Cohort plc
Interim Report 2009

Cohort plc

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 United Kingdom 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.

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.

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 c140 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 c130 permanent employees, plus c200 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 c230 permanent employees.

Our Market Sectors

Defence
Security
Information systems
Telecommunications
Space
Transport
Off-shore

Our Clients

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

Highlights

- Revenue increased by 10% to £37.3m.
- Adjusted operating profit decreased by 58% to £1.4m.
- MASS and SEA performing well.
- Full review underway to address SCS performance.
- Good order book of £60.2m, underpinning £26.7m of second half revenue.

Chairman's Statement

Nick Prest CBE Chairman

Overview

Cohort has continued to make progress during the first six months of this year in two of its three subsidiaries, MASS and SEA, both achieving good revenue growth over the equivalent period last year. MASS continued to show good profit growth whilst SEA's profit was slightly lower than for the corresponding period last year, in line with expectations. This performance reflects SEA's current position in a number of key programmes, with stronger second half delivery expected.

As announced on 3 December 2009, SCS has had a poor first half. An income overstatement for prior periods has also been identified and the comparative figures restated accordingly. An urgent investigation to identify the causes of the difficulties at SCS and resolve them is underway. As a consequence of the position at SCS the trading profit for the Group was down compared with the first six months for last year and the Group now anticipates a result for the full year significantly lower than the result for the year ended 30 April 2009.

Financials

In the six months ended 31 October 2009, Cohort achieved revenue of £37.3m (2008: £33.9m), a 10% increase. The Group's revenue for the first half included £10.9m from MASS, an increase of 14%, and £13.6m from SEA, an increase of 28%. SCS revenue was down on the first half of last year by £0.9m from £13.7m to £12.8m, a fall of 7%.

The Group's adjusted operating profit was £1.4m (2008: £3.2m). This included contributions from MASS of £1.9m (2008: £1.3m) and from SEA of £1.1m (2008: £1.2m). The loss from SCS of £0.9m (2008: profit of £1.2m) reduced the Group's overall trading performance. The Group's operating profit was £1.3m (2008: £2.9m).

During the period, the business of the Group's joint venture undertaking, AGS, was sold, realising an exceptional profit to the Group of £0.2m. The Group had previously withdrawn from this joint venture undertaking and written down its investment.

As announced on 3 December 2009, as part of the review leading up to the interim results the Group identified an overstatement of income at SCS of £1.85m. Of this amount, £0.6m has been identified as relating to the value of work in progress at 30 April 2009 and as the Board considers this to be a material amount, the figures reported for the year ending on this date have been correspondingly restated.

The adjusted earnings per share (before exceptional items and amortisation of other intangible assets) for the six months ended 31 October 2009 are 2.42 pence per ordinary share (2008: 6.25 pence).

"Taking a longer view, the Board believes that the prospects for all of the Group's businesses are sound and that this will feed into shareholder value."

Net cash outflow from operating activities was £0.1m (2008: inflow of £1.2m). Working capital increased in the first half but we expect it to reduce in the second half as deliveries are made. The net outflow in the first half compared with the net inflow in 2008/9 was primarily due to higher tax payments on account, with elements of R&D tax credits not yet reflected in these. The period ended with the Group holding £3.0m of net funds (£3.7m at 30 April 2009 and £1.8m net debt at 31 October 2008).

MASS

MASS has continued to perform very well, producing a 43% increase in operating profit from a 14% increase in revenue over the same period last year. Good progress on the MoD secure communications project as well as increased overseas deliveries contributed to a good performance, exceeding our expectations. MASS secured its role as IT provider for North Lincolnshire Building Schools for the Future programme as well as being part of one of the two teams down selected to the next stage of the UK's Defence Electronic Warfare Improvement Programme, worth up to £50m to the winning consortium. Down selection to one contractor is expected in the second half of next year. The order book of MASS at 31 October 2009 was £27.9m, underpinning £8.2m of second half revenue.

During the early part of November 2009, MASS completed the acquisition for £2.3m of a freehold property in St Neots, close to its current operations. This acquisition has been made to enable MASS to continue to expand its operations. Refurbishment costing up to £1.4m will take place over the next six months with MASS due to occupy its new facility in the summer of 2010. This purchase has been funded from the Group's own cash resources.

SEA

SEA performed in line with expectations. An increase in revenue of 28% was accompanied by a slight deterioration in net profit compared with the first half of 2008/9. The lower net profit, which was in line with expectations, reflected a change in mix with higher volumes in the period of lower margin revenue, primarily from current stages on space programmes and the research framework agreement for Future Soldier Systems. SEA also increased manning for delivery of some programmes which have slipped into the second half. As is typical for SEA, the delivery of revenue will be much more weighted to the second half. SEA order book at 31 October 2009 was £22.8m, underpinning £10.5m of the second half revenue.

SCS

SCS has had a very poor first half to 2009/10 producing a net loss of £0.9m (2008: profit of £1.2m) on revenue of £12.8m (2008: £13.7m). This very disappointing result has arisen from a tightening in the market leading to reduced revenue, a poor mix of work leading to lower margins and lower utilisation of core staff. The reported operating loss of £0.9m includes £0.4m of costs in respect of contracts completed in the year ended 30 April 2009, which do not fall to be classified as a prior year adjustment under accounting standards. The balance of the announced income overstatement, £0.8m, arose during the six months ended 31 October 2009 and is included in the reported operating loss.

Since the announcement on 3 December 2009 the Group has been carrying out an urgent investigation, in conjunction with its auditor, into the causes of the income overstatement, which relates mainly to work in progress on a small number of fixed price contracts. Preliminary conclusions are that causes were: errors in migrating data from the previous management information system to the present one; shortcomings in operation of the system; poor interaction between the finance and project management functions; and accounting errors. As a result of a lack of adequate balance sheet review at SCS these errors accumulated until identified by the Company in the process of preparing the interim result.

Prior to identification of the income overstatement, an initial restructuring programme had already been implemented at SCS which reduced annual costs by £0.7m. Following the recently identified problems, further changes are likely to be required to put SCS back on a satisfactory trading path. An urgent review of the management, operations and financial control at SCS is underway in order to identify and implement the necessary changes.

The SCS second half performance is expected to be in profit and the Board presently anticipates that SCS will trade approximately at break even over the whole year. The SCS order book at 31 October 2009 was £9.5m with £8.0m of this deliverable in the second half of the year.

SCS will relocate in early 2010 from Henley-on-Thames to a new office in Theale, near Reading. SCS, as now, will lease its new facilities.

Outlook and dividends

The Group's order book at 31 October 2009 stood at £60.2m. £26.7m of this order book is deliverable in the second half.

Despite the expected good performance from MASS and SEA, the breakeven trading outlook for SCS for the year means that the profit before tax for the current financial year will be significantly below that for the year ended 30 April 2009.

Taking a longer view, the Board believes that the prospects for all of the Group's businesses are sound and that this will feed into shareholder value after the problems at SCS have been rectified. Reflecting this belief, the Board is maintaining its progressive dividend policy. The Group plans to pay an interim dividend of 0.65 pence (2008: 0.55 pence) per ordinary share on 5 March 2010 to shareholders on the register at 5 February 2010.

Nick Prest CBE
Chairman

Consolidated Income Statement
For the six months ended 31 October 2009

	Notes	**Six months ended 31 October 2009 Unaudited £'000**	Six months ended 31 October 2008 Unaudited £'000	Year ended 30 April 2009 Restated Unaudited £'000
Revenue	2	**37,283**	33,860	77,951
Cost of sales		**(27,252)**	(22,763)	(54,001)
Gross profit		**10,031**	11,097	23,950
Administrative expenses		**(8,659)**	(7,868)	(16,470)
Adjusted operating profit*	2	**1,372**	3,229	7,480
Amortisation of other intangible assets		**(297)**	(312)	(540)
Exceptional items	3	**200**	—	(674)
Operating profit	2	**1,275**	2,917	6,266
Share of results of joint ventures		**—**	(216)	(224)
Finance income		**16**	90	95
Finance costs		**(88)**	(177)	(303)
Profit before tax		**1,203**	2,614	5,834
Income tax expense	4	**(316)**	(613)	(1,242)
Profit for the period attributable to the equity shareholders of the parent		**887**	2,001	4,592
Earnings per share		**Pence**	Pence	Pence
Basic		**2.18**	4.94	11.34
Diluted		**2.17**	4.92	11.26

* Adjusted operating profit is the operating profit before exceptional items and amortisation of other intangible assets.

All profit for the period is derived from continuing operations. The business of the joint venture was sold during the period.

The consolidated income statement for the year ended 30 April 2009 has been restated for the income overstatement described in note 8.

Statement of Other Comprehensive Income
For the six months ended 31 October 2009

	Six months ended 31 October 2009 Unaudited £'000	Six months ended 31 October 2008 Unaudited £'000	Year ended 30 April 2009 Restated Unaudited £'000
Profit for the period attributable to equity shareholders of the parent	**887**	2,001	4,592
Other comprehensive income:			
Cash flow hedges — losses taken to equity (net of tax)	**—**	—	(49)
Total comprehensive income for the period attributable to the equity shareholders of the parent	**887**	2,001	4,543

The statement of other comprehensive income for the year ended 30 April 2009 has been restated for the income overstatement described in note 8.

Consolidated Statement of Financial Position
As at 31 October 2009

	31 October 2009 Unaudited £'000	31 October 2008 Unaudited £'000	30 April 2009 Restated Unaudited £'000
Assets			
Non-current assets			
Goodwill	**31,043**	31,042	31,043
Other intangible assets	**930**	1,675	1,227
Property, plant and equipment	**4,731**	4,754	4,727
Deferred tax asset	**266**	62	266
	36,970	37,533	37,263
Current assets			
Inventories	**417**	333	359
Trade and other receivables	**19,654**	20,765	23,655
Derivative financial instruments	**210**	121	178
Cash and cash equivalents	**6,749**	2,134	7,511
	27,030	23,353	31,703
Total assets	**64,000**	60,886	68,966
Liabilities			
Current liabilities			
Trade and other payables	**(11,086)**	(11,047)	(16,164)
Current tax liabilities	**(1,068)**	(1,475)	(1,377)
Other loans	**—**	(42)	(32)
Derivative financial instruments	**(68)**	—	(68)
Bank borrowings	**(3,180)**	(3,126)	(3,167)
Provisions	**(1,354)**	(1,266)	(1,528)
	(16,756)	(16,956)	(22,336)
Non-current liabilities			
Other loans	**—**	(11)	—
Bank borrowings	**(529)**	(728)	(615)
Deferred tax liability	**(920)**	(662)	(920)
	(1,449)	(1,401)	(1,535)
Total liabilities	**(18,205)**	(18,357)	(23,871)
Net assets	**45,795**	42,529	45,095
Equity			
Share capital	**4,076**	4,048	4,059
Share premium account	**29,491**	29,186	29,297
Hedge reserve	**(49)**	—	(49)
Share option reserve	**356**	260	266
Retained earnings	**11,921**	9,035	11,522
Total equity attributable to the equity shareholders of the parent	**45,795**	42,529	45,095

The consolidated statement of financial position for the year ended 30 April 2009 has been restated for the income overstatement described in note 8.

Consolidated Statement of Changes in Equity
For the six months ended 31 October 2009

	Notes	Share capital £'000	Share premium account £'000	Hedge reserve £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2009 as previously reported		4,059	29,297	(49)	266	12,012	45,585
Restatement in respect of income overstatement at SCS	8	—	—	—	—	(490)	(490)
At 1 May 2009 as restated		4,059	29,297	(49)	266	11,522	45,095
Dividends		—	—	—	—	(488)	(488)
Total comprehensive income for the period		—	—	—	—	887	887
Share options		17	194	—	—	—	211
Share-based payments		—	—	—	90	—	90
At 31 October 2009		**4,076**	**29,491**	**(49)**	**356**	**11,921**	**45,795**
At 1 May 2008		4,046	29,158	—	200	7,439	40,843
Dividends		—	—	—	—	(405)	(405)
Total comprehensive income for the period		—	—	—	—	2,001	2,001
Share options		2	28	—	—	—	30
Share-based payments		—	—	—	60	—	60
At 31 October 2008		4,048	29,186	—	260	9,035	42,529
At 1 May 2008		4,046	29,158	—	200	7,439	40,843
Dividends		—	—	—	—	(627)	(627)
Total comprehensive income for the year	8	—	—	(49)	—	4,592	4,543
Share options		13	139	—	—	—	152
Share-based payments		—	—	—	66	118	184
At 30 April 2009		4,059	29,297	(49)	266	11,522	45,095

Consolidated Statement of Cash Flows
For the six months ended 31 October 2009

	Notes	Six months ended 31 October 2009 Unaudited £'000	Six months ended 31 October 2008 Unaudited £'000	Year ended 30 April 2009 Restated Unaudited £'000
Net cash (used in)/generated from operating activities	7	**(81)**	1,233	7,271
Cash flow from investing activities				
Interest received		**16**	90	95
Proceeds on disposals of property, plant and machinery		**27**	—	6
Proceeds on disposal of interest in joint ventures		**140**	—	—
Purchases of property, plant and equipment		**(296)**	(141)	(432)
Acquisition of subsidiaries, net of cash acquired		**(280)**	(4,673)	(4,673)
Net cash used in investing activities		**(393)**	(4,724)	(5,004)
Cash flow from financing activities				
Dividends paid		**(488)**	(405)	(627)
Repayment of borrowings		**(105)**	(81)	(174)
Proceeds on issue of shares		**211**	30	152
Net cash used in financing activities		**(382)**	(456)	(649)
Net (decrease)/increase in cash and cash equivalents		**(856)**	(3,947)	1,618
Cash and bank brought forward		**1,311**	6,081	6,081
Cash flow		**3,344**	(4,947)	(4,582)
Exchange		**94**	—	(188)
Cash and bank carried forward		**4,749**	1,134	1,311
Short-term deposits brought forward		**6,200**	—	—
Cash flow		**(4,200)**	1,000	6,200
Short-term deposits carried forward		**2,000**	1,000	6,200
Cash and cash equivalent brought forward		**7,511**	6,081	6,081
Cash flow		**(856)**	(3,947)	1,618
Exchange		**94**	—	(188)
Cash and cash equivalents carried forward		**6,749**	2,134	7,511
Total debt		**(3,709)**	(3,907)	(3,814)
Net funds/(debt)		**3,040**	(1,773)	3,697

Notes to the Interim Report
For the six months ended 31 October 2009

1. Basis of preparation

The financial information contained within this Interim Report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the EU and expected to apply at 30 April 2010. This Interim Report is condensed with respect to IFRS requirements. As permitted, this Interim Report has been prepared in accordance with AIM Rules for Companies and not in accordance with IAS 34 'Interim Financial Reporting' and is therefore not fully compliant with IFRS. This Interim Report is presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 May 2009.

IAS 1 (revised), 'Presentation of Financial Statements'. The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8, 'Operating Segments' replaces IAS 14, 'Segment Reporting'. It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This will not result in a change in the reportable segments presented.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board that makes strategic decisions.

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

The comparative figures for the year ended 30 April 2009 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report which did not include statements under Section 498(2) or (3) of the Companies Act 2006. The figures for the year ended 30 April 2009 have been restated for the income overstatement at SCS (see note 8).

The Interim Report was approved by the Board and authorised for issue on 8 December 2009. Copies of the Interim Report will be sent to shareholders on 21 December 2009.

2. Segmental analysis of revenue and adjusted operating profit

	Six months ended 31 October 2009 Unaudited £'000	Six months ended 31 October 2008 Unaudited £'000	Year ended 30 April 2009 Restated Unaudited £'000
Revenue			
MASS	**10,905**	9,561	20,622
SCS	**12,821**	13,688	30,425
SEA	**13,557**	10,611	26,904
	37,283	33,860	77,951
Operating profit			
MASS	**1,884**	1,322	2,832
SCS	**(902)**	1,171	2,723
SEA	**1,074**	1,231	3,124
Central costs	**(684)**	(495)	(1,199)
Adjusted operating profit	**1,372**	3,229	7,480
Amortisation of other intangible assets	**(297)**	(312)	(540)
Exceptional items	**200**	—	(674)
Operating profit	**1,275**	2,917	6,266

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

The operating profit as reported under IFRS is reconciled to the adjusted operating profit as reported above by the exclusion of exceptional items and amortisation of other intangible assets.

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

The adjusted operating profit is stated after charging £90,000 in respect of share-based payments (six months ended 31 October 2008: £60,000, year ended 30 April 2009: £184,000).

As announced on 3 December 2009 the Group identified an overstatement of income of £1,850,000. Of this, £620,000 has been accounted as prior year adjustment (see note 8). Of the remainder £434,000 relates to costs incurred on contracts completed in the year ended 30 April 2009 which do not fall to be classified as prior year adjustments under accounting standards and £796,000 relates to costs overruns on contracts in progress. The underlying performance of SCS in the period is therefore a loss of £468,000 (2008: profit of £1,171,000).

2. Segmental analysis of revenue and adjusted operating profit continued

Revenue analysis by sector and type of work

	Six months ended 31 October 2009 Unaudited		Six months ended 31 October 2008 Unaudited		Year ended 30 April 2009 Restated Unaudited	
	£m	**%**	£m	%	£m	%
By sector						
Direct to UK MoD	**19.5**		18.9		43.7	
Indirect to UK MoD, where the Group acts as a sub-contractor or partner	**6.8**		7.4		16.4	
Total to the UK MoD	**26.3**	**71**	26.3	78	60.1	77
Export defence customers	**4.1**		2.5		6.0	
Defence revenue	**30.4**	**82**	28.8	85	66.1	85
Transport	**1.9**		2.2		4.6	
Space	**3.6**		1.6		4.2	
Other commercial	**1.4**		1.3		3.1	
Non-defence revenue	**6.9**	**18**	5.1	15	11.9	15
Total revenue	**37.3**	**100**	33.9	100	78.0	100
By type of work						
Technology solutions	**16.0**	**43**	12.1	36	30.4	39
Advisory services	**7.6**	**20**	11.8	35	23.2	30
Manpower provision	**6.5**	**17**	3.7	11	10.0	13
Managed services	**4.4**	**12**	4.3	13	9.0	11
Product	**2.8**	**8**	2.0	5	5.4	7
Total revenue	**37.3**	**100**	33.9	100	78.0	100

3. Exceptional items

	Six months ended 31 October 2009 Unaudited £'000	Six months ended 31 October 2008 Unaudited £'000	Year ended 30 April 2009 Restated Unaudited £'000
Charge in respect of withdrawing from the Group's joint venture in AGS	**—**	—	(674)
Profit on disposal of the business of AGS	**200**	—	—
	200	—	(674)

4. Income tax expense

	Six months ended 31 October 2009 Unaudited £'000	Six months ended 31 October 2008 Unaudited £'000	Year ended 30 April 2009 Restated Unaudited £'000
Current tax: in respect of this year	**316**	613	1,169
Current tax: in respect of prior periods	**—**	—	—
	316	613	1,169
Deferred taxation	**—**	—	73
	316	613	1,242

The income tax expense for the six months ended 31 October 2009 is based upon the anticipated charge for the full year. The income tax expense for the year ended 30 April 2009 has been restated for the income overstatement at SCS (see note 8).

5. Earnings per share

The earnings per share are calculated as follows:

	Six months ended 31 October 2009 Unaudited £'000	Six months ended 31 October 2008 Unaudited £'000	Year ended 30 April 2009 Restated Unaudited £'000
Earnings			
Basic and diluted earnings	**887**	2,001	4,592
Exceptional items (net of income tax)	**(200)**	—	674
Amortisation of other intangible assets	**297**	312	540
Share of result of joint ventures (net of income tax)	**—**	216	224
Adjusted basic and diluted earnings	**984**	2,529	6,030

	Number	Number	Number
Weighted average number of shares			
For the purposes of basic earnings per share	**40,680,955**	40,477,758	40,491,561
Share options	**180,684**	172,644	294,780
For the purposes of diluted earnings per share	**40,861,639**	40,650,402	40,786,341

	Six months ended 31 October 2009 Unaudited Pence	Six months ended 31 October 2008 Unaudited Pence	Year ended 30 April 2009 Restated Unaudited Pence
Earnings per share			
Basic	**2.18**	4.94	11.34
Diluted	**2.17**	4.92	11.26
Adjusted earnings per share			
Basic	**2.42**	6.25	14.89
Diluted	**2.41**	6.22	14.78

6. Dividends

	Six months ended 31 October 2009 Unaudited Pence	Six months ended 31 October 2008 Unaudited Pence	Year ended 30 April 2009 Restated Unaudited Pence
Dividends per share proposed in respect of the period			
Interim	**0.65**	0.55	0.55
Final	**—**	—	1.20

The interim dividend for the six months ended 31 October 2009 is 0.65 pence (six months ended 31 October 2008: 0.55 pence) per ordinary share. This dividend will be payable 5 March 2010 for shareholders on the register at 5 February 2010.

The final dividend charged to the income statement for the year ended 30 April 2009 was 1.55 pence per ordinary share.

7. Net cash from operating activities

	Six months ended 31 October 2009 Unaudited £'000	Six months ended 31 October 2008 Unaudited £'000	Year ended 30 April 2009 Restated Unaudited £'000
Profit for the period	**887**	2,001	4,592
Adjustments for:			
Share of results of joint ventures	**—**	216	224
Tax expense	**316**	613	1,242
Depreciation of property, plant and equipment	**266**	249	563
Amortisation of other intangible assets	**297**	312	540
Exceptional items	**(200)**	—	674
Net finance costs (net of finance income)	**72**	87	208
Share-based payment	**90**	60	184
Derivative financial instruments	**(32)**	10	(47)
Increase in provisions	**106**	341	612
Operating cash flows before movements in working capital	**1,802**	3,889	8,792
(Increase)/decrease in inventories	**(58)**	356	(213)
Decrease/(increase) in receivables	**4,621**	(813)	(3,464)
(Decrease)/increase in payables	**(5,684)**	(2,270)	2,867
	(1,121)	(2,727)	(810)
Cash generated from operations	**681**	1,162	7,982
Tax (paid)/received	**(674)**	249	(408)
Interest paid	**(88)**	(178)	(303)
Net cash (used in)/generated from operating activities	**(81)**	1,233	7,271

The net cash from operating activities for the year ended 30 April 2009 has been restated for the income overstatement at SCS (see note 8).

Notes to the Interim Report continued
For the six months ended 31 October 2009

8. Restatement of prior year results

The figures reported for the year ended 30 April 2009 have been restated for part of the income overstatement at SCS announced on 3 December 2009. The impact of this restatement is to reduce revenue and profit before tax by £620,000 and the tax charge by £130,000. At 30 April 2009, the trade debtors and other receivables have been reduced by £620,000 and the tax liability by £130,000.

The balance of the income overstatement (£1,230,000) has been shown as a reduction in revenue and profit before tax for the six months ended 31 October 2009.

The figures reported for the six months ended 31 October 2008 have not been restated, as the impact on this period was not material.

Independent Review Report to Cohort plc
For the six months ended 31 October 2009

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Interim Report for the six months ended 31 October 2009, which comprises the Consolidated Income Statement, Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of meeting the requirements of the AIM Rules for Companies and for no other purpose. We do not, therefore, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing and presenting the Interim Report in accordance with the AIM Rules for Companies.

As disclosed, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) pronouncements as adopted by the EU. The condensed set of financial statements included in this interim financial report has been prepared in accordance with the measurement and recognition criteria of IFRS and IFRIC pronouncements as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review.

Scope of review

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

Independent Review Report to Cohort plc continued
For the six months ended 31 October 2009

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 31 October 2009 is not prepared, in all material respects, in accordance with the measurement and recognition criteria of IFRS and IFRIC pronouncements as adopted by the EU, and the AIM Rules for Companies.

Baker Tilly UK Audit LLP
Chartered Accountants
12 Gleneagles Court
Brighton Road
Crawley
West Sussex RH10 6AD
8 December 2009

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 to the Company's registered office or by e-mail to info@cohortplc.com.

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 postcode, are incorrect or incomplete, please notify the Registrar in writing.

Daily Share Price Listings

The Financial Times	– AIM, Aerospace and defence
The Times	– Engineering
Daily Telegraph	– AIM section

Financial Calendar

Annual General Meeting	2 September 2010
Final dividend payable	8 September 2010

Expected announcement of results for the year ending 30 April 2010:

Full year preliminary announcement	June 2010
Half year announcement	December 2010

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the design portfolio
marketing services.
www.design-portfolio.co.uk

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