—	7,601	5 May 2006	1 Jun 2009	—
	50,155	21,084	71,239			

S Carter

Save as you earn (SAYE) Scheme

- Option price of £1.33 per share

— 7,218 7,218 4 Feb 2008 1 Oct 2011

For the year ending 30 April 2009, the bonus payable to the Executive Directors of Cohort plc in respect of that year will be based upon performance compared to budget and the achievement of agreed personal objectives.

The maximum bonus payable as a percentage of salary is as follows:

	Group performance %	Personal objectives %	Total %
S Carter	15	10	25
S Walther	15	5	20
I Dale-Staples	15	5	20

No bonuses are payable or share options awardable to the Non-executive Director or Chairman.

Bonus schemes for senior management of the subsidiary companies have been established for the year ending 30 April 2009, with a similar framework to that of the Cohort plc Executive Directors, with varying levels of percentage of salary, none exceeding 20%.

Non-executive Directors

Both Nick Prest and Sir Robert Walmsley were appointed in February 2006 for an initial three year term, which can be terminated upon three months notice being given by either party. They received an annual fee of £28,500 each. In addition, Nick Prest provides consultancy services to the Group in accordance with an agreement entered into on 27 February 2006. The agreement provides for a minimum of 20 days consultancy in any one year at £1,250 per day.

Directors' Remuneration (audited)

Details of Directors' remuneration are set out below

	Salary 2008 £	Bonus 2008 £	Benefits in kind 2008 £	Emoluments 2008 £	Pension 2008 £	Total 2008 £
Executive Directors						
S Carter	145,000	21,750	345	167,095	—	167,095
S Walther	105,000	15,750	345	121,095	1,407	122,502
I Dale-Staples (appointed 25 October 2007)	65,000	15,000	1,246	81,246	6,923	88,169
Non-executive Directors						
N Prest	28,500	—	—	28,500	—	28,500
Sir Robert Walmsley	28,500	—	—	28,500	—	28,500
Total	372,000	52,500	1,936	426,436	8,330	434,766

	Salary 2007 £	Bonus 2007 £	Benefits in kind 2007 £	Emoluments 2007 £	Pension 2007 £	Total 2007 £
Executive Directors						
S Carter	130,000	13,000	—	143,000	—	143,000
S Walther	85,000	8,500	—	93,500	1,157	94,657
I Dale-Staples (appointed 25 October 2007)	—	—	—	—	—	—
Non-executive Directors						
N Prest	25,000	—	—	25,000	—	25,000
Sir Robert Walmsley	25,000	—	—	25,000	—	25,000
Total	265,000	21,500	—	286,500	1,157	287,657

Nick Prest received £50,000 (2007 £40,000) as a consultant for the year ended 30 April 2008 in accordance with an agreement dated 27 February 2006.

The remuneration presented for Ian Dale-Staples is for the period from 25 October 2007 to 30 April 2008, his period in office as a Director of Cohort plc. His annual salary for the year ended 30 April 2008 was £130,000, bonus £32,000, benefits in kind £2,700 and employee pension contribution of £15,000.

Independent Auditors' Report To the Members of Cohort plc

We have audited the Group and parent company financial statements on pages 27 to 53

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and IFRS as adopted by the European Union (EU) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Chief Executive's Report, Finance Director's Review and Operational Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' Remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' Report, Chairman's Statement, Chief Executive's Report and Finance Director's Review, the Operational Review, the Corporate Governance Statement and the Report of the Remuneration committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the Accounting Policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

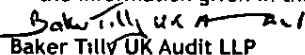
In our opinion

the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 April 2008 and of its profit for the year then ended,

the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 April 2008,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements.


Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
12 Gleneagles Court
Brighton Road
Crawley
West Sussex RH10 6AD
17 July 2008

Consolidated Income Statement For the year ended 30 April 2008

	Notes	2008 £'000	2007 £'000
Revenue	1	57,093	34,419
Cost of sales		(40,386)	(26,027)
Gross profit		16,707	8,392
Administrative expenses		(10,597)	(5,481)
Adjusted operating profit*	1	6,110	2,911
Amortisation of other intangible assets	10	(481)	(252)
Exceptional items	3	(17)	114
Share of results of joint ventures		(118)	(256)
Operating profit	1	5,494	2,517
Finance income	5	231	214
Finance costs	6	(156)	(8)
Profit before tax		5,569	2,723
Tax expense	7	(1,089)	(454)
Profit for the year attributable to the equity shareholders of the parent	4	4,480	2,269
Earnings per share	9	Pence	Pence
Basic		12 81	8 21
Diluted		12 66	8 16

All profit for the year is derived from continuing operations


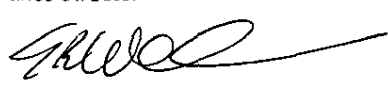
* Adjusted operating profit is the operating profit before exceptional items, amortisation of other intangible assets and share of results of joint ventures

Consolidated and Company Balance Sheets As at 30 April 2008

		Group		Company	
	Notes	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Assets					
Non-current assets					
Goodwill	10	30,640	12,162	—	—
Other intangible assets	10	1,987	1,308	—	—
Property, plant and equipment	11	4,866	282	—	—
Interest in subsidiaries	12	—	—	42,422	16,064
Deferred tax asset	19	62	71	—	—
		37,555	13,823	42,422	16,064
Current assets					
Inventories	13	1,041	409	—	—
Trade and other receivables	14	19,952	7,731	2,051	1,299
Derivative financial instruments	20	131	—	—	—
Cash and cash equivalents		6,081	5,015	—	1,100
		27,205	13,155	2,051	2,399
Total assets		64,760	26,978	44,473	18,463
Liabilities					
Current liabilities					
Trade and other payables	15	(13,103)	(5,713)	(256)	(123)
Current tax liabilities		(616)	(126)	—	—
Other loans	16	(41)	—	—	—
Bank loans and overdrafts	17	(3,123)	—	(5,740)	—
Provisions	18	(5,381)	(60)	(5,005)	—
		(22,264)	(5,899)	(11,001)	(123)
Non-current liabilities					
Other loans	16	(32)	—	—	—
Bank loans	17	(792)	—	—	—
Deferred tax liability	19	(662)	—	—	—
Provisions	18	(167)	(500)	(167)	(500)
		(1,653)	(500)	(167)	(500)
Total liabilities		(23,917)	(6,399)	(11,168)	(623)
Net assets		40,843	20,579	33,305	17,840
Equity					
Share capital	21	4,046	2,947	4,046	2,947
Share premium account	22	29,158	14,155	29,158	14,155
Share option reserve	22	200	71	21	10
Retained earnings	22	7,439	3,406	80	728
Total equity attributable to the equity shareholders of the parent		40,843	20,579	33,305	17,840

The financial statements on pages 27 to 53 were approved by the Board of Directors and authorised for issue on 16 July 2008 and are signed on its behalf by:

Stanley Carter Simon Walther
Chief Executive Finance Director

Consolidated Statement of Changes in Equity For the year ended 30 April 2008

	Notes	2008 £'000	2007 £'000
At 1 May as previously stated under UK GAAP		—	8,924
Adjustment on introduction of IFRS		—	—
At 1 May as stated under IFRS		20,579	8,924
Profit reported under IFRS		4,480	2,269
Equity dividends paid	8	(447)	(236)
Issue of new 10p ordinary shares		16,433	9,906
Costs of new share issue		(361)	(377)
Exercise of share options		30	22
Share-based payments	27	129	71
At the end of the year		40,843	20,579

Consolidated Cash Flow Statement For the year ended 30 April 2008

	Notes	2008 £'000	2007 £'000
Net cash flow from operating activities	24	3,235	2,147
Investing activities			
Interest received		231	225
Purchases of property, plant and equipment		(525)	(87)
Acquisition of subsidiaries, net of cash acquired	23	(11,473)	(11,935)
Investment in a joint venture		—	(220)
Net cash used in investing activities		(11,767)	(12,017)
Financing activities			
Dividends paid		(447)	(236)
Repayment of borrowings		(94)	—
Proceeds from finance leases		—	251
Proceeds on issue of shares	23	7,139	9,279
New bank loans raised	23	3,000	—
Net cash from financing activities		9,598	9,294
Net increase/(decrease) in cash and cash equivalents		1,066	(576)

	At 1 May 2007 £'000	On acquisition £'000	Cash flow £'000	At 30 April 2008 £'000
Funds Reconciliation				
Cash and bank	15	—	6,066	6,081
Short-term deposits	5,000	—	(5,000)	—
Total cash and cash equivalents	5,015	—	1,066	6,081
Overdraft	—	—	—	—
Other loans	—	(104)	31	(73)
Bank loan	—	(978)	(2,937)	(3,915)
Total debt	—	(1,082)	(2,906)	(3,988)
Net funds	5,015	(1,082)	(1,840)	2,093

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value.

Notes to the Financial Statements

For the year ended 30 April 2008

1 Segmental analysis

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

The principal activities of the subsidiaries are described on the inside front cover 'Our Operations' and in the Operational Review (pages 10 to 15).

Segment information about these subsidiaries is presented below.

2008	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue					
External sales	17,998	26,087	13,008	—	57,093
Inter-segment sales	34	18	—	(52)	—
	18,032	26,105	13,008	(52)	57,093
Net profit	2,271	2,343	2,249	—	6,863
Unallocated corporate expenses					(753)
Adjusted operating profit					6,110
Exceptional items					(17)
Amortisation of other intangible assets					(481)
Joint ventures					(118)
Operating profit					5,494
Finance income (net of costs)					75
Profit before tax					5,569
Tax					(1,089)
Profit after tax					4,480

All UK operations and all continuing

Inter-segment sales are charged at arm's length rates.

SEA revenue and net profit are for the six months ended 30 April 2008 following its acquisition on 31 October 2007.

Unallocated corporate expenses is the cost of Cohort head office.

Other Information	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Capital additions	16	193	316	—	525
Depreciation	90	92	281	—	463
Balance sheet					
Assets					
Segment assets	4,499	10,020	12,566	(3,036)	24,049
Unallocated corporate assets					40,711
Consolidated total assets					64,760
Liabilities					
Segment liabilities	(4,002)	(7,480)	(7,111)	3,036	(15,557)
Unallocated corporate liabilities					(8,360)
Consolidated total liabilities					(23,917)

Unallocated corporate assets primarily comprise goodwill, other intangible assets and cash.

Unallocated corporate liabilities primarily comprise loans and provisions in respect of deferred consideration.

Notes to the Financial Statements continued

For the year ended 30 April 2008

1 Segmental analysis continued

2007	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue					
External sales	12,275	22,144	—	—	34,419
Inter-segment sales	—	12	—	(12)	—
	12,275	22,156	—	(12)	34,419
Net profit	1,308	2,208	—	—	3,516
Unallocated corporate expenses					(605)
Adjusted operating profit					2,911
Exceptional items					114
Amortisation of other intangible assets					(252)
Joint ventures					(256)
Operating profit					2,517
Finance income (net of costs)					206
Profit before tax					2,723
Tax					(454)
Profit after tax					2,269

All UK operations and all continuing

The MASS revenue and net profit are for the nine months ended 30 April 2007 following its acquisition on 1 August 2006

Unallocated corporate expenses is the cost of Cohort head office

Other Information	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Capital additions	63	24	—	—	87
Depreciation	143	44	—	—	187
Balance sheet					
Assets					
Segment assets	2,796	6,058	—	(2,415)	6,439
Unallocated corporate assets					20,539
Consolidated total assets					26,978
Liabilities					
Segment liabilities	(3,596)	(4,852)	—	2,415	(6,033)
Unallocated corporate liabilities					(366)
Consolidated total liabilities					(6,399)

Unallocated corporate assets primarily comprise goodwill, other intangible assets and cash

Unallocated corporate liabilities primarily comprise provisions in respect of deferred consideration

Geographical Segments

The Group's subsidiaries are all located in the UK. The following table provides an analysis of the Group's revenue by geographical market

	2008 £'000	2007 £'000
UK	53,100	33,872
Other EC countries	509	527
Asia Pacific	3,484	—
USA	—	20
	57,093	34,419

All the Group's assets, tangible and intangible, are located in the UK

1 Segmental analysis continued

Market segments

The following table provides an analysis of the Group's revenue by market sector

	2008 £'000	2007 £'000
Defence	51,752	31,576
Transport	1,677	—
Space	1,218	—
Other commercial (including off-shore)	2,446	2,843
	57,093	34,419

2 Staff costs

Staff costs during the year (including Directors)

	2008 £'000	2007 £'000
Wages and salaries	20,614	12,882
Social security costs	2,303	1,441
Pension costs	848	329
Share-based payments	129	71
	23,894	14,723

Average number of employees

	2008 Number	2007 Number
Other operational	349	209
Managed services	45	34
Total operational	394	243
Administration and support	75	49
	469	292

The above disclosures include Directors' Directors' emoluments are disclosed separately in the Remuneration Committee Report on pages 24 and 25

3 Exceptional items

	2008 £'000	2007 £'000
(Loss)/profit on the sale of property, plant and equipment	(17)	1
Write-back of provision against joint venture investments and commitments	—	113
	(17)	114

All exceptional items are in respect of continuing operations

4 Profit for the year

The profit for the year has been arrived at after charging/(crediting)

	Notes	2008 £'000	2007 £'000
Net foreign exchange gains	20	(131)	—
Research and development costs		5,495	1,940
Depreciation	11	463	187
Amortisation of other intangible assets	10	481	252
Cost of inventories recognised as expenses		10,926	5,585
Staff costs (excluding share-based payments)	2	23,765	14,652
Share-based payments	27	129	71

All of the above charges/(credits) are in respect of continuing operations

Notes to the Financial Statements continued

For the year ended 30 April 2008

4 Profit for the year continued

Auditors' remuneration

The analysis of the auditors' remuneration is as follows

	2008 £'000	2007 £'000
Fees payable to the Company's auditor for the audit of the Company's accounts	15	11
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	60	33
Total audit fee	75	44
Tax services	17	11
Corporate finance services	102	33
Other services	—	—
Total non-audit fee	119	44
Total fees paid to the auditor	194	88
Charged to profit for the year	92	55
Charged to goodwill on acquisition of the SEA Group	102	—
Charged to goodwill on acquisition of MASS	—	33
	194	88

Fees payable to Baker Tilly UK Audit LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis only

5 Finance income

	2008 £'000	2007 £'000
Interest on bank deposits	231	204
Interest on finance leases receivable	—	10
	231	214

All finance income is in respect of continuing operations

6 Finance costs

	2008 £'000	2007 £'000
Interest on loans wholly repayable in more than five years	22	—
Bank and short-term interest	134	8
	156	8

All finance costs are in respect of continuing operations

7 Tax expense

	2008 £'000	2007 £'000
Current tax in respect of this year	710	449
Current tax in respect of prior periods	—	33
Deferred tax (see note 19)	379	(28)
	1,089	454

7 Tax expense continued

The corporation tax is calculated at 29.8% (2007: 30%) of the estimated assessable profit for the year, as disclosed below. The tax rate for 2008 is a weighted average of 30% for eleven months and 28% for one month.

The tax charge for the year is reconciled to the profit before tax per the Income Statement as follows:

Group	2008 £'000	2008 %	2007 £'000	2007 %
Profit before tax	5,569		2,723	
Tax at UK corporation tax rate of 29.83%	1,661	29.8	817	30.0
Tax effect of expenses not allowable for tax purposes	14		9	
Tax effect of depreciation in excess of capital allowances	25		60	
Tax effect of research and development credits	(509)		(437)	
Tax effect of brought forward losses on current tax	(538)		—	
Tax effect of amortisation of other intangible assets	143		76	
Tax effect of share-based payments	38		21	
Tax effect of other short-term timing differences	(134)		(112)	
Tax effect of disallowable share of joint venture undertakings	35		43	
Tax effect of allowable losses for joint ventures	(25)		(28)	
Tax effect of prior year current tax	—		33	
Tax effect of deferred tax movement	379		(28)	
Tax expense and effective tax rate for the year	1,089	19.6	454	16.7

The tax charge is all in respect of continuing operations.

In addition to the amount charged to the Income Statement, deferred tax relating to the revaluation of the Group's land and buildings amounting to £0.7m has been charged directly to goodwill on the acquisition of SEA (see note 23).

8 Dividends

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the period		
Final dividend in respect of the year ended 30 April 2007 at 0.90p per ordinary share (2006: 0.40p per ordinary share)	265	118
Interim dividend in respect of the year ended 30 April 2008 at 0.45p per ordinary share (2007: 0.40p per ordinary share)	182	118
	447	236
Proposed final dividend for the year ended 30 April 2008 at 1.00p per ordinary share (2007: 0.90p per ordinary share)	405	265

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

If approved, this dividend will be paid on 3 September 2008 to shareholders on the register as at 8 August 2008.

9 Earnings per share

The earnings per share are calculated as follows:

Note	2008			2007		
	Weighted average number of shares Number	Earnings £'000	Earnings per share pence	Weighted average number of shares Number	Earnings £'000	Earnings per share pence
Basic earnings (net profit attributable to equity holders of Cohort plc)	34,960,426	4,480	12.81	27,633,096	2,269	8.21
Exceptional items	3	17	—	—	(114)	—
Tax on exceptional items	—	—	—	—	—	—
Basic earnings before exceptional items	34,960,426	4,497	12.86	27,633,096	2,155	7.80
Reverse exceptional items (net of tax)	—	(17)	—	—	114	—
Basic earnings	34,960,426	4,480	12.81	27,633,096	2,269	8.21
Share options	423,731	—	—	168,184	—	—
Diluted earnings	35,384,157	4,480	12.66	27,801,280	2,269	8.16

Notes to the Financial Statements continued

For the year ended 30 April 2008

9 Earnings per share continued

In addition, the adjusted earnings per share of the Group are calculated as follows

	Note	2008			2007		
		Weighted average number of shares Number	Earnings £'000	Earnings per share pence	Weighted average number of shares Number	Earnings £'000	Earnings per share pence
Basic earnings before exceptional items		34,960,426	4,497	12.86	27,633,096	2,155	7.80
Amortisation of other intangible assets	10	—	481	—	—	252	—
Adjusted earnings		34,960,426	4,978	14.24	27,633,096	2,407	8.71
Share options		423,731	—	—	168,184	—	—
Diluted adjusted earnings		35,384,157	4,978	14.07	27,801,280	2,407	8.66

All earnings are in respect of continuing operations

10 Goodwill and other intangible assets

	Goodwill			Other intangible assets		
	SEA £'000	MASS £'000	Group £'000	SEA £'000	MASS £'000	Group £'000
Cost						
At 1 May 2006	—	—	—	—	—	—
Recognised on acquisition of a subsidiary	—	12,162	12,162	—	1,560	1,560
At 1 May 2007	—	12,162	12,162	—	1,560	1,560
Recognised on acquisition of a subsidiary	18,492	—	18,492	1,160	—	1,160
Adjustment to goodwill of previously acquired subsidiaries	—	(14)	(14)	—	—	—
At 30 April 2008	18,492	12,148	30,640	1,160	1,560	2,720
Amortisation						
At 1 May 2006	—	—	—	—	—	—
Charge for the year ended 30 April 2007	—	—	—	—	252	252
At 1 May 2007	—	—	—	—	252	252
Charge for the year ended 30 April 2008	—	—	—	145	336	481
At 30 April 2008	—	—	—	145	588	733
Net book value						
At 30 April 2008	18,492	12,148	30,640	1,015	972	1,987
At 30 April 2007	—	12,162	12,162	—	1,308	1,308

Goodwill arises on the acquisition of subsidiaries (see notes 23 and 30). These subsidiaries are the cash generating units to which goodwill has been allocated.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the subsidiaries (cash generating units) are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and any other factors which may affect future performance as known of in the current period.

The Group's subsidiaries have prepared cash flow forecasts as part of the recent annual budgetary process, as approved by management. This provides the next three years' cash flow forecasts which have been extrapolated forward at an estimated growth rate of 10%. The discount rate applied to future cash flow is 10%.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2008.

The other intangible assets also arise on the acquisition of the subsidiaries and are analysed above.

These intangible assets are in respect of acquired contracts of each of MASS and SEA and contracts to be secured in respect of MASS.

10 Goodwill and other intangible assets continued

The other intangible assets are amortised over the expected lives of acquired contracts and contracts to be secured, as follows

	Other intangible assets £'000	Expected life years	Remaining period of amortisation at 30 April 2008 years
MASS			
Contracts acquired	1,060	4	2 25
Contracts to be secured	500	7	5 25
	1,560		
SEA			
Contracts acquired	1,160	4	3 50

The contracts to be secured are in respect of certain overseas opportunities for which further consideration is payable if secured in accordance with the terms of the acquisition of MASS

11 Property, plant and equipment

Group	Land and buildings £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost			
At 1 May 2006	—	298	298
Acquired	—	283	283
Additions	—	87	87
At 1 May 2007	—	668	668
Acquired	4,304	2,322	6,626
Additions	3	522	525
Disposals	—	(536)	(536)
At 30 April 2008	4,307	2,976	7,283
Depreciation			
At 1 May 2006	—	199	199
Charge in the year	—	187	187
At 1 May 2007	—	386	386
Acquired	305	1,782	2,087
Charge in the year	41	422	463
Eliminated on disposal	—	(519)	(519)
At 30 April 2008	346	2,071	2,417
Net book value			
At 30 April 2008	3,961	905	4,866
At 30 April 2007	—	282	282

Fixed assets held under finance lease agreements had a net book value at 30 April 2008 of £Nil (2007 £Nil) The Company's fixed assets were £Nil at 30 April 2008 (2007 £Nil)

The acquired assets were those of SEA These were acquired on 31 October 2007 The historic cost of equipment, fixtures and fittings was £2,322,000 and the cumulative depreciation was £1,473,000 The acquired fixed assets were further written down by £309,000 as part of the fair value exercise to align with the Group's Accounting Policies and to write-down assets to zero with nil recoverable value (see note 23)

The land and buildings on acquisition had a net book value of £2,394,000 This was written up to market value of £3,999,000, the revaluation being included in goodwill A deferred tax liability of £449,000 was recognised on the revalued amount of £1,605,000 and a further deferred tax liability of £213,000 was recognised on a previous revaluation prior to being acquired by the Group

The valuation of the acquired land and buildings at 31 October 2007 was carried out by Quartley Hodges Hood, independent valuers not connected with the Group, on the basis of market value

Notes to the Financial Statements continued For the year ended 30 April 2008

12 Interest in joint ventures and subsidiaries

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Subsidiary undertaking	—	—	42,422	16,064
Joint ventures	—	—	—	—
	—	—	42,422	16,064

Aggregated amounts relating to joint ventures were as follows

	2008 £'000	2007 £'000
Current assets	48	34
Current liabilities	(750)	(500)
Revenue	203	274
Expenses	(439)	(786)
Loss	(236)	(512)

The net negative investment in joint ventures at 30 April 2008 of £351,000 (2007 £233,000) has been offset against amounts recoverable from joint ventures within trade debtors and receivables

A list of the significant investments in joint ventures and subsidiaries is as follows

Name of Company directly owned	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Systems Consultants Services Limited (SCS)	England	Ordinary	100%	Technical consultancy
MASS Limited	England	Ordinary	100%	Holding Company of MASS Consultants Ltd
SEA Group Limited (SEA)	England	Ordinary	100%	Holding company of Systems Engineering and Assessment Ltd, Beckington Castle Ltd and various dormant subsidiaries
Held through a subsidiary				
MASS Consultants Limited (MASS)	England	Ordinary	100%	Electronic warfare, managed services, secure communications and IT support services
Systems Engineering & Assessment Limited	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to Defence, Space, Transport and Off-shore sectors
Beckington Castle Limited	England	Ordinary	100%	Property company holding freehold of Beckington Castle
Advanced Geospatial Solutions Limited (AGS)	England	Ordinary	50%	3D mapping technology
Digital Millennium Map LLP (DMM)	England	Ordinary	25%	2D digital mapping

AGS is accounted for using the equity method of accounting and is reported above. DMM is not accounted for under the equity method of accounting, the Group ceased to have an active participation from 1 November 2006. For information, the performance of DMM for the year ended 30 April 2008 was as follows

	Year ended 30 April 2008 £'000	Cumulative to 30 April 2008 £'000
Unrecognised share of loss	(67)	(478)
Revenues	901	1,689
Expenses	(1,169)	(3,601)
Loss	(268)	(1,912)
	2008 £'000	2007 £'000
Total assets	60	162
Total liabilities	(370)	(265)

12 Interest in joint ventures and subsidiaries continued

Company

The Company's investments in subsidiaries are as follows

	2008 £'000	2007 £'000
MASS	14,548	14,480
SCS	1,584	1,584
SEA	26,290	—
	42,422	16,064

The change in the investment of MASS reflects finalisation of acquisition costs that were estimates at 30 April 2007

13 Inventories

	2008 £'000	2007 £'000
Work in progress	895	409
Finished goods	146	—
	1,041	409

14 Trade and other receivables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts due from subsidiary undertakings	—	—	1,906	1,266
Amounts owed by joint ventures	277	187	—	—
Trade debtors	15,587	6,668	118	—
Prepayments and accrued income	4,088	536	27	33
Other debtors	—	340	—	—
	19,952	7,731	2,051	1,299

The average credit period taken on sales of goods is 75 days (2007 61 days) An allowance has been made for estimated recoverable amounts from the sale of goods and services of £8,000 (2007 £Nil) This allowance is determined by reference to the particular debtors over which doubt exists

The Directors consider that the carrying amount of trade and other receivables approximates their fair value The largest debtor to which the Group is exposed at 30 April 2008 is the UK MOD, a balance outstanding of £6.6m

15 Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Advance receipts	2,152	162	—	—
Trade creditors	4,113	3,026	256	21
Other creditors	11	—	—	—
Social security and other taxes	3,028	496	—	—
Accruals	3,799	2,029	—	102
	13,103	5,713	256	123

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing contract costs Advance receipts reflect invoicing ahead of work done in accordance with contracted terms The average credit period taken for trade purchases is 40 days (2007 42 days)

Social security and other taxes includes employee taxes and VAT

The Directors consider that the carrying amount of trade payables approximates to their fair values

Notes to the Financial Statements continued

For the year ended 30 April 2008

16 Other loans

The other loans are in respect of financing assets acquired in the past by SEA. They are not finance leases and are not secured over the asset financed or any other asset of the Group.

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Other loans	73	—	—	—

These borrowings are repayable as follows

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
On demand or within one year	41	—	—	—
In the second year	32	—	—	—
	73	—	—	—
Less amounts due for settlement within twelve months (shown under current liabilities)	(41)	—	—	—
Amount due for settlement after twelve months	32	—	—	—

All borrowings are in sterling

The weighted average interest rates paid were as follows

	2008	2007
	%	%
Other loans	7.10	—

The Directors consider the carrying amount of other loans approximates their fair value

17 Bank loans

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank overdrafts	—	—	2,740	—
Bank loans	3,915	—	3,000	—
	3,915	—	5,740	—

These borrowings are repayable as follows

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
On demand or within one year	3,123	—	5,740	—
In the second year	131	—	—	—
In the third to fifth years inclusive	335	—	—	—
After five years	326	—	—	—
	3,915	—	5,740	—
Less amounts due for settlement within twelve months (shown under current liabilities)	(3,123)	—	(5,740)	—
Amount due for settlement after twelve months	792	—	—	—

All borrowings are in sterling and secured over the fixed and floating assets of the Group

The weighted average interest rates paid were as follows

	2008	2007
	%	%
Bank overdrafts	—	—
Bank loans	7.10	—

The bank overdrafts are repayable on demand. The Group operates a sterling current account offset facility, thus at 30 April 2008, the Group had no overall overdraft facility drawn. The interest rate applicable to the overdraft facility when drawn is at 1.0% above LIBOR.

The bank loans of the Group are as follows

- i) £3.0m structured debt of 364 days with three year term out, at a floating rate of 0.85% to 1.35% above LIBOR, fixed in advance on at least a three-month term
- ii) £0.9m in mortgages repayable over 15 years with completion dates of 26 February 2012 and 8 July 2017 for £0.3m and £0.6m respectively

The interest rates on these mortgages is floating at 1.5% above LIBOR with £612,000 fixed via an interest rate swap at 7.38%

17 Bank loans continued

At 30 April 2008, the Group had available £2.5m of undrawn committed overdraft facility and £7.0m of undrawn committed structured debt facility in respect of which all conditions precedent had been met. The Directors consider the carrying amount of bank loans approximate their fair value.

The Group's net funds at 30 April 2008 of £2.1m are all with RBS Natwest.

18 Provisions

	SEA earn out £'000	MASS earn-out £'000	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2006	—	—	—	220	220
Set up on acquisition or acquired	—	500	60	—	560
Utilised	—	—	—	(220)	(220)
At 1 May 2007	—	500	60	—	560
Set up on acquisition or acquired	4,672	—	—	—	4,672
Charge to the Income Statement	—	—	41	275	316
At 30 April 2008	4,672	500	101	275	5,548
At 30 April 2008					
Provisions due less than one year	4,672	333	101	275	5,381
Provisions due greater than one year	—	167	—	—	167
	4,672	500	101	275	5,548
At 30 April 2007					
Provisions due less than one year	—	—	60	—	60
Provisions due greater than one year	—	500	—	—	500
	—	500	60	—	560

The SEA earn-out is in respect of the obligation of the Group to settle deferred consideration payable to the vendors of SEA on the achievement of prescribed profit targets set out in the sale and purchase agreement pertaining to the acquisition. The provision represents the maximum liability and payment of this amount is expected to be made in July 2008.

The MASS earn-out is in respect of the obligation of the Group to settle deferred consideration payable to the vendors of MASS on receiving certain overseas contracts as set out in the sale and purchase agreement pertaining to the acquisition. The provision represents the maximum total liability, which, if payable, is expected to be settled in the years ended 30 April 2009 and 30 April 2010.

The warranty provisions represent management's best estimate of the Group's liability under warranties granted on software and other products supplied and is based upon past experience. The other contract-related provisions are management's best estimate of the Group's exposure to contract related costs and undertakings which are in addition to contract accruals.

Company	SEA earn-out £'000	MASS earn out £'000	Total £'000
At 1 May 2006	—	—	—
Set up on acquisition or acquired	—	500	500
At 1 May 2007	—	500	500
Set up on acquisition or acquired	4,672	—	4,672
At 30 April 2008	4,672	500	5,172
At 30 April 2008			
Provisions due less than one year	4,672	333	5,005
Provisions due greater than one year	—	167	167
	4,672	500	5,172
At 30 April 2007			
Provisions due less than one year	—	—	—
Provisions due greater than one year	—	500	500
	—	500	500

Notes to the Financial Statements continued For the year ended 30 April 2008

19 Deferred tax

	Accelerated tax depreciation £'000	Revaluation of building £'000	Tax losses £'000	Group £'000
At 1 May 2006	43	—	—	43
Credit to Income Statement	28	—	—	28
At 1 May 2007	71	—	—	71
Charge to Income Statement	(9)	—	(370)	(379)
On acquisition of subsidiary	—	(662)	370	(292)
At 30 April 2008	62	(662)	—	(600)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes

	2008 £'000	2007 £'000
Asset	62	71
Liability	(662)	—
	(600)	71

At the Balance Sheet date the Group had unused trading tax losses within its subsidiaries of £1.8m (2007: £0.6m) available for offset against future profits.

No deferred tax asset has been recognised in respect of these losses due to unpredictability of future taxable profit streams. The deferred tax asset recognised in respect of SEA on acquisition is equal to tax losses able to be utilised in the year ended 30 April 2008.

These tax losses can all be carried forward indefinitely.

The deferred tax liability in respect of the revaluation of building arose on the acquisition of SEA and is the potential tax liability payable on the revaluation gain of the building with reference to its historical cost.

Company deferred tax balance at 30 April 2008 is £Nil (2007: £Nil).

20 Derivative financial instruments

Currency Derivatives

The Group utilises forward currency contracts to hedge significant future transactions and cash flows. The Group is party to a number of foreign currency forward contracts in the management of its foreign exchange rate exposure.

At the Balance Sheet date, the total notional amount of outstanding foreign currency forward contracts that the Group was committed to were as follows:

	2008 £'000	2007 £'000
Contracts to sell euro and buy pounds sterling	2,227	—

At 30 April 2008, the fair value of the Group's currency derivatives is estimated to be approximately £2,358,000 (2007: £Nil). These amounts are based on closing exchange rates.

£617,000 has been transferred to the Income Statement in respect of contracts that matured in the year.

£131,000 has been transferred to the Income Statement in respect of marking the outstanding contracts at 30 April 2008 (2007: £Nil) to fair value with a corresponding derivative financial instrument recognised in the balance sheet as an asset.

Interest rate swaps

The Group uses an interest rate swap to manage its exposure to interest rate movements on its mortgage borrowings.

A contract with nominal value of £612,000 has fixed interest payments at a rate of 7.38% for periods up until August 2016.

The fair value of the swap entered into at 30 April 2008 is estimated at £626,000 (2007: £Nil). These amounts are based on market values of equivalent instruments at 30 April 2008.

This interest rate swap is designated and effective as a cash flow hedge. The fair value thereof is not materially different and has not been recognised in equity.

21 Called up share capital

	2008 Number	2007 Number
Authorised share capital of 10p ordinary shares	50,000,000	40,000,000
Allotted, called up and fully paid 10p ordinary shares	40,456,417	29,477,161

Movement in allotted, called up and fully paid 10p ordinary shares

	Number
At 1 May 2007	29,477,161
On acquisition of SEA at £1 50 per ordinary share	
Issued to vendors	5,954,866
Issued to placees for cash	5,000,000
	10,954,866
Share options exercised	24,390
	40,456,417

The following share options were unexercised at 30 April 2008

Description of option	Date of Grant	Options over 10p ordinary shares Number	Option price £	Exercise period
Cohort plc 2006 Share option scheme	24 February 2006	38,889	0 90	25 February 2008 to 25 February 2009
	8 March 2006	315,038	1 23	9 March 2009 to 8 March 2016
	10 July 2006	42,554	1 41	10 July 2009 to 9 July 2016
	25 January 2007	38,674	1 81	25 January 2010 to 24 January 2017
	19 February 2007	229,853	1 77	20 February 2010 to 19 February 2017
	21 August 2007	126,525	1 66	22 August 2010 to 21 August 2017
		791,533		
Save as you earn (SAYE) scheme	5 May 2006	215,447	1 23	
	26 January 2007	211,235	1 45	
	4 February 2008	460,554	1 33	
		887,236		
		1,678,769		

22 Reserves

Group	Share premium account £'000	Share option reserve £'000	Profit and loss account £'000	Total reserves £'000
At 1 May 2006	5,339	—	1,373	6,712
Shares issued on acquisition of MASS	9,173	—	—	9,173
Cost of share issue	(377)	—	—	(377)
Share options exercised	20	—	—	20
Equity dividends	—	—	(236)	(236)
Share-based payments	—	71	—	71
Retained profit	—	—	2,269	2,269
At 1 May 2007	14,155	71	3,406	17,632
Shares issued on acquisition of SEA	15,337	—	—	15,337
Cost of share issue	(361)	—	—	(361)
Share options exercised	27	—	—	27
Equity dividends	—	—	(447)	(447)
Share-based payments	—	129	—	129
Profit for the year	—	—	4,480	4,480
At 30 April 2008	29,158	200	7,439	36,797

Notes to the Financial Statements continued For the year ended 30 April 2008

22 Reserves continued

Company	Share premium account £'000	Share option reserve £'000	Profit and loss account £'000	Total reserves £'000
At 1 May 2006	5,339	—	(5)	5,334
Shares issued on acquisition of MASS	9,173	—	—	9,173
Cost of share issue	(377)	—	—	(377)
Share options exercised	20	—	—	20
Equity dividends	—	—	(236)	(236)
Share-based payments	—	10	—	10
Retained profit	—	—	969	969
At 1 May 2007	14,155	10	728	14,893
Shares issued on acquisition of SEA	15,337	—	—	15,337
Cost of share issue	(361)	—	—	(361)
Share options exercised	27	—	—	27
Equity dividends	—	—	(447)	(447)
Share-based payments	—	11	—	11
Retained profit	—	—	(201)	(201)
At 30 April 2008	29,158	21	80	29,259

23 Acquisition of SEA

On 31 October 2007, the Group completed the acquisition of 100% of the issued share capital of SEA for initial consideration of £20.7m with further performance related deferred consideration of up to £4.7m, payable in cash. SEA is the parent company of Systems Engineering and Assessment Limited, an independent systems engineering and software company.

The transaction has been accounted for as at 30 April 2008 by the purchase method of accounting.

	Book value £'000	Fair value £'000
Net assets acquired		
Intangible assets	15	—
Property, plant and equipment	3,243	4,539
Inventories	1,677	1,455
Trade and other receivables	4,319	4,172
Cash and cash equivalents	1,203	1,203
Trade and other payables	(1,945)	(3,065)
Deferred tax	(32)	(292)
Current tax liabilities	(292)	(292)
Bank loans	(1,082)	(1,082)
	7,106	6,638
Other intangible assets		1,160
Goodwill		18,492
Total consideration		26,290
Total consideration includes acquisition costs of £0.9m		£'000
Satisfied by		
Cash		12,676
5,954,866 ordinary shares issued to vendors at £1.50 per share		8,932
Trade and other payables		10
Provision for deferred consideration		4,672
		26,290

23 Acquisition of SEA continued

	£'000
Net funds outflow arising on acquisition	
Cash consideration	(12,676)
Cash and cash equivalents acquired	1,203
Net cash flow	(11,473)
Bank loans acquired	(1,082)
Net funds flow	(12,555)

As part of the acquisition, the Group drew down £3.0m from its acquisition facility with the RBS Natwest and raised £6.0m via a vendor placing net of £361,000 of placing costs, which were charged to the Share Premium Account. A further £1.5m was raised under the Venture Capital Trust Scheme, realising net proceeds from the issue of shares of £7,139,000.

The goodwill arising on the acquisition of SEA is attributable to the anticipated profitability of SEA in the future and expected market and customer facing synergies that arise from the combination with the remainder of the Cohort Group. In accordance with IFRS this goodwill will not be amortised but is subject to an annual impairment test. The other intangible asset is in respect of the future profitability of the acquired order book of SEA and will be amortised over the period in which the acquired contracts profitability arises, a period of four years.

For the period from acquisition, 31 October 2007 until 30 April 2008, SEA contributed to the Group, revenue of £13.0m and net profit of £2.2m.

If SEA had been acquired 1 May 2007, its revenue and net profit would have been £22.8m and £2.7m respectively for the year ended 30 April 2008.

24 Notes to the cash flow statement

a) Net cash from operating activities

	2008 £'000	2007 £'000
Profit for the year	4,480	2,269
Adjustments for:		
Share of loss of joint venture	118	242
Tax expense	1,089	454
Depreciation of property, plant and equipment	463	187
Amortisation of other intangible assets	481	252
Exceptional items	17	(114)
Finance income (net of finance costs)	(75)	(192)
Share-based payment	129	71
Derivative financial instruments	(131)	—
Increase in provisions	316	—
Operating cash flows before movements in working capital	6,887	3,169
Decrease/(increase) in inventories	823	(267)
Increase in receivables	(8,138)	(1,180)
Increase in payables	4,326	1,220
	(2,989)	(227)
Cash generated by operations	3,898	2,942
Tax paid	(507)	(787)
Interest paid	(156)	(8)
Net cash flow from operating activities	3,235	2,147

b) Additions to property, plant and equipment during the year amounting to £Nil (2007: £Nil) were financed by new finance leases.

25 Commitments

There were no capital commitments at 30 April 2008 (2007: £Nil).

Notes to the Financial Statements continued For the year ended 30 April 2008

26 Operating lease arrangements

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense in the year		
Land and buildings	456	177
Other	58	7
	514	184

At 30 April 2008 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows

	2008 £'000	2007 £'000
Land and buildings		
- leases which expire within one year	675	177
- leases which expire in the second to fifth year inclusive	2,081	651
- leases which expire after five years	1,506	240
	4,262	1,068
Other		
- leases which expire within one year	92	24
- leases which expire in the second to fifth year inclusive	106	87
- leases which expire after five years	5	7
	203	118
	4,465	1,186

Significant leasing arrangements held by the Group are in respect of its operating facilities in St Neots, Lincoln, Bristol and Henley-on-Thames

27 Share-based payments

The Group plan provides for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is generally three years, five years in the case of some SAYE schemes. If options under the Cohort plc 2006 Share option scheme remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

	2008		2007	
	Options	Weighted average exercise price £	Options	Weighted average exercise price £
Outstanding at 1 May	1,146,055	1.40	394,577	1.20
Granted during the year	587,079	1.39	785,980	1.49
Forfeited during the year	(29,975)	1.36	(16,616)	1.23
Exercised during the year	(24,390)	1.23	(17,886)	1.23
Expired during the year	—	—	—	—
Outstanding at 30 April 2008	1,678,769	1.40	1,146,055	1.40
Exercisable at 30 April 2008	38,889	0.90	—	—

The weighted average share price at the date of exercise for share options exercised during the year was £1.61 (2007 £1.64). The options outstanding at 30 April 2008 had a weighted average exercise price of £1.40 (2007 £1.40), and a weighted average remaining contractual life of five years (2007 seven years).

In the year ended 30 April 2008, options were granted on 21 August 2007 and 4 February 2008. The aggregate of the estimated fair values of the options granted on those dates was £1.40. In the year ended 30 April 2007, options were granted on 5 May 2006, 10 July 2006, 25 January 2007, 26 January 2007 and 19 February 2007. The aggregate of the estimated fair values of the options granted on those dates was £1.50.

27 Share-based payments continued

The inputs into the Quoted Companies Alliance model, a Black-Scholes based binominal model, are as follows

	2008	2007
Weighted average share price	£1 68	£1 59
Weighted average exercise price	£1 40	£1 40
Expected volatility	20%	20%
Risk free rate	5 75%	5 75%
Leaver rate	6 5% per annum	6 5% per annum
Dividend yield	0 26%	0 26%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous two years

The leaver rate used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

The Group recognised a cost of £129,000 (2007 £71,000) relating to equity-settled share-based payment transactions, an equivalent amount being transferred to the share option reserve (see note 22)

28 Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £848,000 (2007 £329,000) were charged to the income statement

29 Related party transactions

Transactions between the Company and its subsidiaries are as follows

	Management fees received from subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief surrendered by subsidiaries £'000
2008	400	—	81
2007	480	1,000	9

Transactions between the Group and its joint ventures are disclosed below

	Purchases £'000	Sales £'000	Investment in year £'000	Changes in loans/current account/sales ledger £'000
Advanced Geospatial Solutions (AGS)				
2008	—	—	—	277
2007	—	—	—	187
Digital Millennium Map LLP (DMM)				
2008	—	—	—	—
2007	—	—	220	—

The change in the loans, current accounts and sales ledgers reflects purchases, sales and support costs to the related party undertakings

The relationships are described as follows

AGS - the interest in which is owned by SCS, a 50% joint venture

DMM - the interest in which is owned by SCS, formerly a 25% joint venture. From 1 November 2006 this has been accounted for as an investment, the Group no longer having an active participation in this entity

The Group has a leasing agreement (dated 27 February 2006) with the Court House Partnership to lease the Court House at an annual rent of £57,000 for an initial period of five years, terminable by the Group with six months notice at no penalty. Stanley Carter (a Director of Cohort plc) is a partner in the Court House Partnership. The transactions with Directors of the Company are disclosed in the Report of the Remuneration committee on pages 24 and 25

During the year ended 30 April 2008, the Directors of Cohort plc received dividends from the Company as follows

	2008 £	2007 £
AES Carter	143,717	85,166
N Prest	26,927	15,676
S Walther	135	40
Sir Robert Walmsley	225	134
I Dale-Staples	9,284	—
	180,288	101,016

Notes to the Financial Statements continued

For the year ended 30 April 2008

30 Impact of change from UK GAAP to IFRS

The Group and Company (Cohort plc) accounts for the year ended 30 April 2008 have been prepared in accordance with IFRS. The comparatives have been restated accordingly.

In addition to a number of disclosure changes, the main impacts of changing from UK GAAP to IFRS for the Group are as follows:

a) Amortisation of goodwill and other intangible assets

The Group previously amortised goodwill arising on acquisition of subsidiaries over 20 years with no differentiation of the goodwill on acquisition between its constituent parts.

The introduction of IFRS has required the Group to differentiate goodwill arising on acquisitions into its constituent elements with the balance remaining as goodwill. In accordance with IAS 36, the goodwill is not subject to amortisation but is reviewed annually for impairment.

The other intangible assets are amortised over their estimated useful lives in accordance with IAS 38.

The goodwill and other intangible assets arising on the acquisition of SEA are discussed and analysed in note 23.

The acquisition of MASS took place in the year ended 30 April 2007 and this acquisition has been restated in accordance with IFRS.

	£'000	Life Years
Goodwill on acquisition under UK GAAP	13,722	20
Under IFRS		
Intangible asset in respect of acquired contracts	1,060	4
Intangible asset in respect of contracts to be secured	500	7
Goodwill on acquisition	12,162	N/A
	13,722	

The goodwill on acquisition is not subject to amortisation. This goodwill represents the intellectual property and other intangibles acquired with MASS, primarily its employees, which is not identifiable as patents or able to be valued in terms of future customer relationships and as such no estimated useful life is able to be applied to it.

The effect of the above changes was to reduce the amortisation charge for the year ended 30 April 2007 from £515,000 as previously reported under UK GAAP to £252,000, as now reported under IFRS.

b) Recognition of fair value of derivative financial instruments

The Group uses forward foreign exchange contracts to hedge it from any cash risk arising on receiving and/or paying foreign currency (mainly euros) to customers and suppliers respectively.

Under UK GAAP any gain or loss on marking these contracts to market were required to be disclosed but not to be adjusted in the Income Statement or equity of the Group.

Under IFRS, such adjustments to these instruments are reflected in the Income Statement or equity.

The Group has no such instruments in place at 30 April 2007, hence no impact on the restatement under IFRS.

c) The Impact of the above changes on the previously reported UK GAAP figures of the Group are as follows

	2007 £'000
Income Statement	
The profit for the period previously reported under UK GAAP	2,006
Derivative financial instruments	—
Adjustment to amortisation of goodwill and other intangible assets	263
As reported under IFRS	2,269
Equity	
Equity at 1 May 2007 as reported under UK GAAP	20,316
Derivative financial instruments	—
Adjustment to amortisation of goodwill and other intangible assets charged to Income Statement in the year ended 30 April 2007	263
As reported under IFRS	20,579

There was no difference between the equity reported at 1 May 2006 under UK GAAP and IFRS.

Accounting Policies

Basis of accounting

The Group and Company financial statements have been prepared in accordance with applicable IFRS. The financial statements have also been prepared in accordance with IFRS adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for the revaluation of land and buildings and derivative financial instruments. The principal Accounting Policies are set out below.

The figures in the financial statements have been presented in thousands of pounds sterling except where otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 30 April 2008. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see Business combinations below). Accordingly, the results of SEA are consolidated from 31 October 2007.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. This is necessary as the Group's subsidiaries continue to prepare statutory financial statements in accordance with UK GAAP.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results, assets and liabilities of joint ventures of the Group have been incorporated in these financial statements using the equity method of accounting.

Advanced Geospatial Solutions Limited (AGS) has been accounted for as a joint venture for the entire year.

The Company has not presented its own profit and loss account, as permitted by Section 230(4) of the Companies Act 1985.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the completion date, of assets acquired, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, which is a point in time greater than twelve months after the completion date, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds or is below the cost of the business combination, the excess or shortfall is recognised immediately in the Income Statement.

Any change in consideration, where previously estimated, is recognised as an adjustment to goodwill.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's subsidiaries as appropriate. Subsidiaries (cash-generating units) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the subsidiary is less than the carrying amount of the subsidiary, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the subsidiary and then to the other assets of the subsidiary pro-rata on the basis of the carrying amount of each asset in the subsidiary. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the provision of goods and services, excluding discounts, Value Added Tax and other sales-related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from contracts is recognised as the activity progresses to reflect the partial performance of contractual obligations. In the case of long-term contracts, revenue is recognised appropriate to the stage of completion when the outcome of the contract can be assessed with reasonable certainty.

Accounting Policies continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency), which is currently sterling for the whole Group. For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Balance Sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's Accounting Policies in respect of such derivative financial instruments).

Borrowing costs

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Taxation continued

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Pension contributions

Payments are made to the Company's stakeholder pension schemes, all defined contribution schemes. Amounts are charged to the Income Statement as incurred.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Balance Sheet at their revalued amounts, being the fair value at the date of revaluation and/or acquisition, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the Balance Sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the Income Statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2%
Fixtures, fittings and equipment	20% - 50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement as an exceptional item.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's own development activity is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes) and is technically and commercially feasible,
- it is probable that the asset created will generate future economic benefits and the Group has available to itself sufficient resources to complete the development and to subsequently sell and/or use the asset created, and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Accounting Policies continued

Impairment of tangible and intangible assets excluding goodwill

At each Balance Sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or subsidiary) is estimated to be less than its carrying amount, the carrying amount of the asset (subsidiary) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (subsidiary) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (subsidiary) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the non market-based vesting conditions.

Fair value is measured by use of the Quoted Companies Alliance binomial model. The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

A liability equal to the portion of the goods and services received is recognised at the current fair value determined at each Balance Sheet date for cash-settled, share-based payments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further cost expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

Long-term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording revenue and related costs as contract activity progresses. Revenue is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which revenue exceeds payments on account is classified as "amounts recoverable on contracts" and included in prepayments and accrued income within trade and other receivables, to the extent that payments on account exceed relevant revenue, the excess is included as an advance receipt within trade and other payables. The amount of long-term contracts, at cost net of amounts transferred to cost of sales, less provision for foreseeable losses and payments on account not matched with revenue, is included within inventories, as work in progress.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, and are discounted to present value where the effect is material.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Deposits included within cash and cash equivalents have less than three months to maturity.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the Income Statement using the effective interest rate and are disclosed within accruals to the extent they are not settled in the period, unless the loan terms provide for the interest to be added to the principal, in which case the interest is added to the carrying amount of the instrument to which it pertains.

Trade payables

Trade payables are initially measured at fair value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects net income.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise.

Joint ventures

The Group accounts for joint ventures where it has a participating interest using the equity method of accounting and discloses the net investment in non-current assets.

Where the investment in a joint venture is negative, the negative investment, to the extent it is a liability of the Group, is offset against any trade and other receivables held by the Group in respect of that joint venture.

The Group does not account for joint ventures in which it no longer has a participating interest.

Notice of Annual General Meeting

Notice is hereby given that the third Annual General Meeting of Cohort plc (the Company) will be held at Phyllis Court Club, Marlow Road, Henley-on-Thames, Oxfordshire RG9 2HT on 28 August 2008 at 3pm for the following purposes

Ordinary Business

To consider and, if thought fit, pass the following resolutions

- 1 To receive and adopt the Company's annual accounts for the year ended 30 April 2008 together with the Directors' Report and the Auditors' Report on those accounts
- 2 To declare a final dividend for the year ended 30 April 2008 of 10 pence per ordinary share of 10 pence each in the capital of the Company to be paid on 3 September 2008 to members whose names appear on the register of members at the close of business on 8 August 2008
- 3 To re-elect Nicholas Prest as a Director of the Company, who retires by rotation in accordance with the Articles of Association of the Company
- 4 To re-elect Ian Dales-Staples a Director of the Company who, having been appointed as a Director by the Directors since the last Annual General Meeting, would in accordance with the Articles of Association of the Company, vacate office at the conclusion of the meeting unless re-appointed
- 5 To re-appoint Baker Tilly UK Audit LLP as auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which financial statements are laid and to authorise the Directors to set their remuneration

To transact any other business of the Company

Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as to Resolution 6 as an Ordinary Resolution and as to Resolutions 7, 8 and 9 as Special Resolutions

- 6 THAT, subject to and in accordance with Article 16 of the Articles of Association of the Company, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the Act) (in substitution for any existing authority to allot relevant securities (within the meaning of Section 80 of the Act)) to exercise all powers of the Company to allot relevant securities up to an aggregate nominal value of £2,022,820, being approximately one half of the current issued share capital of the Company, provided that this authority shall expire 15 months from the date of passing this Resolution or at the conclusion of the next AGM of the Company to be held in 2009 whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities of the Company to be allotted after such expiry and the Directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this Resolution had not expired
- 7 THAT, subject to the passing of Resolution 6 as set out in this Notice of AGM and in accordance with Article 17 of the Articles of Association of the Company the Directors of the Company be and they are hereby generally empowered pursuant to Section 95 of the Act to allot equity securities (in substitution for any existing authority to allot equity securities (within the meaning of Section 94 of the Act)) for cash, pursuant to the authority conferred by Resolution 6 as set out in this Notice of AGM, as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities
 - 7.1 for the purposes of, or in connection with an offer by way of a rights issue, open offer or other pre-emptive offer of equity securities in favour of ordinary shareholders where the securities respectively attributable to the interests of such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by such holders (but subject to such exclusions or other arrangements as the Directors consider appropriate, necessary or desirable to deal with fractional entitlements or any legal or practical difficulties arising under the laws of any territory or the requirements of any regulatory body or recognised investment exchange), and
 - 7.2 (otherwise than pursuant to sub paragraph 7.1 above) of equity securities up to an aggregate nominal value of £404,564 being approximately 10% of the current issued share capital of the Company,

and such power shall expire 15 months from the date of passing this Resolution or at the conclusion of the AGM of the Company to be held in 2009, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired

Special Business continued

- 8 THAT, the Company be generally and unconditionally authorised pursuant to Article 9 of the Articles of Association of the Company and pursuant to Section 166 of the Act to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 10 pence each in the capital of the Company provided that
- 8 1 the maximum number of ordinary shares hereby authorised to be purchased is 6,068,462 (being approximately 15% of the current issued ordinary share capital of the Company),
 - 8 2 the minimum price which may be paid for such shares is 10 pence per ordinary share being the nominal value thereof,
 - 8 3 the maximum price (exclusive of expenses) which may be paid for such shares shall not be more than 5% above the average of the middle market quotations for ordinary shares of 10 pence each in the capital of the Company as derived from the AIM Appendix of the Daily Official List of London Stock Exchange plc for the five business days immediately preceding the day on which the contract for purchase is made, and
 - 8 4 the authority shall expire 15 months from the date of passing this Resolution or at the conclusion of the next AGM of the Company in 2009 whichever is earlier provided that the Company may before such expiry make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry and the Company may make a purchase of its own shares in pursuance of such contract as if the authority conferred hereby had not expired
- 9 With effect on and from 1 October 2008, the Articles of Association of the Company be amended by
- (a) inserting the following new definition in Article 2

"2006 Act" the Companies Act 2006,
 - (b) deleting the existing definition of "Statutes" in Article 2 and replacing it with the following new definition

"Statutes" the Companies Act, the 2006 Act and every other statute, order, regulation, instrument or other subordinate legislation for the time being in force relating to companies and affecting the Company,
 - (c) deleting the existing Articles 100 and 101 and replacing them with the following new Articles 100 to 102 and by the consequential renumbering of all subsequent Articles of the Articles of Association of the Company and the updating of all cross references
- 100 DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY**
- 100 1 Subject to the provisions of the Statutes and provided that he has declared the nature and extent of his interest to the other Directors in accordance with Article 104 1 or 104 2 a Director may hold any other office or employment with the Company (other than the office of auditor) in conjunction with his office of Director for such period (subject to the Statutes) and on any terms as the Directors may determine
 - 100 2 Subject to the provisions of the Statutes and provided that he has declared the nature and extent of his interest to the other Directors in accordance with Article 104 1 or 104 2, a Director or intending Director may enter into any contract, arrangement, transaction or proposal with the Company relating to the tenure of any other office or employment referred to in Article 100 1, or as a vendor or purchaser or otherwise
 - 100 3 Any contract, arrangement, transaction or proposal entered into pursuant to Article 100 2 or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director is in any way directly or indirectly interested cannot be avoided by reason of a Director having any interest permitted by Article 100 2. A Director is not liable to account to the Company for any benefit realised from any contract, arrangement, transaction or proposal as a result of any interest permitted by Article 100 2 by reason of either holding office as a Director or because of the fiduciary relationship established by that office if the Director has declared his interest in accordance with the Statutes and Article 104 1 or 104 2
 - 100 4 Subject to the provisions of the Statutes and provided that he has declared the nature and extent of his interest to the other Directors in accordance with Article 104 1 or 104 2
 - 100 4 1 a Director may act by himself or his firm in a professional capacity for the Company except as an auditor of the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, and
 - 100 4 2 a Director may continue to be or become a Director of, or hold any other office in, or be or become an employee or a member of, any other company in which the Company is interested. Unless otherwise provided by his terms of service the Director shall not be accountable for any remuneration, salary, profit or other benefits received by him as a Director of, or holder of any other office in, or as an employee or member of, any such other company as a result of him having any interest permitted by this Article 100 4 2
 - 100 5 For the purposes of Articles 100 1 to 100 4 inclusive, an interest of a person who is connected with a Director (within the meaning of Section 252 of the 2006 Act) shall be treated as an interest of the Director and, in relation to an alternate, an interest of his appointor shall be treated as an interest of the alternate in addition to any interest which the alternate otherwise has

Notice of Annual General Meeting continued

Special Business continued

101 AUTHORISATION OF CONFLICTS OF INTEREST BY THE DIRECTORS

- 101 1 Any matter (a "Relevant Matter") which would otherwise constitute or give rise to a breach by a Director of his duty under Section 175 of the 2006 Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company (including a breach which would arise by virtue of his appointment as Director) may be authorised by the Directors to the fullest extent permitted by law in accordance with this Article 101
- 101 2 In particular (but without limitation) a Director may, subject to any authorisation required under this Article 101, be or become a member or Director of, or hold any other office or place of profit under, or otherwise be interested in, any other company in which the Company is interested. Subject to these Articles, the Board may cause the voting rights conferred by the shares in any company held or owned by the Company to be exercised in such manner in all respects as they think fit (including without limitation in relation to any resolution concerning the appointment of the Directors or any of them as Directors of, or the holders of any other office or place of profit with such company, fixing or varying the terms of any such appointment or the termination of any such appointment)
- 101 3 A proposal that a Relevant Matter be authorised by the Directors may be made by any Director in accordance with the Board's normal procedures (or in such other manner as the Directors may approve). No authorisation shall be effective unless
- 101 3 1 the quorum requirement at any meeting at which the Relevant Matter is considered is met without counting the Director concerned or any other interested Director, and
- 101 3 2 the Relevant Matter was agreed to without the Director concerned or any other interested Director voting (or would have been agreed to if their votes had not been counted)
- 101 4 Any authorisation of a matter under this Article 101 shall be subject to such terms, conditions and limitations as the Directors may specify, whether at the time of giving the authorisation or subsequently. The Directors may terminate or vary any authorisation at any time. The Director concerned must act in accordance with any terms, conditions or limitations specified by the Directors in accordance with this Article
- 101 5 Unless otherwise specified by the Directors at any time, the terms and conditions on which a Relevant Matter has been authorised shall be deemed to include authority for the Director concerned, without breaching the general duties he owes to the Company by virtue of Sections 171 to 177 of the 2006 Act
- 101 5 1 to exclude himself from participation in discussion (whether at meetings of the Board or otherwise), or receipt of documents or information, relating to the Relevant Matter and/or to arrange for documents or information relating to the Relevant Matter to be reviewed by a professional adviser to ascertain the extent to which it might be appropriate for him to have access to such documents or information, and/or
- 101 5 2 not to disclose to the Company, or use in relation to the Company's affairs, information which he obtains or has obtained otherwise than through his position as a Director of the Company which relates to the Relevant Matter and which is confidential to a third party, where to do so would amount to a breach of confidence or breach of duty to the third party

This Article 101 5 is without prejudice to any equitable principle or rule of law which may otherwise excuse or release the Director from any requirement to disclose information, attend discussions or receive documents or information

- 101 6 The Directors may specify, as a term of authorisation of any Relevant Matter, that a Director is entitled to accept benefits from third parties in relation to the Relevant Matter without breaching Section 176 of the 2006 Act
- 101 7 No Director shall, by reason of his office as Director of the Company (or by reason of the fiduciary relationship established by holding that office), be liable to account to the Company for any benefit derived from any Relevant Matter to the extent that the Relevant Matter has been authorised by the Directors in accordance with this Article 101. No contract, transaction or arrangement shall be liable to be avoided by reason of any interest of a Director to the extent that it has been so authorised
- 101 8 For the purposes of Article 101, references to a conflict of interest include a conflict of interest and duty and a conflict of duties
- #### 102 RESTRICTIONS ON A DIRECTOR'S POWER TO VOTE WHERE HE HAS AN INTEREST
- 102 1 Save as provided in this Article 102 and except as otherwise provided in these Articles, a Director shall not vote as a Director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal in which he has any interest which may be regarded as likely to give rise to a conflict of interest. If he does vote his vote shall not be counted. A Director shall not be counted in the quorum present at the meeting in relation to any resolution of the Directors or of a committee of the Directors on which he is debarred from voting
- 102 2 For the purposes of Article 102 1 interests of a person connected with the Director are aggregated with the Director's interest but interests in shares or debentures or other securities of or connected with the Company are to be disregarded

Special Business continued

- 102 3 The prohibitions in Articles 102 1 and 102 4 shall not apply and a Director (unless otherwise prohibited under these Articles) shall be entitled to vote as a Director and be counted in the quorum in respect of any resolution of the Directors or of a committee of the Directors relating to any of the following matters
- 102 3 1 any contract, transaction, arrangement or proposal in which he is interested by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company, or
 - 102 3 2 the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings, or
 - 102 3 3 the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security, or
 - 102 3 4 an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter, or
 - 102 3 5 any matters involving or relating to any other company in which he or any person connected with him within the meaning of Section 252 of the 2006 Act has a direct or indirect interest (as that term is used in Part 22 of the 2006 Act) whether as an officer or shareholder or otherwise, provided that he and any such persons connected with him are not the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings) of or beneficially interested in 1% or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company, or
 - 102 3 6 an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates, or
 - 102 3 7 the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors
- 102 4 A Director shall not vote as a Director or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or employment with the Company or any company in which the Company is interested including fixing or varying the terms, or the termination of, his appointment
- 102 5 Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employment with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not debarred from voting under the proviso to Article 102 3 5) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment
- 102 6 If any question arises at any meeting as to whether an interest of a Director may reasonably be regarded as likely to give rise to a conflict of interest or as to the entitlement of any Director to vote and the question is not resolved by the Director voluntarily agreeing to abstain from voting, the question shall be referred to the Chairman of the meeting and his ruling in relation to any Director (other than himself) will be final and conclusive unless the nature or extent of the Director's interests has not been disclosed to the Directors. If a question arises in respect of the Chairman, it shall be determined by the Directors (other than the chairman). The Directors' resolution will be final and conclusive unless the nature or extent of the Chairman's interest has not been disclosed to the Directors
- 102 7 Subject to the Statutes, the Company may by ordinary resolution suspend or relax the restrictions in Articles 102 1 or 102 4 to any extent to ratify any contract, transaction or other arrangement not duly authorised by reason of a contravention of those Articles
- 102 8 For the purposes of this Article 102
- 102 8 1 an interest of a person who is connected with a Director (within the meaning of Section 252 of the 2006 Act) shall be treated as an interest of the Director and, in relation to an alternate, an interest of his appointor shall be treated as an interest of the alternate in addition to any interest which the alternate otherwise has,
 - 102 8 2 references to a conflict of interest include a conflict of interest and duty and a conflict of duties,
 - 102 8 3 an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his, and
 - 102 8 4 references to a contract or transaction include any proposed contract or transaction and any arrangement (whether or not constituting a contract)

Notice of Annual General Meeting continued

Special Business continued

102 RESTRICTIONS ON A DIRECTOR'S POWER TO VOTE WHERE HE HAS AN INTEREST continued

and

(d) deleting the existing Article 103 and replacing it with the following new Article 104 (following the renumbering referred to in (c) above)

104 DECLARATION OF DIRECTOR'S INTERESTS IN CONTRACTS

- 104 1 A Director who is in any way, whether directly or indirectly interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company shall declare the nature and extent of his interest to the other Directors to the extent required by and in accordance with the Statutes
- 104 2 A Director who is in any way, whether directly or indirectly, interested in any proposed transaction or arrangement with a subsidiary undertaking of the Company or any transaction or arrangement that has been entered into by a subsidiary undertaking of the Company shall declare the nature and extent of his interest to the other Directors of the Company to the same extent, at the same time and in the same way as Article 104 1 would require if the transaction or arrangement were with the Company
- 104 3 For the purposes of Articles 104 1 and 104 2 inclusive, an interest of a person who is connected with a Director (within the meaning of Section 252 of the 2006 Act) shall be treated as an interest of the Director and, in relation to an alternate, an interest of his appointor shall be treated as an interest of the alternate in addition to any interest which the alternate otherwise has

By order of the Board

Simon Walther
Company Secretary
16 July 2008

Notes

- 1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and proxy instructions accompanies this Notice of AGM. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
- 2 In order to be valid, any Form of Proxy, power of attorney or other authority under which it is signed, or a notanally certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.
- 3 As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders must be entered on the Company's share register at 3pm on 26 August 2008 in order to be entitled to attend and vote at the AGM. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 4 The following documents will be available from 2.45pm on the day of the meeting at the place of the Annual General Meeting until the close of the meeting:
 - 4.1 copies of the service contracts of each of the Executive Directors,
 - 4.2 copies of the letters of appointment of the Non-executive Directors, and
 - 4.3 a copy of the Articles of Association of the Company marked to show the changes being proposed by Resolution 9.

Notice of Annual General Meeting continued

Explanatory note on Resolution 9 and conflicts of interest

The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The amendments to the Articles of Association of the Company contained in resolution 9 give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The amendments to the Articles of Association of the Company contained in resolution 9 also contain provisions relating to information concerning the relevant matter, attendance at Board meetings and availability of Board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

Advisers

Registered Company Number of Cohort plc

05684823

Cohort plc is a company registered in England and Wales

Nominated Adviser and Broker

Investec

2 Gresham Street

London EC2V 7QP

Auditor

Baker Tilly UK Audit LLP

Chartered Accountants

12 Gleneagles Court

Brighton Road

Crawley

West Sussex RH10 6AD

Legal Advisers

Olswang

90 High Holborn

London WC1V 6XX

Registrars

Capita Registrars

Northern House

Woodsome Park

Fenay Bridge

Huddersfield HD8 0LA

Public and Investor Relations

Hogarth Partnership Limited

1 London Bridge

London SE1 9BG

Bankers

RBS Natwest

Abbey Gardens

4 Abbey Street

Reading RG1 3BA

Shareholder Information and Financial Calendar

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 or by telephone at the Company's registered office

Share Register

Capita Registrars maintain the register of members of the Company. If you have any questions about your personal holding of the Company's shares, please contact

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

Tel 0870 162 3100 (for calls within the UK)

+44 20 8639 2157 (for calls from overseas)

If you change your name or address or if details on the envelope enclosing this Report, including your post code, are incorrect or incomplete, please notify the Registrar in writing

Daily Share Price Listings

The Financial Times - AIM, Aerospace and defence

The Times - Professional and support services

Daily Telegraph - AIM section

Financial Calendar

Annual General Meeting

28 August 2008

Final dividend payable

3 September 2008

Expected announcement of results for the year ending 30 April 2009

Half year announcement

December 2008

Full year preliminary announcement

June 2009

Registered Office

The Court House

Northfield End

Henley-on-Thames

Oxfordshire RG9 2JN