

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.

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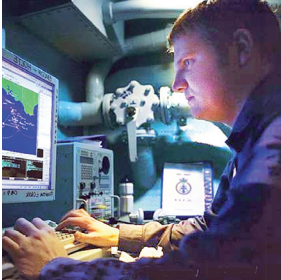
About Us

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 c135 permanent employees, plus c15 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 c170 deployed associates.



SEA (Group) Limited (SEA) is an independent systems engineering and software company operating in defence, space, transport and offshore 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 • Offshore

Our Clients

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

Highlights

- Revenue increased 62% to £33.9m.
- Adjusted operating profit increased by 123% to £3.2m.
- Strong organic profit growth by existing subsidiaries; SCS up 35% and MASS 47%.
- Creditable SEA first half performance.
- Strong order book of £57.6m, underpinning £30.5m of second half revenue.

Chairman's Statement



Nick Prest CBE
Chairman

Overview

Cohort has continued to make good progress during the first six months of this year. The SEA (Group) Ltd (SEA) acquired this time last year has had a strong first year in the Group. MASS Consultants Ltd (MASS) and Systems Consultants Services Ltd (SCS) both continued to grow their revenue and profits at good rates.

Financials

In the six months ended 31 October 2008, Cohort achieved revenue of £33.9m (2007: £20.9m), a 62% increase.

The revenue for the first half included £13.7m from SCS, which represented growth of 8% on 2007, £9.6m from MASS, an increase of 16%, and £10.6m from SEA (acquired 31 October 2007).

The Group's adjusted operating profit was £3.2m (2007: £1.4m). This included contribution from MASS of £1.3m (2007: £0.9m), SCS of £1.2m (2007: £0.9m) and from SEA £1.2m. SEA was acquired 31 October 2007 and hence no contribution for the six months ended 31 October 2007.

The Group's profit before tax and amortisation of other intangible assets was £2.9m (2007: £1.5m) after charging £0.2m (2007: £0.1m) in respect of the Group's share of its joint venture undertaking, Advanced Geospatial Solutions Ltd (AGS). The future of the Group's investment in AGS is currently under review.

The adjusted earnings per share (before exceptional items and amortisation of other intangible assets) for the six months ended 31 October 2008 are 5.71 pence per ordinary share (2007: 4.12 pence).

Net cash flow from operating activities was £1.2m (2007: £0.3m). Working capital increased in the first half but we expect it to reduce in the second half as deliveries are made. The period ended with the Group holding £1.8m of net debt, having paid £4.7m in cash for the deferred consideration of SEA, which was earned in full.

MASS

MASS has continued to perform well, producing a 47% increase in net profit from

a 16% increase in revenue over the same period last year. Good progress on the main MOD secure communications project contributed to a good performance in the Systems Development division, exceeding our expectations. MASS has also secured some important systems and electronic warfare business with some new key customers, including Thales and Saab. The order book of MASS at 31 October 2008 was £25.9m, underpinning £10.0m of second half revenue.

SCS

SCS revenue grew 8% over the same period in 2007, another creditable performance, delivering net profit of £1.2m, a growth of 35%. SCS has benefited from the investment made over the last two years and the record high order book at April 2008 now feeding into revenue, especially in the Systems division through contracts such as Land Environment Air Picture Provision (LEAPP) and Joint Effects Tactical Targeting System (JETTS). The order book of SCS at 31 October 2008 was £11.0m, underpinning £8.8m of second half revenue.

SEA

Acquired 31 October 2007, this is SEA's first contribution to the Group's first half performance and was in line with expectations. The Space division and the Land and Air division within Defence performed particularly well. As stated at the year end, SEA has a strong weighting of its operating profit to the second half. SEA order book at 31 October 2008 was £20.7m, underpinning £11.7m of second half revenue.

Board and Personnel

Ian Dale-Staples, who joined the Board following the acquisition of SEA in October 2007, has relinquished his role as Chief Executive Officer of SEA and has

now taken up a full-time role on the Cohort Board as Group Corporate Development Director.

Paul Phillips, who has been at SEA for 19 years and was previously in charge of SEA's Defence business, has been appointed Managing Director of SEA, taking over from Ian.

Dividends

In accordance with the Group's progressive dividend policy, it plans to pay an interim dividend of 0.55 pence (2007: 0.45 pence) per ordinary share on 6 March 2009 to shareholders on the register at 27 February 2009.

Outlook

The Group's order book at 31 October 2008 stood at £57.6m. £30.5m of this order book is deliverable in the second half. We expect the profits of SCS and SEA to be weighted towards the second half, as in previous years.

Cohort provides technical advisory and support services, high tech design and low volume manufacture of niche products to government and industry clients, primarily in the defence and security sectors, independent of major producer interests.

The Group companies are agile and able to respond quickly to changing customer requirements in the UK MOD. We see continuing opportunities both for organic growth and complementary acquisitions. The Board is positive about the overall outlook.

Nick Prest CBE
Chairman

Consolidated Income Statement For the six months ended 31 October 2008

	Notes	Six months ended 31 October 2008 Unaudited £000	Six months ended 31 October 2007 Unaudited £000	Year ended 30 April 2008 Audited £000
Revenue	2	33,860	20,902	57,093
Cost of sales		(22,763)	(15,427)	(40,386)
Gross profit		11,097	5,475	16,707
Administrative expenses		(7,868)	(4,029)	(10,597)
Adjusted operating profit*	2	3,229	1,446	6,110
Amortisation of other intangible assets		(312)	(168)	(481)
Exceptional items		—	—	(17)
Share of results of joint ventures		(216)	(101)	(118)
Operating profit	2	2,701	1,177	5,494
Finance income		90	143	231
Finance costs		(177)	(14)	(156)
Profit before tax		2,614	1,306	5,569
Tax expense	3	(613)	(260)	(1,089)
Profit for the period attributable to the equity shareholders of the parent		2,001	1,046	4,480

All profit for the period is 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.

	Notes	Six months ended 31 October 2008 Unaudited Pence	Six months ended 31 October 2007 Unaudited Pence	Year ended 30 April 2008 Audited Pence
Earnings per share	4			
Basic		4.94	3.55	12.81
Diluted		4.92	3.52	12.66
Adjusted earnings per share	4			
Basic		5.71	4.12	14.24
Diluted		5.69	4.09	14.07
Dividends per share proposed in respect of the period	5			
Interim		0.55	0.45	0.45
Final		—	—	1.00

Consolidated Balance Sheet As at 31 October 2008

	Notes	31 October 2008 Unaudited £000	31 October 2007 Unaudited (Restated) £000	30 April 2008 Audited (Restated) £000
Assets				
Non-current assets				
Goodwill	6	31,042	31,042	31,042
Other intangible assets		1,675	2,300	1,987
Property, plant and equipment		4,754	4,904	4,866
Deferred tax asset		62	71	62
		37,533	38,317	37,957
Current assets				
Inventories		3,563	4,629	1,041
Trade and other receivables		17,535	11,235	19,952
Derivative financial instruments		121	–	131
Cash and cash equivalents		2,134	4,603	6,081
		23,353	20,467	27,205
Total assets		60,886	58,784	65,162
Liabilities				
Current liabilities				
Trade and other payables		(11,047)	(10,224)	(13,103)
Current tax liabilities		(1,475)	(552)	(616)
Other loans		(42)	(51)	(41)
Bank loans and overdrafts		(3,126)	(3,358)	(3,123)
Provisions		(1,266)	(5,518)	(5,783)
		(16,956)	(19,703)	(22,666)
Non-current liabilities				
Other loans		(11)	(53)	(32)
Bank loans		(728)	(864)	(792)
Deferred tax liabilities		(662)	(292)	(662)
Provisions		–	(500)	(167)
		(1,401)	(1,709)	(1,653)
Total liabilities		(18,357)	(21,412)	(24,319)
Net assets		42,529	37,372	40,843
Equity				
Share capital		4,048	4,035	4,046
Share premium account		29,186	29,019	29,158
Share option reserve		260	131	200
Retained earnings		9,035	4,187	7,439
Total equity attributable to the equity shareholders of the parent		42,529	37,372	40,843

Consolidated Statement of Changes in Equity For the six months ended 31 October 2008

	Six months ended 31 October 2008 Unaudited £000	Six months ended 31 October 2007 Unaudited £000	Year ended 30 April 2008 Audited £000
At beginning of period	40,843	20,579	20,579
Profit reported (total recognised income and expense)	2,001	1,046	4,480
Equity dividends paid	(405)	(265)	(447)
Issue of new 10p ordinary shares	—	16,313	16,433
Costs of new share issue	—	(361)	(361)
Exercise of share options	30	—	30
Share-based payments	60	60	129
At end of period	42,529	37,372	40,843

Consolidated Cash Flow Statement

For the six months ended 31 October 2008

	Notes	Six months ended 31 October 2008 Unaudited £000	Six months ended 31 October 2007 Unaudited £000	Year ended 30 April 2008 Audited £000
Net cash inflow from operating activities	7	1,233	316	3,235
Investing activities				
Interest received		90	143	231
Purchases of property, plant and equipment		(141)	(161)	(525)
Acquisition of subsidiaries, net of cash acquired		(4,673)	(10,945)	(11,473)
Net cash used in investing activities		(4,724)	(10,963)	(11,767)
Financing activities				
Dividends paid		(405)	(265)	(447)
Repayment of borrowings		(81)	—	(94)
Proceeds on issue of shares		30	7,500	7,139
New bank loans raised		—	3,000	3,000
Net cash (outflow)/inflow from financing activities		(456)	10,235	9,598
Net (decrease)/increase in cash and cash equivalents		(3,947)	(412)	1,066
		At 1 May 2008 Audited £000	Cash flow Unaudited £000	At 31 October 2008 Unaudited £000
Funds reconciliation				
Cash and bank		6,081	(4,947)	1,134
Short-term deposits		—	1,000	1,000
Cash and cash equivalents		6,081	(3,947)	2,134
Other loans		(73)	20	(53)
Bank loan		(3,915)	61	(3,854)
Debt		(3,988)	81	(3,907)
Net funds		2,093	(3,866)	(1,773)

Notes to the Interim Report For the six months ended 31 October 2008

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 2009. 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 IAS34 '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.

In accordance with Section 240(3) of the Companies Act 1985, 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 2008 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 237(2) or (3) of the Companies Act 1985.

The Interim Report was approved by the Board and authorised for issue on 10 December 2008. Copies of the Interim Report will be posted to shareholders 19 December 2008.

2. Segmental Analysis of Revenue and Adjusted Operating Profit

	Six months ended 31 October 2008 Unaudited £000	Six months ended 31 October 2007 Unaudited £000	Year ended 30 April 2008 Audited £000
Revenue			
MASS	9,561	8,240	17,998
SCS	13,688	12,662	26,087
SEA (acquired 31 October 2007)	10,611	–	13,008
	33,860	20,902	57,093
Net profit			
MASS	1,322	901	2,271
SCS	1,171	866	2,343
SEA (acquired 31 October 2007)	1,231	–	2,249
Central Costs	(495)	(321)	(753)
Adjusted operating profit	3,229	1,446	6,110
Amortisation of other intangible assets	(312)	(168)	(481)
Exceptional items	–	–	(17)
Share of results of joint ventures	(216)	(101)	(118)
Operating profit	2,701	1,177	5,494

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, the Group's share of joint ventures 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 £60,000 in respect of share-based payments (six months ended 31 October 2007: £60,000, year ended 30 April 2008: £129,000).

2. Segmental Analysis of Revenue and Adjusted Operating Profit (Continued)

Revenue Analysis by Sector and Type of Work

	Six months ended 31 October 2008 Unaudited		Six months ended 31 October 2007 Unaudited		Year ended 30 April 2008 Unaudited	
	£m	%	£m	%	£m	%
By sector						
Direct to UK MOD	18.9		13.8		34.0	
Indirect to UK MOD, where the Group acts as a sub-contractor or partner	7.4		4.3		13.6	
Total to UK MOD	26.3	78	18.1	87	47.6	83
Export defence customers	2.5		1.8		4.2	
Defence revenue	28.8	85	19.9	95	51.8	91
Transport	2.2		—		1.7	
Space	1.6		—		1.2	
Other commercial	1.3		1.0		2.4	
Non-defence revenue	5.1	15	1.0	5	5.3	9
Total revenue	33.9	100	20.9	100	57.1	100
By type of work						
Advisory services	11.8	35	10.0	48	21.9	39
Technology solutions	12.1	36	2.1	10	14.9	26
Managed services	4.3	13	4.0	19	8.6	15
Manpower provision	3.7	11	3.4	16	6.9	12
Product	2.0	5	1.4	7	4.8	8
Total revenue	33.9	100	20.9	100	57.1	100

3. Tax Expense

	Six months ended 31 October 2008 Unaudited £000	Six months ended 31 October 2007 Unaudited £000	Year ended 30 April 2008 Audited £000
Current tax: in respect of this year	613	256	710
Current tax: in respect of prior periods	—	4	—
	613	260	710
Deferred taxation	—	—	379
	613	260	1,089

The tax expense for the six months ended 31 October 2008 is based upon the anticipated charge for the full year.

Notes to the Interim Report For the six months ended 31 October 2008

4. Earnings Per Share

The earnings per share are calculated as follows:

	Six months ended 31 October 2008 Unaudited £000	Six months ended 31 October 2007 Unaudited £000	Year ended 30 April 2008 Audited £000
Earnings			
Basic and diluted earnings	2,001	1,046	4,480
Exceptional items	—	—	17
Amortisation of other intangible assets	312	168	481
Adjusted basic and diluted earnings	2,313	1,214	4,978

	Number	Number	Number
Weighted average number of shares			
For the purposes of basic earnings per share	40,477,758	29,477,161	34,960,426
Share options	172,644	224,308	423,731
For the purposes of diluted earnings per share	40,650,402	29,701,469	35,384,157

	Six months ended 31 October 2008 Unaudited Pence	Six months ended 31 October 2007 Unaudited Pence	Year ended 30 April 2008 Audited Pence
Earnings per share			
Basic	4.94	3.55	12.81
Diluted	4.92	3.52	12.66
Adjusted earnings per share			
Basic	5.71	4.12	14.24
Diluted	5.69	4.09	14.07

5. Dividends

The interim dividend for the six months ended 31 October 2008 is 0.55p (six months ended 31 October 2007: 0.45p) per ordinary share. This dividend will be payable 6 March 2009.

The final dividend for the year ended 30 April 2008 was 1.45p per ordinary share (£587,000).

6. Goodwill

The goodwill on acquisition of SEA has been adjusted by £402,000 in respect of the finalisation of provisional fair values in respect of inherited contractual obligations acquired with the business at 31 October 2007. The comparative figures for 31 October 2007 and 30 April 2008 have been restated accordingly.

7. Net Cash from Operating Activities

	Six months ended 31 October 2008 Unaudited £000	Six months ended 31 October 2007 Unaudited £000	Year ended 30 April 2008 Audited £000
Profit for the period	2,001	1,046	4,480
Adjustments for:			
Share of loss of joint ventures	216	101	118
Tax expense	613	260	1,089
Depreciation of property, plant and equipment	249	93	463
Amortisation of other intangible assets	312	168	481
Exceptional items	—	—	17
Derivative financial instruments	10	—	(131)
Finance costs (net of finance income)	87	(129)	(75)
Share-based payment	60	60	129
Increase in provisions	341	64	316
Operating cash flows before movements in working capital	3,889	1,663	6,887
(Increase)/decrease in inventories	(2,874)	(1,400)	823
Decrease/(increase) in receivables	2,417	33	(8,138)
(Decrease)/increase in payables	(2,270)	363	4,326
	(2,727)	(1,004)	(2,989)
Cash generated by operations	1,162	659	3,898
Tax received/(paid)	249	(341)	(507)
Interest paid	(178)	(2)	(156)
Net cash inflow from operating activities	1,233	316	3,235

Independent Review Report to Cohort plc For the six months ended 31 October 2008

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 2008, which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement 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 in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) pronouncements as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) pronouncements, as adopted by the European Union.

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 United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 31 October 2008 is not prepared, in all material respects, in accordance with the measurement and recognition criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) pronouncements as adopted by the European Union, and the AIM Rules for Companies.

Baker Tilly UK Audit LLP
Chartered Accountants
12 Gleneagles Court
Brighton Road, Crawley
West Sussex RH10 6AD
10 December 2008

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
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Crawley
West Sussex RH10 6AD

Legal Advisers

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Capita Registrars

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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 – Engineering

Daily Telegraph – AIM section

Financial Calendar

Annual General Meeting	27 August 2009
Final dividend payable	2 September 2009

Expected announcement of results for the year ending 30 April 2009:

Full year preliminary announcement	25 June 2009
Half year announcement	10 December 2009

Registered Office

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Cohort plc

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